Congregational Leadership Conference



Participant Binder

March 18, 2017

Christ Episcopal Church
Bowling Green, KY

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A

Diocesan Staff and Officer Directory

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ARCHIVIST

Vacant

B

Web Roadmap to Resources

The Episcopal Diocese of Kentucky

Web Roadmap to Resources
Congregational Leadership Conference

This resource is meant to help church leaders navigate the diocesan website (www.episcopalky.org) to find the resources that are available. In this document, a roadmap will be given to find the following documents:

- Parochial Report
- Church Leadership Report
- Pension & Health Benefit Information
- Mission Funding Information and Forms
- Church Audit Information
- Manual of Business Methods in Church Affairs
- 2017 Federal Reporting Requirements for Episcopal Churches
- 2017 Clergy Tax Guide
- Church Finance Today
- Safeguarding God's Children

PAROCHIAL REPORT
CHURCH LEADERSHIP REPORT

1. Visit www.episcopalky.org.
2. Under the CHURCH ADMINISTRATION tab, select PAROCHIAL REPORTS.

PENSION & HEALTH BENEFIT INFORMATION
MISSION FUNDING INFORMATION & FORMS

1. Visit www.episcopalky.org.
2. Under the CHURCH ADMINISTRATION tab, select the subject PENSION & HEALTH BENEFITS.

CHURCH FINANCIAL REVIEW INFORMATION

1. Visit www.episcopalky.org.
2. Under the CHURCH ADMINISTRATION tab, select FINANCIAL PUBLICATIONS & RESOURCES.
3. Select the document you want.

MANUAL OF BUSINESS METHODS IN CHURCH AFFAIRS
2017 FEDERAL REPORTING REQUIREMENTS FOR EPISCOPAL CHURCHES
2017 CLERGY TAX GUIDE

1. Visit www.episcopalky.org.
2. Under the CHURCH ADMINISTRATION tab, select FINANCIAL PUBLICATION & RESOURCES.
3. Select the document you want.

CHURCH FINANCE TODAY

1. Visit www.episcopalky.org.
2. Under the CHURCH ADMINISTRATION tab, select FINANCIAL PUBLICATION & RESOURCES.
3. Under Church Finance Today, click the Church Finance Today webpage link.
4. Enter in the password "DioKYFinance".
5. Select the edition you want.

SAFEGUARDING GOD'S CHILDREN

1. Visit www.episcopalky.org.
2. Under the CLERGY & CHURCH tab, select SAFEGUARDING TRAINING.

C

Structure of the Church

The Episcopal Diocese of Kentucky

Structure of the Episcopal Church, the Diocese of Kentucky, and its Parishes and Missions

Congregational Leadership Conference

OBJECTIVE

Within the time allotted, registrants should become familiar with the structure of the Episcopal Church and the place within the Church of the Diocese of Kentucky and each of its parishes and missions. This segment will refer to the principal governing documents for each organization: the Constitution and Canons of Church and the Charter and Canons of Diocese of Kentucky.

I. STRUCTURE OF THE EPISCOPAL CHURCH. SO, WHAT IS THE EPISCOPAL CHURCH?

A. The Church is its Members. The Book of Common Prayer provides that Holy Baptism is the full initiation by water and the Holy Spirit into Christ's Body in the Church.

1. All persons who have received the Sacrament of Holy Baptism with water in the name of the Father, and of the Son, and of the Holy Spirit, whether in an Episcopal Church or in another Christian Church and whose baptisms have been duly recorded in an Episcopal Church, are "members" of the Episcopal Church. GC Canon I.17.1(a). Members of 16 years of age and over are "adult members". GC Canon 17.1.1(b). The GC Canons I.17.2 and 3 are more specific.

2. Non discrimination. "No one shall be denied rights, status or access to an equal place in the life, worship, and governance of this Church because of race, color, ethnic origin, national origin, marital status, sex, sexual orientation, disabilities or age, except as otherwise specified by Canons." GC Canons I.17.5 and III.2.

B. The Church is a General Convention. The Constitution establishes a General Convention as its governing body. The General Convention is composed of a House of Bishops and a House of Deputies.

1. The General Convention meets not less than once every three years and may hold special meetings as called. Const. Art. I.7; GC Canons I.1.4 and I.1.3. When in session, it, *inter alia*, adopts a tri-annual budget, elects (once every three years) a Presiding Bishop, considers and may adopt proposed amendments to the Constitution and Canons, and takes other actions (such as statements on social issues) through the adoption of Resolutions.

The House of Bishops is composed of more than 300 Bishops. Const. Art. I.2, including the 8th Bishop of Kentucky, Terry Allen White, and the 6th Bishop of Kentucky, David Reed. The Presiding Bishop, Katherine Jefferts Schori, is President of the House of Bishops.

The House of Deputies is composed of Clerical and Lay Deputies elected to represent the 99 domestic Dioceses and 10 overseas area Missions including Convocation of the American Churches in Europe which have been admitted to union with the General Convention. Const. Art. I.4; GC Canon 1.1.4. Each Diocese is represented in the House of Deputies by four clergy deputies and four lay

deputies. The deputies from the Diocese of Kentucky are elected by the Diocesan Convention.

C. The Church is a Corporation. The Episcopal Church performs its temporal acts through a New York corporation, "The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America" incorporated in New York in 1821. This corporation, whose federal tax identification number 13-5562208, is recognized for federal and state income tax purposes as a "central organization holding a group exemption letter, whose subordinate units covered by the group exemption" are exempt from income taxation and reporting and are included as having contributions by their donors deductible from the donors' income taxes, even though the subordinate units are not separately listed with the IRS. "Subordinate units" include dioceses, parishes and missions, and subsidiary entities which are "in communion with the Church".

D. The Church is its Ministers. GC Canon III.1.3 recognizes four orders of ministry, one lay and three ordained.

1. Ministers of the Laity.

   a. All baptized persons are called to ministry in Christ's name to serve the Church's mission. GC Canon III.1.1.

   b. GC Canons III.4.1 through III.4.9 authorize licensure of lay persons as Pastoral Leaders, Worship Leaders, Preachers, Eucharistic Visitors, Evangelists and Catechists.

2. The Diaconate.

   a. Deacons serve under and are accountable to the Bishop or Ecclesiastical Authority. GC Canons III.7.1.

3. The Priesthood.

   a. Engagements of Priests. GC Canon III.9

      (i) Calling to serve as a Rector in a Parish. GC Canon III.9.3(a). Only a Parish Vestry can call a Rector, <u>but</u> vestry must give diocesan Bishop not less than 60 days to "communicate" with the vestry before a call, GC Canon III.9.3(a), a candidate for Rector may not be called from another diocese until Letters Dimissory from the former diocese have been accepted in the new diocese, GC Canon III.9.4(b), <u>and</u> the Bishop has issued a license to the priest to minister in the diocese. GC Canon III.9.6(a).

      (ii) Priests-in-Charge. Appointed by Bishop in consultation with vestry or bishop's committee when there is no Rector or Vicar. GC Canon III.9.3(b). Once installed, a Priest-in-Charge shall exercise the duties prescribed for a Rector subject to the authority of the Bishop.

      (iii) Assistants in Parishes. Assistant ministers are selected by the Rector and report to the Rector but become employees of the parish corporation. GC Canon III.9.3(c).

4. Specific Duties of Rectors and Priests-in-Charge. GC Canon III.9.5.

   a. They have full authority w/r/t conduct of worship and spiritual jurisdiction of parish subject to BCP, Constitution and GC Canons, diocesan Canons and

pastoral directions of the Bishop. GC Canon III.9.5(a)(1). They have authority to exclude worship functions by others. GC Canons III.9.6(b and c).

b. Entitled to use and control of parish buildings and "appurtenances" and access to all records and registers maintained by or on behalf of congregation. GC Canon III.9.5(a)(2).

(i) See BCP service for Celebration of New Ministry, pp. 557 – 565, *esp.* p. 562.

c. Instruct w/r/t doctrine, discipline and worship of the Church. GC Canons III.9.5(b)(1 – 5).

d. Rector's discretionary fund. GC Canon III.9.5(b)(6).

e. Read and communicate Pastoral Letters and Position Papers to congregation. GC Canon III.9.5(b)(7 and 8).

f. Maintain Parish Register. GC Canon III.9.5(c).

g. Release, Removal and Reconciliation with vestry provided for in GC Canons III.9.6(d) and III.9.7 to III.9.13. Each of these situations involves the Bishop.

II. STRUCTURE OF THE DIOCESE OF KENTUCKY. WHAT IS THE DIOCESE OF KENTUCKY?

A. It is the geographical portion of the Church located in the Western half of Kentucky (Ky. Canon 2), which "accedes to and recognizes itself as subject to the Constitution and Canons of the Protestant Episcopal Church in the United States of America, as presently adopted and as hereafter amended by the General Conventions" of the Church. Ky. Canon 1. In ecclesial history, the Diocese is the only local unit of the Episcopal Church and it has 30+ local locations, called congregations.

1. The membership of the Diocese consists of all Baptized Lay persons enrolled in congregations of the Diocese and all Bishops and Clergy of the Church who are canonically resident in the Diocese. Ky. Canon 3.2.

B. It is a Convention composed of Clergy and Lay Deputies who are elected by their congregations. It meets at least annually. Ky. Canon 4.1

1. The Bishop of Kentucky is, *ex officio*, the President of the Convention and the Presiding Officer of the Convention, when in attendance and not entering into debate. Ky. Canons 4.1 and 7.1.

a. The composition, from time to time, and meetings of the Convention are provided for in Ky. Canons 4, 5, 6 and 8.

b. All clergy canonically resident in diocese are deputies to Convention.

c. Each parish, mission and recognized ecclesial community which is in communion with the Diocese elects from one to five lay deputies to Convention depending upon its number of adult member communicants in good standing. Ky. Canon 4.3.

d. The Convention adopts an annual budget for operation of the Diocese, amends Canons governing the temporal affairs of the Diocese and each of its

parishes, missions, etc., and may adopt guidance in the form of Resolutions for mission and ministry.

C. It is a corporation. The property of the Diocese is held by, and during the recess of the Convention the temporal affairs of the Diocese are conducted in the name of, a Kentucky religious, non-profit corporation created by its Charter, or articles of incorporation, of record in the Office of the Secretary of State of Kentucky and named "The Protestant Episcopal Diocese of Kentucky, Inc.". Ky. Canon 3.1. A copy of the current Charter of the diocesan corporation is found in the 2014 *Journal* at pages D35 to D38 and through a link on the diocesan website.

1. The corporation's powers are, however, limited by the provisions of the Constitution and Canons of the Church and the Canons of the Diocese. Ky. Charter Art. IV.4.

2. The corporation is managed by its board of directors, which is named Trustees and Council ("T&C" in this outline). Ky. Charter Art. V.1; Ky. Canons 17.1, 17.5 and 17.6.

   a. T&C is composed of the Bishop as President, the Secretary of the Diocese, the Treasurer of the Diocese, the Chancellor of the Diocese, six (6) Lay adult member communicants in good standing elected by the Convention for three year staggered terms, six (6) Presbyters elected by the Convention for staggered three year terms, one Lay youth between 14 and 18 nominated by the Bishop and confirmed by T&C, up to three (3) other Lay persons nominated by the Bishop and confirmed by T&C, and one (1) Deacon nominated by the Bishop and confirmed by the Convention. Ky. Charter Art. V.2; Ky. Canon 17.1. Elected members of T&C may serve two consecutive terms, in addition to unexpired terms, but then may not be reelected until at least one year has elapsed. Ky. Canon 17.2.

   b. T&C prepares and submits to the Convention for approval a unified, annual budget for the operation of the Diocese and the Diocesan office, and to promote existing and new ventures in mission and ministry in the diocese, the nation and the world. Ky. Canon 16. The largest part of the revenues for each such budget is comprised of pledges from each Parish, Mission and Congregation of the Diocese.

III. STRUCTURE OF PARISHES AND CONGREGATIONS. CONGREGATIONS "IN UNION WITH THE DIOCESE OF KENTUCKY" CONSIST OF PARISHES, AIDED PARISHES, ORGANIZED MISSIONS AND ECCLESIAL COMMUNITIES.

A. The Establishment of new Parishes and Congregations, which can include missions and "ecclesial communities", is left to the several diocesan conventions, as well as their "boundaries". GC Canons I.13.1(a) and I.13.3. Christ Church Cathedral is considered for most purposes as a parish. St. Luke's Chapel at the Episcopal Church Home in Louisville is an example of an ecclesial community.

B. Admission of Parishes into Convention. The recognition of a congregation as a Parish in union with the Convention is provided for in Ky. Canon 19.

1. A congregation is required to prove that it has sufficient members and will be, and will remain, financially self supporting as a condition to being admitted to the diocesan convention as a Parish. Ky. Canons 19.2 and 19.3.

2. Ky. Canon 19.1 provides that each parish shall be organized as a religious corporation, without members, under Kentucky's religious, non-stock, non-profit corporation statutes, KRS 273.160 to KRS 273.401 and 273.600 to 273.645.

3. A Parish desiring reception into union with the diocesan convention must show that its articles of incorporation provide that the Parish is bound by the Constitution and Canons of the Church and the Canons of the Diocese and will adhere to the "doctrine, discipline and worship of the Church and the Church in the Diocese". Ky. Canon 19.1.

C. Parishes are authorized to own their real and personal property in the corporation's name, but included, *inter alia*, in the doctrine and discipline of the Church are the "Dennis Canons". GC Canons I.7.4 and II.6.4 provide that all real and personal property of the parish is subject to a trust in favor of the Church and the Diocese. GC Canons I.7.3 and II.6.2 and 3 provide that no part of the real property may be sold or alienated without the prior written consent of the Bishop and the Standing Committee of the Diocese. Ky. Canon 23.6 restates this provision. GC Canon II.6.4 provides that no consecreated church or chapel may be removed or altered for common use without the previous consent of the Standing Committee of the Diocese. Ky. Canon 15.7 goes further to restrict vestries from incurring large amounts of debt without the approval of the Bishop and either the Standing Committee or the Finance Committee of the Diocese.

D. Parishes may not amend their articles of incorporation or file amendments with the state without first receiving prior written approval of the amendments from the Bishop and either the Chancellor or the Vice Chancellor. Ky. Canon 23.6.

E. Parishes are required to adopt bylaws for internal governance. Such bylaws are to be discussed with the Canon to the Ordinary and reviewed by either the Chancellor or the Vice Chancellor. Diocesan Policy Manual V.D.

F. Upon failure to meet parish, or aided parish, criteria, a parish ceases to exist as a parish of the Diocese, but may continue as a mission congregation, and the parish's real and personal property is to revert to the Diocese. Ky. Canons 19.4, 19A.2(d) and 19A.3(c).

G. Merger and Consolidation of congregations is provided for by Ky. Canon 20. Ky. Canon 22.3 allows for a transition composition of the Vestry of a Parish following a merger or consolidation.

H. Aided Parishes. The diocesan Convention may establish a congregation as an aided parish as an intermediate status between the status as an organized mission and a parish based upon its ability to pay at least 75% but less than 100% of its budget from its own resources for not more than five years. Ky. Canon 19A.

I. Organized Missions and Ecclesial communities.

1. A congregation may be recognized by the Bishop as either a Mission or as an Ecclesial Community. Ky. Canon 18.1.

2. A mission congregation becomes an Organized Mission or Ecclesial Community with right to representation in the diocesan convention when: it has 10 or more adult confirmed lay members; the members accede to the Constitution and Canons of the Church and the Canons of the Diocese; it has sufficient financial support; and, it is recognized by the Standing Committee. Ky. Canon 18.2.

3. Upon recognition, the Bishop names the Congregation, is nominally its Rector and appoints, and reappoints annually, a Warden and a Bishop's Committee and a Vicar or Priest-in-Charge. When so organized the Secretary of the Diocese enrolls the Congregation in the Convention with one lay deputy vote. Thereupon the mission or ecclesial community is expected to "sustain its own life, make provision for regular worship, and to participate in diocesan life". Ky. Canons 18.3 and 18.4. Ky. Canon 18.3 directs the Bishop's Committee to "perform the duties of a Vestry". (See below).

4. Mission congregations are unincorporated associations of their members. Title to all real and personal property of Missions shall held be in the name of the Diocese, even such property which has been originally purchased in the name of the congregation. Ky. Canon 18.7.

5. Parishes may establish "parochial missions", subject to separate provisions for organization and governance. Ky. Canon 18.5.

IV. MANAGEMENT OF PARISHES AND VESTRIES.

A. The GC Canons leave the number, mode of selection and term of office for members of vestries to diocesan Canons and state law. GC Canon I.14.1. The Vestry of each Parish in the Diocese of Kentucky shall consist of not less than 3 nor more than 21 "communicants in good standing" over the age of 16 in the Parish who are elected by the "communicants in good standing" of the congregation of the Parish at annual meetings of the congregation. Ky. Canons 22.1, 21.1 and 21.2. The congregation may reserve one-year seats on the vestry for persons between 16 and 18. Absent specific provisions in the articles of incorporation or by-laws of the parish providing for one year terms, vestry members serve staggered, three year terms and are not eligible for a second elected term until at least one year has elapsed after they have completed an elected term. Ky. Canon 22.1. In the event of vacancies, the remaining members of a Vestry may elect successors to serve out unexpired terms. Ky. Canon 22.1. Vestry members who fail to serve may be replaced by the remaining members. Ky. Canon 22.2(b).

1. Each year, the Vestry shall hold an organization meeting following the election of new members at which they shall elect, out of their number, a Senior Warden, a Junior Warden and a Secretary, and they shall elect a Treasurer who need not be an elected member of the Vestry. Ky. Canon 22.2(a).

   a. The duties of the Vestry member elected as its Secretary are set forth in Ky. Canon 23.4.

   b. The duties of the Treasurer of the Parish are set forth in Ky. Canons 23.5 and 15.5.

B. Pursuant to GC Canon I.17.8, Wardens, Secretaries, Treasurers and other persons who accept the responsibilities as officers of parish vestries are obligated to perform their duties in accordance with the Constitution and Canons of the Church and of the Diocese.

C. The Rector of the Parish is an *ex officio* member of the Vestry, with a vote, and serves as its Presiding Officer. GC Canon I.14.3 and Ky. Canon 23.3. In the absence of the Rector, or when the Rector has entered into debate on a motion, the Senior Warden, or in her absence the Junior Warden, shall preside, or in the absence of both, the Vestry may appoint a

presiding officer *pro tempore*. Ky. Canon 23.3. The Rector may call special meetings of the Vestry upon "reasonable notice. Ky. Canon 23.3

1. The calling of a Rector is referred to in Ky. Canon 23.2 and detailed in GC Canon III.9.3(a). The dissolution of the pastoral connection between a Parish and its Rector is described in Ky. Canon 24 and in GC Canon III.12.

2. Compensation of Rectors and other clergy in a parish is described in Part II of the Diocesan Policy Manual which can be found at www.episcopalky.org/about-us/policy-manual-appendices.html.

D. Specific Role of Vestry members.

1. The vestry of every Parish serves as the agent and legal representative of the Parish in all matters concerning its corporate property and the relations of the Parish to its Clergy. GC Canon I.14.2.

2. Ky. Canon 23.1 goes further to provide that the Vestry has a duty to provide for and regulate the temporal, or business, affairs of the parish in accordance with Ky. Canon 15 (Business Methods, see below), to "cooperate with" the Rector for the promotion of the spiritual welfare of the Congregation, and to raise and pay promptly the money stipulated for the congregation's Ministers or clergy in charge.

E. Business Methods in Church Affairs. Previous sections of this outline identify "specific" roles of rectors and priests-in-charge (Sect. I.4) and of vestries (above). GC Canon I.7.1 sets forth uniform business and financial requirements for all Church entities, including parishes and missions. Ky. Canon 15 restates the provisions of the General Canon and goes further to require two signatures on every check or other instrument of transfer of funds over $300.00, except for clergy discretionary accounts. All Wardens and Treasurers should be know the specifics of, and, if needed, assist their ministers and employees (if any) to comply with, all of these regulations and duties. The Church office in New York publishes a "Manual of Business Methods in Church Affairs" which can be downloaded from the Diocese's website at http://www.episcopalky.org/resources-for-church-finance-management.html.

F. Civil Law. The Kentucky religious corporation laws, found in KRS c. 273, provide supplemental organizational guidance for Vestries, *to wit*: under civil law the Vestry serves in the capacity of the board of directors of the parish corporation, with the associated fiduciary responsibilities and standards of conduct provided therein for boards of directors. KRS 273.207 to 273.223, KRS 273.377, and 273.600 to 273.645. The Parish's Articles of Incorporation may provide for limitations on the liability of Vestry members, serving as members of its board of directors. KRS 273.248. Federal civil law provides immunity from suits for all volunteers (i.e., not paid employees such as Rectors or office staff) acting within the scope of the volunteer's responsibilities for the parish, except when operating a motor vehicle, engaging in gross negligence or acting in violation of law. 42 U.S.C. 14501 to 14505. *All such supplemental authority from the civil law is subject to compliance with the Constitution and Canons of the Church and the Canons of the Diocese. GC Canon I.17.8.*

V. FINANCIAL SUPPORT OF THE MINISTRY OF THE CHURCH.

A. The General Convention of the Church adopts at each triennial meeting a general convention expense budget, including an assessment formula upon each Diocese to fund the

budget. GC Canon I.8. Each diocese in union with the General Convention is billed annually for its portion of the resulting budget.

B. The Diocese of Kentucky operates with a unified budget to cover the expenses of the Episcopate and the diocesan office, and to promote existing and new ventures in mission and ministry in the diocese, the nation and the world. Ky. Canon 16.1. Each annual budget is proposed by T&C to the diocesan Convention and is subject to approval by the diocesan Convention. Ky. Canons 16.1 and 16.2. To support the diocesan budget, each Parish, organized mission and other ecclesial community is "expected to pledge" between 15% to 20% of its "canonical income".

VI. RIGHTS AND REGULATIONS RESPECTING THE LAITY.

A. As noted above (part I.A of this outline), GC Canons I.17.1, I.17.2 and I.17.3 define the laity of the Episcopal Church as members of parishes or congregations. Rectors, or other clergy in charge of parishes and missions, are required to maintain accurate parish registers, and to submit them to the Bishop for inspection during every visitation. Ky. Canon 28.2.

B. Ky. Canons 21.2 and 3.2 limit the members of the congregation who can vote at meetings of a Parish to those adults whose membership (baptisms, confirmations, receptions and reaffirmations) are enrolled in the Parish register and who, in addition, "have in some way contributed to the support of the Parish". See Ky. Canon 27.2. These voters, once calculated and reported in parochial reports, are qualified to be elected as lay deputies to the diocesan Convention and their number in each parish determines the number of lay deputies the parish may seat in the Convention. Ky. Canon 4.3.

C. Lay members may move their "certificates of membership" from one Parish to another. GC Canon I.17.4. Any member of one congregation who has attended another congregation, or intends to attend another congregation, for one year or more shall cause his or her certificate of membership, or "letter of transfer", to move from the former congregation to the new congregation. Ky. Canon 27.2. Any enrolled member who, through no fault of his or her own can not obtain a certificate of membership from a former parish or mission may still have his or her membership status recorded in a new parish or mission. GC Canon I.17.4(c). Communicants of the other Churches of the Anglican Communion and of the Evangelical Lutheran Church in America (and the Old Catholic Churches of the union of Utrecht, the Philippine Independent Church and the Mar Thoma Syrian Church of Malabar) may be recognized as members and communicants of parishes and missions in the Episcopal Church, GC Canons I.17.4(d) and I.20, "so far as the same may be made applicable".

D. Duty to live Christian Life. "It is the duty of every member of this Diocese to live in harmony with the responsibilities of that member's Baptism and to be faithful in working, praying and giving for the spread of the Kingdom of God. It is the duty of every member to live in the daily exercise of worship." Ky. Canon 27.1. "It shall be the duty of every communicant of a parish to attend the services and to support financially and otherwise, according to such communicant's ability, the work of the Congregation, Diocese, and work outside the Church as will contribute to the spread of the Kingdom of God". Ky. Canon 27.2.

D

The Work and Function of the Vestry

The Episcopal Diocese of Kentucky

Work & Function of Vestries

Congregational Leadership Conference

"Try to balance idealism and realism. Be sensitive to others. Rely on prayer. God has a purpose for you and for your parish. You cannot accomplish it alone. God's grace is always sufficient but God calls us and empowers us to respond intelligently and effectively. As with so many things in life, there is usually a relationship between the investment you make and the return you receive."

-The Vestry Handbook, Christopher Webber

I. SPIRITUAL LEADERSHIP

- Prayer & scriptural reflection
- Outward focused
- Seeks reconciliation
- Practices sacrifice & responsibility
- Builds trust
- "Do not be afraid"

II. HEALTHY COMMUNICATION

- Personal emotional health - the vestry cannot spend time and energy managing emotions
- No Triangulation - use direct lines of communication
- Complain upstream - address issues with those who can help problem solve
- Non-anxious presence

III. EFFECTIVE PRACTICES

- Listen, listen, listen
- Introduce new ideas, educate, listen, reflect
- Formation - Information - discussion - decision
- Transparency
- Training and orientation
- Say thanks!

IV. RESPONSIBILITIES

- Finances & Stewardship
- Buildings & Grounds
- Spiritual Vitality
- Commitment
- Vision, Values, Mission
- Decision making
- Know canons, bylaws, and policy

Notes on Congregational Leadership

Culled from "Beyond Business As Usual"

8 PRINCIPLES OF LEADERSHIP

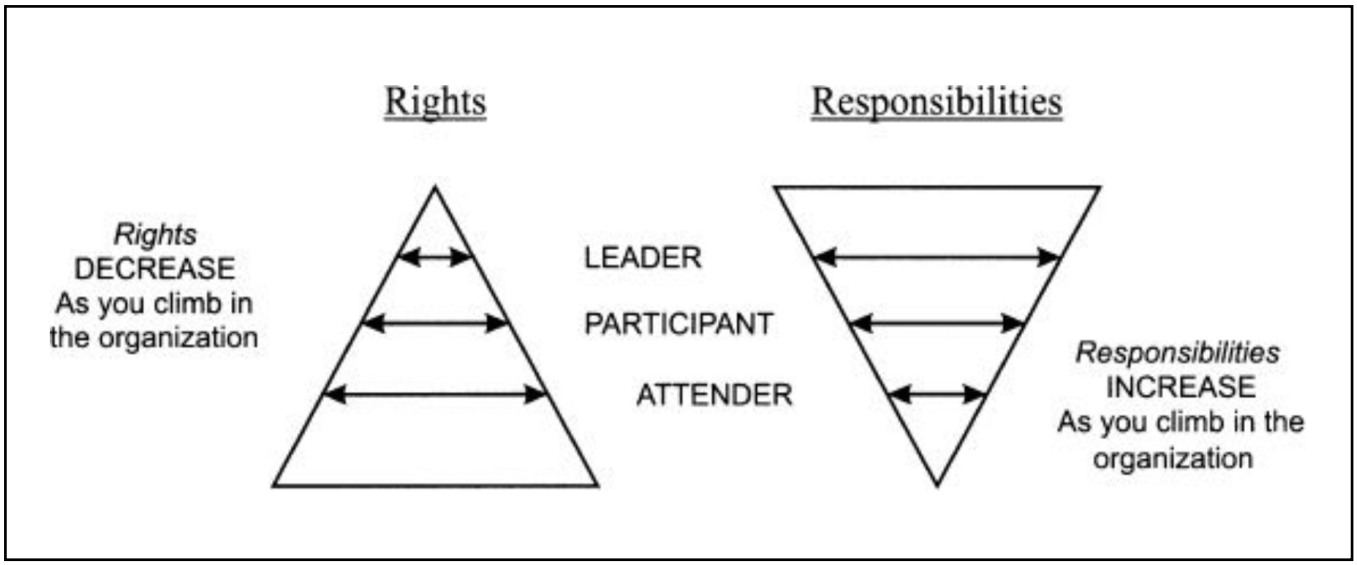
Relationship between Rights & Responsibilities
Never throw gasoline on a fire
Avoid triangulation
Complain upstream
Healthy community allows for ministry
Growth comes from developing leaders
Weakest/Strongest Link
Future more exciting than past

"THINK DIFFERENT"

Effective leaders ask questions; effective leaders exercise commitment. They think differently. A reflected life. More leadership means more time in reflective thinking and prayer. Effective leaders are responsible to and for others and spend time earning trust. Effective leaders know that transactional leadership needs to shift to transformational leadership.

4 COMPONENTS OF LEADERSHIP THINKING:

Define current reality.
Account for what is happening. Know the story.
Know where organization is headed.
Make plans, hold people accountable, bless the people.



HELPFUL REFERENCES:

Beyond Business As Usual: Vestry Leadership Development, Neal O. Michell The Vestry Handbook, Christopher Webber Doing Holy Business: The Best of Vestry Papers, Lindsay Hardin Freeman, ed.

Why Organizations Fail

From John P. Kotter, Leading Change (Boston: Harvard Business School Press , 1996).
Included in "Beyond Business As Usual"

ERROR #1: ALLOWING TOO MUCH COMPLACENCY.

In Other Words: Establish a sense of urgency.

- Identify crises, potential crises, or major opportunities that can create urgency
- Balance between "gloom and doom" and "we're doing just great."

ERROR #2: FAILING TO CREATE A SUFFICIENTLY POWERFUL GUIDING COALITION.

In Other Words: Create a team that works together.

- Identify and establish a group with enough influence, confidence, capability, and expertise to lead the change effort, inspire trust , and function well as a team.
- Distinguish between "characters" and "leaders."

ELEMENTS OF A VISION

- Provides a future picture of the organization
- Appeals to long-term interests of stakeholders
- Is clear enough to guide decision-making
- Is general enough to permit individual initiative
- Is easy to communicate

ERROR #3: UNDERESTIMATING THE POWER OF VISION.

In Other Words: Develop a strong and compelling vision.

- Do you have a vision that people will sacrifice for?
- Vision unites, plans divide.

ERROR #4: UNDERCOMMUNICATING THE VISION BY A FACTOR OF 10 (OR 100 OR EVEN 1,000).

In Other Words: Communicate the vision of change.

- Use every method possible to communicate — continually.
- Leadership must model the expected behavior.

VISION COMMUNICATIONS PRINCIPLES

- Use metaphors, analogies, and examples
- Tell stories
- Use different forums to communicate vision
- Lead by example
- Listen and be listened to
- Address seeming inconsistencies between vision and actions
- Repeat, repeat, repeat

ERROR #5: PERMITTING OBSTACLES TO DERAIL THE NEW VISION.

In Other Words: Empower positive action.

- Empower people to implement the vision by removing obstacles to its implementation.

ERROR #6: FAILING TO CREATE SHORT-TERM WINS.

In Other Words: Start with short-term wins before you attempt bigger risks.

- Plan specifically to create visible improvements or wins within six to eighteen months of launch.
- Provide public recognition and rewards to those who have participated in the wins.

EMPOWERMENT PRINCIPLES

- Restructure whenever necessary to remove structural barriers
- Provide skills training necessary to implement the vision
- Align performance evaluation, compensation decisions, promotions, and recruiting and hiring systems
- Encourage risk-taking and non-traditional ideas, activities, and actions
- Confront those in authority who undercut the change that is needed

ERROR #7: DECLARING VICTORY TOO SOON.

In Other Words: Consolidate change and produce more change.

- Use the increased credibility derived from earlier changes to drive deeper change.

ERROR #8: NEGLECTING TO ANCHOR CHANGE IN THE CORPORATE CULTURE.

In Other Words: These changes mustn't be based simply on the leader's personality.

- Anchor change (new goals, attitudes, behavior) in the culture of the organization (i.e., its social norms and shared values). Consequences of Failing to Lead Healthy Change
- New strategies aren't implemented well.
- Acquisitions don't achieve expected synergies.
- Reengineering takes too long and costs too much.
- Downsizing doesn't get costs under control.
- Quality programs don't deliver hoped-for results.

Intro to Congregational Size Dynamics

From "Beyond Business As Usual"

Leadership needs to know the dynamics of congregational size. Churches in between sizes will find themselves uncomfortable as they transition. Each has particular characteristics of the role of leadership, congregational life, and church growth. It is very difficult to move to a larger size, and easy to return to a smaller size. Be careful not to apply larger church characteristics than your size needs. You will find yourself 'overorganized.' (ASA = Average Sunday Attendance)

The original study of church size dynamics comes from Arlin Rothauge and Kevin Martin.

FAMILY-SIZE CHURCH | 3-75 ASA |
usually in smaller towns, one or two extended families as members who are center of influence; strength is it's intimacy; weakness is low expectations; finances are often an issue.

Congregation life: 'everybody knows everybody'; few formal structures; best to adopt one major mission or outreach project

Leadership: ordained person is not the real leader, but a chaplain providing pastoral care; decisions made by long-standing members; vestry defers to matriarch or patriarch and will reverse itself to please m/p; 2-8 leaders; success = 'keeping the doors open'; clergy must consult with m/p behind scenes to be effective

Growth: newcomer invited to fellowship and introduced to m/p; must feel accepted by ongoing members

PASTORAL-SIZE CHURCH | 76-140 ASA |
Pastor is leader; single cell; all recognize each other, notice newcomers; intimacy, sense of belonging and family

CL highly relational; worship service is primary; strength = stability, people feel cared for, if property well-maintained this can be sustained; individuals can rise in leadership; equal access to pastor; weakness = predictability; generic and small programs; don't expect challenging music program; youth group will be a bible study; "what did we do last year?"; budget stays the same; leaders are tired; can easily become ingrown; Must have identifiable mission and outreach project that unifies congregation, limiting other endeavors; can't compete with larger neighbors, so it should do it's thing with excellence. "do small things well."

L priest is center of activities; gives opinion on all details; prays before gatherings; primary evangelist; 8-25 leaders; tempted to organize as larger church; vestry = unpaid staff; if vestry only makes decisions and doesn't work, pastor will be overworked and church will never transition.

G dependent on energy of the pastor; if newcomers don't get connected with others, they will leave when pastor leaves. Must incorporate new members beyond Sunday worship. Caution: plan for long-term ministries rather than trying new things and not following through.

TRANSITIONAL-SIZE CHURCH | 120-250 ASA |
Not a natural size. This congregation will have tension: internal pressure to preserve intimacy, external pressure to provide quality programming; adolescent in a growth spurt; Must have proper guidance and appropriate changes at various levels or it will revert to pastoral-size.

CL 75% pastoral / 75% program…lots of needs and interests, but not enough critical mass

L 3 fold: non-anxious presence, vision caster, leadership development. Pastor must move from primary provider to being the developer of leaders. Vestry moving from unpaid staff to vision-casting, policy-enabling board. Must become a staff-run church.

G the small things: adding staff, providing resources, clean, crisp. Incorporation must become formalized. shift from pastor-focused to lay-led, program based process of incorporation. "Ricochets." Prayerful, strategic expansion with necessary support.

PROGRAM-SIZE CHURCH | 225-450 ASA |
Programs are primary; know same number of people as in a pastoral size church; Trained and fairly paid staff who function well.

CL lived out in sub-groups; wide-ranging

L pastor pastors the leaders, develops, shares in visioning, administration; don't expect hospital visit except in real crisis; spends time planning with staff and lay leaders, recruiting, facilitating, overseeing. Hard for members of smaller churches to adjust.

G through programmatic offerings; classes, gatherings, many 'side-doors'

RESOURCE-SIZE CHURCH | 451+ ASA |
excellence; top-notch facilities; well-done music; clean, neat, trained nursery personnel

CL large, professional staff; much room for advancement for lay leaders; often hires lay leaders; specialized programs offered to smaller subgroups; made up of smaller congregations within one church

L Senior pastor is like president of a university, managing deans and staff, diversity, must be able to articulate unique vision of the congregation; motivator, vision-bearer, communicator, symbol of unity, stability and energy. vestry must focus on ever-expanding mission. if not expanding>plateau>decline. Decline is hard to see until it creates a crisis.

G programmatic offerings; safe place for exiles; incorporation key otherwise newcomers fall through the cracks and disappear.

E

Parish Chart of Accounts Example

Accounts

Assets

Cash & Securities

Checking Accounts

001000 - Checking

001005 - Restricted Gift Checking

001105 - Discretionary Checking

001108 - Outreach Checking

Total Checking Accounts

Savings Accounts

001010 -

001106 -

001107 -

Total Savings Accounts

Investments

001030 -

001032 -

001100 -

001102 -

Total Investments

Other Cash

001200 - Petty Cash

Total Other Cash

Total Cash & Securities

Real Estate

005000 - Church Plant

Total Real Estate

Total Assets

Liabilities, Fund Principal, & Restricted Funds

Liabilities

Current Liabilities

002110 - Federal Tax Withheld

002120 - FICA Withheld

002130 - State Tax Withheld

002140 - Occupational Tax Withheld

Total Current Liabilities

Fund Balance

003000 - Beginning Fund Balance

003002 - Fund Balance Per Appraisal

003003 - Fund Balance/Consolidation

Total Fund Balance

Total Liabilities

Fund Principal

003001 - Fund Principal Current Year End
Excess Cash Received

Total Fund Principal and Excess Cash Received

Restricted Funds

Total Temporary Restricted

Total Restricted Funds

Total Liabilities, Fund Principal, & Restricted Funds

Church
Summary of Restricted Accounts - YTD Portrait - acs
January 2017

Accounts	Beginning Balance	Restricted Revenue	Restricted Expenses	Ending Balance
Temporary Restricted				
CASH EQUIVALENCY FUNDS				
003005 - Unrealized Appreciation				
003006 - Unrealized Appreciation-Real Estate				
003010 - Endowment Funds				
Total CASH EQUIVALENCY FUNDS				
RESTRICTED GIFT CHECKING				
Restricted Program Funds				
003500 - Altar Fund				
003505 - Burial Ground				
003510 - Children's Library Fund				
003520 - Flower Fund				
003525 - Music Fund				
003586 - Bank Fees				
003592 - Ad Campaign				
Total Restricted Program Funds				
Cash Transfers/Calvary				
003550 - Outreach Fund				
003555 - Discretionary Fund				
003565 - Prepaid Pledges				
Total Cash Transfers/Calvary				
Major Improvements/Capital Exp				
003579 - Preservation Reserve/Endowment				
003580 - Major Maintenance/Endowment				
003584 - Preservation Projects				
003593 - Grounds Beautification Fund				
Total Major Improvements/Capital Exp				
Outreach & Mission				
003582 - Youth Group Projects				
003588 - Youth Missions				
003591 - Children's Music Outreach Fund				
003594 - Sacred Arts				
Total Outreach & Mission				
Total RESTRICTED GIFT CHECKING				
DISCRETIONARY CHECKING				
003600 - Discretionary				
Total DISCRETIONARY CHECKING				
OUTREACH CHECKING				
003620 - Outreach				
Total OUTREACH CHECKING				
Total Temporary Restricted				

Episcopal Church
Analysis of Revenues & Expenses - Detail Portrait - acs
January 2017

Accounts	MTD Actual (This Year)	MTD Budget (This Year)	YTD Actual (This Year)	YTD Budget (This Year)	YTD Actual (Last Year)	Annual Budget (This Year)
Revenues						
Cash Receipts						
Contributions						
004010 - Current Pledges						
004030 - Plate Receipts						
004040 - Christmas Receipts						
004045 - Easter Receipts						
004060 - Unrestricted Gifts						
Total Contributions						
Endowment						
004050 - Endowment Draw						
Total Endowment						
Rental Income						
004056 - Facility Rental						
004070 - Parking Lot Rent						
Total Rental Income						
Other Income						
004065 - Interest						
004077 - (						
Total Other Income						
Total Cash Receipts						
Total Revenues						

Episcopal Church
Analysis of Revenues & Expenses - Detail Portrait - acs
January 2017

Accounts	MTD Actual (This Year)	MTD Budget (This Year)	YTD Actual (This Year)	YTD Budget (This Year)	YTD Actual (Last Year)	Annual Budget (This Year)
Expenses						
Staff Expenses						
Clergy						
005010 - Rector Stipend/SECA						
005011 - Rector Housing Allowance						
005013 - Asst Priest Salary						
005014 - Asst Priest Housing						
005015 - Asst Priest Pension						
005017 - Asst Priest Professional Exp						
005060 - Rector Pension						
005110 - Supply Clergy Fees						
005120 - Rector Continuing Ed						
005145 - Rector Professional Expenses						
005148 -						
Total Clergy						
Staff Salaries						
005040 - Dir of Music Salary						
005050 - Bookkeeper Salary						
005051 - Sexton Salary						
005052 - Food Closet Salary						
005300 - Music/Choir Salaries						
005510 - Sitter Salaries						
Total Staff Salaries						
Other Staff Expenses						
005070 - Staff Gifts						
005080 - Staff Pension						
005090 - Payroll Taxes						
005100 - Medical/Life Insurance						
005301 - Dir of Music Continuing Ed						
Total Other Staff Expenses						
Total Staff Expenses						
Building Expenses						
005220 - LG&E						
005230 - Telephone & Internet						
005240 - Water & Sewer						
005260 - Property/Liability Insurance						
005270 - Fixtures & Equipment						
005285 - General Facility Maintenance						
Total Building Expenses						
Administrative Expenses						
005147 - Parish Communications						
005520 - Office Expenses						
005560 - Computer Service						
005561 - Audit Fees						
005567 - Search Expenses						
Total Administrative Expenses						
Program Expenses						
005420 - Christian Ed/Children&Youth						
005421 - Christian Ed/Adult						
005422 - Vestry Meetings						
005423 - Diocesan Convention						
005426 - Altar/Eucharist						
005535 - Parish Life						
005565 - Consortium Endowed Epis Pa						
Total Program Expenses						
Diocesan Contributions						
005410 - Diocesan Contribution						
005415 - Diocesan Urban Mission						
Total Diocesan Contributions						
Miscellaneous Expenses						
005530 - Miscellaneous Expenses						

Accounts	MTD Actual (This Year)	MTD Budget (This Year)	YTD Actual (This Year)	YTD Budget (This Year)	YTD Actual (Last Year)	Annual Budget (This Year)
Total Miscellaneous Expenses						
Total Expenses						
Net Total						

THE 2016 REPORT OF EPISCOPAL CONGREGATIONS AND MISSIONS

ACCORDING TO CANONS I.6, I.7, AND I.17

(OTHERWISE KNOWN AS THE PAROCHIAL REPORT)

Name of Congregation		Diocese		
Street Address1		City		State
Street Address2		Zip + 4	County	
Mailing Address1		Mailing City		State
Mailing Address2		Zip + 4	Phone #	
Federal Tax ID#	Email Address	Congregation's Web Address **http://**		

Report Preparation

Page 2. Prepared by:	Daytime Phone
Page 3. Prepared by:	Daytime Phone

Certified by the Clerk of the Vestry

Certified by (Print or type name)	
Signature	Date

Certified by the Treasurer/Financial Officer

Certified by (Print or type name)	
Signature	Date

Certified by the Rector/Vicar/Priest-in-Charge

Certified by (Print or type name)	Daytime Phone
Signature	Date

Vestry Approval

Indicate the date that your 2016 Parochial Report was approved by the vestry or Bishop's Committee (Canon I.6.1)	Date

To file automatically: http://pr.dfms.org

Membership, Attendance and Services of the Reporting Congregation

Using Last Year's Report:

Active Baptized Members of the Reporting Congregation Reported Last Year

Using the 2015 Parochial Report, record the **Number of Baptized Members Reported as of December 31, 2015.** *(See your 2015 Parochial Report, Box M15.)*

Members Reported Last Year = M15. ☐

Using the Register of Church Membership and Rites:

During the Report Year

Increases in Membership

1. Increases during year: *All members added to the baptized members section of the congregation's* Membership Register *during 2016 by: baptism, confirmation/reception, or transfer; and those persons restored from inactive status, or not counted in last year's membership count.*

Total Increases = 1. ☐

Decreases in Membership

2. Decreases during year: *All active baptized members lost by death, transferred to another congregation, removed to inactive status in the* Register of Church Membership and Rites, *removed for other reasons, or not removed from last year's membership count.*

Total Decreases = 2. ☐

Active Baptized Members of the Reporting Congregation At Year-End

M16. *Add the increases entered in box 1 to* ***Box M15****. Then subtract the decreases entered in box 2 for the total active membership as of December 31,2016.*

Total Active Baptized Members (end of report year) = M16 ☐

Communicants in Good Standing of the Reporting Congregation

Communicants in good standing: ***Baptized members*** *of the reporting congregation who "have received Holy Communion* ***at least three times*** *during the preceding year" and are faithful "in corporate worship, unless for good cause prevented," and "in working, praying, and giving for the spread of the Kingdom of God."*

Youth Communicants in Good Standing

3. Adult communicants in good standing (age 16 and over) = **3.** _____

4. Youth communicants in good standing (under age 16) = **4.** _____

5. ***Total*** **communicants in good standing (*sum* of 3 and 4) =** **5.** ☐

Others Active

6. Others who are active *whose baptisms are* ***not*** *recorded in the* Membership Register, *or in another Episcopal congregation.* **Others = 6.** _____

Using the Service Register:

Average Sunday Attendance for 2016

7. *Sunday (& Saturday Evening) Attendance* *Divide total attendance by the total number of Sundays when services were held.* **Avg. Sunday Attendance = 7.** ☐

Weekday Attendance in Congregations without Sunday Attendance

8. Average Principal Worship Service Attendance on a Weekday (for congregations **without Sunday or Saturday evening services**) = **8.** ☐

Easter Attendance in 2016

9. Easter Sunday Attendance (9) _____

Sacraments & Services:

Number of Holy Eucharists Celebrated During 2016

10. Total Sunday & Saturday Evening Eucharists (10) _____

11. Total Weekday Eucharists (11) _____

12. Total Private Eucharists (12) _____

Daily Offices and Other Services Held During 2016

13. Daily Offices on Sunday or Saturday Evening (13) _____

14. Daily Offices Held on Weekdays (14) _____

15. Marriages Conducted in 2016 (15) _____

16. Burials Conducted in 2016 (16) _____

Using the Register of Church Membership and Rites:

Baptisms in 2016

17. Baptisms 16 years and older (17) _____

18. Baptisms under 16 years of age (18) _____

Confirmations in 2016

19. Confirmations 16 years and older (19) _____

20. Confirmations under 16 years of age (20) _____

Received in 2016

21. Received by a Bishop (21) _____

Education:

Children and Youth Adult Education in 2016

22. Total Church School Students enrolled in 2016 (22) _____

23. Regular Sunday or weekday adult education programs held? Yes ☐ No ☐

24. Number of adults engaged in religious education or spiritual formation _____

Stewardship and Financial Information of the Reporting Congregation

Giving Information for 2016:

Number of Pledges

1. Number of signed pledge cards for 2016 report year (1) _____

Total $ Pledged

2. Total dollar amount pledged for 2016 report year (2)$_____

Report of Revenues and Expenses for 2016:

Operating Revenues

3. Plate offerings, pledge payments & regular support (3) _____
4. Money from investments used for operations in 2016 (4) _____
5. Other operating income, including unrestricted gifts & restricted gifts used for operations & contributions from congregation's organizations (5) _____
6. Unrestricted bequests used for operations (6) _____

Subtotal Normal Operating Income (3+4+5+6) = A [ ]

7. Assistance from diocese for operating budget (7) _____

Total Operating Revenues (A+7) = B [ ]

Non-Operating Revenues

8. Capital funds, gifts & additions (8) _____
9. Additions to endowment & other investment funds (9) _____
10. Contributions & grants for congregation-based outreach & mission programs (10) _____
11. Funds for transmittal to other organizations (11) _____

Subtotal Non-Operating Revenues (8+9+10+11) = C [ ]

Total All Revenues (B+C) = D [ ]

Operating Expenses

12. To diocese for assessment, apportionment, or fair share (12) _____
13. Outreach from operating budget (13) _____
14. All other operating expenses (14) _____

Subtotal Operating Expenses (12+13+14) = E [ ]

Non-Operating Expenses

15. Major improvements & capital expenditures (15) _____
16. Expenses for congregation's outreach & mission (16) _____
17. Funds contributed to Episcopal seminaries (17) _____
18. Funds sent to other organizations (18) _____

Subtotal Non-Operating Expenses (15+16+17+18) = F [ ]

Total All Expenses (E+F) = G [ ]

At Year-End:

As of December 31, 2016

19. Total cash in all checking & passbook savings accounts (19) _____
20. Total investments at market value (not including cash reported in line 19) (20) _____

Priest(s) Serving this Congregation

Last name of Rector, Vicar, Dean, Priest-in-charge or interim	First name	Middle name
Title of position	Year ordained (priest)	Diocese of canonical residence
Employment status at this congregation: ☐ Full time ☐ Part time ☐ Non-stipendiary	Year called to this congregation:	Church pension status: ☐ Active ☐ Retiree ☐ Non-active
Name of other congregation(s) currently served by this priest (if any)		

Last name of associate priest, assistant priest or curate	First name	Middle name
Title of position	Year ordained (priest)	Diocese of canonical residence
Employment status at this congregation: ☐ Full time ☐ Part time ☐ Non-stipendiary	Year called to this congregation:	Church pension status: ☐ Active ☐ Retiree ☐ Non-active

Last name of associate, assistant, or other priest	First name	Middle name
Title of position	Year ordained (priest)	Diocese of canonical residence
Employment status at this congregation: ☐ Full time ☐ Part time ☐ Non-stipendiary	Year called to this congregation:	Church pension status: ☐ Active ☐ Retiree ☐ Non-active

Last name of associate, assistant or other priest	First name	Middle name
Title of position	Year ordained (priest)	Diocese of canonical residence
Employment status at this congregation: ☐ Full time ☐ Part time ☐ Non-stipendiary	Year called to this congregation:	Church pension status: ☐ Active ☐ Retiree ☐ Non-active

If you have more than 4 priests **who serve this congregation on a regular basis, complete this form online (where additional blanks will be generated) or attach a page to this paper form.**

If you have no resident priest at present, **who leads Sunday worship services? (check all that apply)**

☐ Supply priest(s) ☐ Deacon ☐ lay worship leader Other: _____ (e.g. lay vicar)

☐ A long-term supply priest _____ (Give full name of long-term supply)

Deacon(s) Serving this Congregation

Last name of Deacon #1	First name	Middle name
☐ Deacon (vocational) ☐ Transitional Deacon	Year ordained	

Last name of Deacon #2	First name	Middle name
☐ Deacon (vocational) ☐ Transitional Deacon	Year ordained	

Explanation of Unique or Unusual Clergy Situation:

Congregation	City	Episcopal Diocese of Kentucky

Part II: Report of Congregation's Assets, Liabilities and Insurance
For the year ending December 31, 2016

	1	2	3	4	5
	Unrestricted Assets	**Restricted Assets**			**Other Assets**
	Operating Accounts	**Congregation's Organizations**	**Other Funds**	**Trust/ Endowment Funds**	**Property (Canon I.6.1)**
Assets					
18. Petty Cash					
19. Checking Accounts					
20. Savings Accounts					
21. Short Term Investments					
22. Accounts Receivable					
23. Temp Loans from Other					
24. Deferred Expenses					
25. Long Term Inv. at MV					
26. Land					
27. Buildings					
28. Furniture and Equipment					
29. Depreciation					
I. Total Assets *(add 18-28 minus 29)*					
Liabilities					
30. Accounts Payable					
31. Payroll Taxes Payable					
32. Temp Loans to Other					
33. Deferred Income					
34. Long Term Debt					
J. Total Liabilities *(add 30-34)*					
K. Net Assets *(I. minus J.)*					

35.	**Insurance Category**	**Name of Primary Ins Carrier** (Canon I.6.1(3))	**Coverage**	
a.	Buildings(s)		**$, ,000**	
b.	Contents of Building(s)		**$, ,000**	
c.	Bonding		**$, ,000**	
d.	Worker's Compensation		**Yes**	**No**

	Audit: Name of Firm/Auditor/Authorized Audit Committee	**Sched Audit Date** (Canon I.7)
36.		

FOUR IMPORTANT CONSIDERATIONS FOR CONGREGATIONS
REGARDING THEIR ANNUAL DIOCESAN BUDGET ASSESSMENT

1. Some congregations feel they can amend their assessment after submitting the forms to the diocesan budget committee. We have no way to amend the diocesan budget once convention votes to approve the balanced budget presented at Convention. There is no mechanism in the canons for that, so there is no way to accept an amendment by a congregation after the convention approves the budget.

2. Since Convention voted to approve the revision of Canon 16 at the 2015 Convention, the amount required from each congregation is an assessment, not a pledge. Whatever a congregation submits on their form is what is booked for the budget. The commitment form, which each congregation receives with their assessment, must be returned to the Budget Committee at least 45 days prior to the first session of each year's Convention.

3. The non-discretionary (non-restricted) income listed on the 2015 parochial report is the basis for computing the 2017 assessment. Thus, what a congregation anticipates or collects in 2017 has no bearing on the amount of the 2017 assessment. The assessment is based on prior years because there is no way to predict the actual amount in the current year until the year ends. If the current year income ends up being less than previous years, it will be reflected in the 2019 assessment, so, over time, a congregation will catch up. Trusting in God and the good people of our congregations, making the monthly remittance of one twelfth of the assessment as submitted, achieves two purposes:

a. It sends a message to the congregation that the integrity of the vestry/Bishop's Committee (and thus the congregation) is secured by keeping a commitment made and accepted by congregation and diocesan leadership in good faith.

b. It buys time to allow for opportunities for management-driven savings or stewardship increases that will equal a potential shortfall.

4. If a congregation's shortfall is a small percentage of the 2015 income, we suggest that the amount be divided by the number of 2017 pledges received, and then be divided by 12 months or even 52 weeks, to show folks how small an increase across the board it will take to make up the shortfall. These items, particularly the last one, will help folks think through the situation, rather than look for the lowest hanging fruit, and find a way for a win-win.One of our smaller congregations faced a shortfall in terms of actual pledges vs. budget two years ago; they simply sent every household a letter stating the situation and asked folks to reconsider their pledge. People did. It really is ok to go back to the well...when the ox is in the ditch.

David Brooks, Treasurer, Diocese of Kentucky
Karl Lusk+, Chair Diocesan Budget Committee

F

Diocesan Budget

2017

Proposed Diocesan Budget

	A	B	C	D	E	F	G	H	I
1			2016 BUDGET				2017 PROPOSED	PROPOSED	PROPOSED BDGT
2			PASSED AT				BUDGET WITH	ADJUSTMENTS	WITH GIVING
3		LINE ITEM DESCRIPTION	CONVENTION				13% GIVING	& COMMENTS	COMMITMENTS
4		**INCOME:**							
5	**A.**	**CONGREGATIONAL PLEDGES:**							
6	1	Christ Church Cathedral, Louisville	54,243				47,966		47,966
7	2	St. Luke's, Anchorage	52,000				52,000		52,000
8	3	Church of the Ascension, Bardstown	11,894				11,989		11,989
9	4	Christ Church, Bowling Green	96,424				89,554		89,554
10	5	Holy Trinity, Brandenburg	5,846				5,073		5,073
11	6	St. Thomas, Campbellsville	2,883				2,096		2,096
12	7	Christ Church, Elizabethtown	15,496				11,502		11,502
13	8	St. Alban's, Fern Creek	900				6,129		6,129
14	9	Resurrection, Louisville	2,386				2,400		2,400
15	10	Trinity, Fulton	3,504				4,240		4,240
16	11	St. Peter's, Gilbertsville	7,532				9,119		9,119
17	12	St. Andrew's, Glasgow	8,752				6,896		6,896
18	13	St. Francis, Harrods Creek (orig budget $100,000)	110,000				125,000		125,000
19	14	St. Paul's, Henderson (per email from Susan Sauls)	29,234				29,188		29,188
20	15	St. Paul's, Hickman	1,575				1,369		1,369
21	16	Grace, Hopkinsville	34,880				35,436		35,436
22	17	Calvary, Louisville (orig budget $69,438)	80,000				83,172		83,172
23	18	Church of the Advent, Louisville	17,310				26,072		26,072
24	19	Messiah-Trinity, Louisville	3,500				3,363		3,363
25	20	Our Merciful Saviour, Louisville	9,203				6,660		6,660
26	21	St. Andrew's, Louisville	76,183				76,111		76,111
27	22	St. Clement's, Louisville (have not received parochial report same as last year)	368				263		263
28	23	St. George's, Louisville	4,482				3,667		3,667
29	24	St. Mark's, Louisville	55,795				54,384		54,384
30	25	St. Matthew's, Louisville	105,120				105,924		105,924
31	26	St. Paul's, Louisville	12,000				21,262		21,262
32	27	St. Peter's, Louisville	11,000				10,614		10,614
33	28	St. Thomas, Louisville	33,674				33,212		33,212
34	29	St. Mary's, Madisonville	23,813				16,009		16,009
35	30	St. John's, Murray	22,830				21,882		21,882
36	31	Trinity, Owensboro	49,926				52,343		52,343
37	32	Grace, Paducah	69,326				65,187		65,187
38	33	St. James', PeWee Valley	21,300				24,176		24,176
39	34	Trinity, Russellville	10,526				10,350		10,350
40	35	St. James', Shelbyville	13,307				9,111		9,111
41	36	St. Luke's Chapel, Louisville	6,979				7,521		7,521
42									
43	**37**	**TOTAL CONGREGATIONAL PLEDGES**	**1,064,191**				**1,071,240**	**-**	**1,071,239**
44									
45	**B.**	**OTHER FUNDING SOURCES:**							
46	38	BISHOP DUDLEY FUND (amount from SYB 6/24/2013)	172,956				180,000	-	180,000
47	39	ENDOWMENT SPENDING	187,771				181,966	-	181,966
48	40	SPECIAL & INDIVIDUAL GIFTS	85,000				85,000	15,000	100,000
49	41	BRENNAN MINISTRY DEVELOPMENT & CONT. EDUCATION GRANTS	75,000				75,000	-	75,000
50	42	MARCIA HITE FUNDING FOR THEOLOGICAL EDUCATION (Erendira & Allison)(Included in Endowment Spend	14,000				-	-	-
51	43	PURCHASE AREA FUNDING-MAYFIELD	7,500				-	7,500	7,500
52	44	TACHAU ENDOWMENT INCOME	12,326				12,326	-	12,326
53	45	NEW MISSION FUNDING	9,000				-	5,000	5,000
54	46	PRIOR YEARS' SURPLUS	10,878				-	15,899	15,899
55	**47**	**TOTAL OTHER FUNDING SOURCES**	**574,431**				**534,292**	**43,399**	**577,691**
56									
57	**48**	**TOTAL INCOME**	**1,638,622**				**1,605,532**	**43,399**	**1,648,930**
58									

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59	II.	**COSTS:**							
60	A.	**DIOCESAN DEPARTMENTS:**							
61	(1)	**EVANGELISM AND CONGREGATIONAL DEVELOPMENT:**							
76	***	FUNDING FOR MISSION FUNDING GRANTS IN 2017 BUDGET					85,000		85,000
77		AIDED PARISHES:							
78	59	St. ALBANS, FERN CREEK	-				14,095	(14,095)	-
79	60	OUR MERCIFUL SAVIOUR	8,000				8,000	-	8,000
80	61	**TOTAL AIDED PARISHES**	**8,000**				**107,095**	**(14,095)**	**93,000**
81									
82									
83		**DEPARTMENT COSTS:**							
84	62	WORKSHOPS/CONSULTATION FUNDING	2,000				500	-	500
85	63	PARTNERSHIP INITIATIVES	1,000				1,000	-	1,000
86	64	LEADERSHIP TRAINING & CONFERENCES	500				2,000	-	2,000
87	65	DEPARTMENT COSTS	1,800				1,000	-	1,000
88	66	**TOTAL DEPARTMENT COSTS**	**5,300**				**4,500**	**-**	**4,500**
89									
90	67	**TOTAL EVANGELISM AND CONGREGATIONAL DEVELOPMENT**	**98,300**				**111,595**	**(14,095)**	**97,500**
91									
92	(2)	**CHRISTIAN FORMATION:**							
93									
94		**COLLEGE MINISTRIES:**							
95		UNIVERSITY OF LOUISVILLE							
96	68	- CHAPLAIN (INCLUDES A 1.5% COLA)	20,645				23,742	-	23,742
97	69	- FICA	1,579				1,816	-	1,816
98	70	- PROGRAM (AS OF AUGUST 2015 CHECKING ACCT. BAL $2,324.99)	3,650				3,650	-	3,650
99	71	- INTERFAITH CENTER	6,000				6,000	-	6,000
100									
101		MURRAY STATE UNIVERSITY							
102	72	- CHAPLAIN (INCLUDED A 1.5% COLA)	30,858				31,321	-	31,321
103	73	- PROGRAM	6,468				6,468	-	6,468
104									
105		WESTERN KENTUCKY UNIVERSITY							
106	74	- CHAPLAIN (INCLUDES A 1.5% COLA)	20,645				20,000	-	20,000
107	75	- PROGRAM	8,250				11,400	-	11,400
108									
109	76	**TOTAL COLLEGE MINISTRIES**	**98,096**				**104,397**	**-**	**104,397**
110									
111		**DEPARTMENT COSTS:**							
112	77	SCHOOL OF MINISTRY (Funding from Brennan Theo. in COM's budget.)	18,000				18,000	-	18,000
113	78	EDUCATION FOR MINISTRY (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)	-	.			1,800	-	1,800
114	79	CHRISTIAN FORMATION CONF/EVENTS	500	.			500	-	500
115	80	DEPARTMENT COSTS	500	.			500	-	500
116	81	LEADERSHIP TRAINING & CONFERENCES	1,500	.			1,500	-	1,500
117	82	COMMUNICATIONS	100	.			100	-	100
118	83	**TOTAL DEPARTMENT COSTS**	**20,600**				**22,400**	**-**	**22,400**
119									
120									
121		**YOUTH:**							
122	84	LEADERSHIP TRAINING (CHRISTIAN ED DEPT CONFERENCE)	1,000				1,000	-	1,000
123	85	YOUTH COUNSEL EXPENSES	1,000				1,000	-	1,000
124	86	COMMUNICATIONS	771				771	-	771
125	87	POSTAGE	1,000				1,000	-	1,000
126	88	PROMOTIONS	500				500	-	500
127	89	YOUTH DEPARTMENT EXP	1,500				1,500	-	1,500

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128	90	GATHERING SUPPLIES	2,000				2,000	-	2,000
129	91	GATHERING STAFF ROOM/BOARD (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)	2,127				2,127	-	2,127
130	92	GATHERING SCHOLARSHIPS (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)	900				900	-	900
131	**93**	**TOTAL YOUTH EXPENSE**	**10,798**				**10,798**	**-**	**10,798**
132									
133		**CAMPS:**							
134	94	CAMP OPERATING SUPPLIES	3,000				3,000	-	3,000
135	95	COUNSELOR, CLERGY, MEDICAL TRAINING AND COUNSELOR ORIENTATION WEEKEND	5,510				5,510	-	5,510
136	96	COUNSELOR SALARIES	30,000				30,000	-	30,000
137	97	COUNSELOR/STAFF ROOM/BOARD (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)	15,000				15,000	-	15,000
138	98	PRIEST'S FAMILY ROOM/BOARD (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)	2,500				2,500	-	2,500
139	99	MUSIC	1,600				1,600	-	1,600
140	100	SCHOLARSHIPS (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)	5,000				5,000	-	5,000
141	101	PROMOTIONS & T-SHIRTS	1,500				1,500	-	1,500
142	102	EYE/PYE/ECU EVENTS	3,000				3,000	-	3,000
143	**103**	**TOTAL CAMP EXPENSE**	**67,110**				**67,110**	**-**	**67,110**
144									
145	**104**	**ALL SAINTS' CENTER:**	**100,000**				194,000	(72,800)	121,200
146									
147	**105**	**TOTAL CHRISTIAN FORMATION COSTS**	**296,604**				**398,705**	**(72,800)**	**325,905**
148									
149	**(3)**	**JUBILEE AND JUSTICE**							
150									
151	106	JUBILEE MINISTRIES	1,000				1,000	-	1,000
152	107	HEALTH MINISTRIES	50				50	-	50
153									
154	**108**	**TOTAL JUBILEE AND JUSTICE**	**1,050**				**1,050**	**-**	**1,050**
155									
156	**(4)**	**FINANCE AND STEWARDSHIP**							
157									
158	109	DEPT. OF STEWARDSHIP (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)(TEN'S CONF.)	3,500				3,500	-	3,500
159	110	DIOCESAN AUDIT (NO INCREASE FOR 2015)	18,000				18,000	-	18,000
160	111	FINANCE DEPARTMENT EXPENSES (DOES NOT INCLUDE ALL SAINTS RATE INCREASE)	3,000				3,000	-	3,000
161									
162	**112**	**TOTAL FINANCE AND STEWARDSHIP**	**24,500**				**24,500**	**-**	**24,500**
163									
164	**113**	**TOTAL DIOCESAN DEPARTMENTS**	**420,454**				**535,850**	**(86,895)**	**448,955**
165									
166	**B.**	**EPISCOPAL CHURCH AND ECUMENICAL OUTREACH:**							
167									
168	114	EPISCOPAL USA CHURCH PROGRAM (2014=13%, 2015=13.5% , 2016=18%, 2017 = 16.5%)	225,099				210,824	-	210,824
169	115	PROVINCE IV ASSESSMENT	3,783				4,350	-	4,350
170	116	UNIVERSITY OF THE SOUTH	550				550	-	550
171	117	GENERAL CONVENTION 2018	5,000				5,000	-	5,000
172	118	PROVINCIAL SYNOD	2,800				2,800	-	2,800
173	119	LAMBETH CONFERENCE 2018	1,500				1,500	-	1,500
174	120	KENTUCKY COUNCIL OF CHURCHES (REQUESTED $8,976 for 2017)	5,000				5,000	-	5,000
175									
176	**121**	**TOTAL EPISCOPAL CHURCH & ECUMENICAL OUTREACH**	**243,732**		**-**		**230,024**	**-**	**230,024**
177									
178	**C.**	**DIOCESAN OPERATIONAL COSTS:**							
179									
180	**(1)**	**DIOCESAN STAFF COMPENSATION:**							
181									

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182		**THE EPISCOPATE:**							
183									
184		**8TH BISHOP OF KENTUCKY**							
185	122	BISHOP - SALARY (Merit Increase in odd years)(estimate of 3%)(included is Staff Salary Increases)	128,773				128,773	-	128,773
186	123	BISHOP - HOUSING (Merit Increase in odd years)(estimate of 3%)(Included in Staff Salary Increases)	36,000				36,000	-	36,000
187	124	BISHOP - PENSION (Included in Staff Frenge Adjustments)	29,659				29,659	-	29,659
188	125	BISHOP - INSURANCE (BCBS PPO 80/60, DENTAL-FAMILY)(LIFE)	-				-	-	27,461
189		BCBS PPO 80/60 FAMILY INCREASED 5.43%	23,424				24,696	-	
190		DENTAL FAMILY INCREASED 2.68%	2,256				2,316	-	-
191		LIFE $100,000 EST INCREASES 10%	408				449	-	-
192	126	BISHOP - AUTO	7,000				7,000	-	7,000
193	127	BISHOP - TRAVEL (INCLUDES 15% INCREASE)	7,000				7,000	-	7,000
194		CELL PHONE (PRIMARY ACCOUNT)(INCLUDES 10% INCREASE)	2,178				2,396		2,396
195	128	BISHOP - PROFESSIONAL EXPENSE (INCLUDES 15% INCREASE)	4,000				4,000	-	4,000
196	129	BISHOP - REPLACEMENT AUTO	10,000				10,000		10,000
197	130	BISHOP - PROFESSIONAL DEVELOPMENT($$ from BT)	1,000				1,000	-	1,000
198	**131**	**TOTAL EPISCOPATE**	**251,698**		-		**253,289**	-	**253,289**
199									
200		**PROGRAM SUPPORT STAFF:**							
201	132	CANON TO THE ORDINARY - SALARY (SEE STAFF INCREASES 1.5% COLA)	49,762				51,472	-	51,472
202	133	CANON TO THE ORDINARY - HOUSING (SEE STAFF INCREASES 1.5% COLA)	29,000				29,000	-	29,000
203	134	CANON TO THE ORDINARY - INSURANCE (BCBS PPO 80/60)	-				-	-	10,142
204		BCBS 80/60 SINGLE INCREASED 5.43%	7,986				8,820	-	
205		LIFE INSURANCE $100,000 INCREASE 10%	449				494	-	
206		DENTAL SINGLE INCREASED 2.68%	1,045				828	-	
207	135	CANON TO THE ORDINARY - PENSION	14,177				14,485	-	14,485
208	136	CANON TO THE ORDINARY - PROFESSIONAL DEVELOPMENT ($$ from BT)(TUITION & CODE)	2,500				2,500	-	2,500
209	137	CANON TO THE ORDINARY - PROFESSIONAL EXPENSE	750				750	-	750
210	138	CANON TO THE ORDINARY - TRAVEL (INCLUDES CELL PHONE)	4,500				4,500	-	4,500
211									
212	139	CANON FOR CONGREGATIONAL VITALITY- SALARY (SEE STAFF INCREASES 1.5% COLA)	56,000				57,650	-	57,650
213	140	CANON FOR CONGREGATIONAL VITALITY - HOUSING (SEE STAFF INCREASES 1.5% COLA)	19,000				19,000	-	19,000
214	141	CANON FOR CONGREGATIONAL VITALITY - INSURANCE (BCBS PPO 80/60)	-				-	-	27,461
215		BCBS PPO 80/60 FAMILY INCREASED 5.43%	23,424				24,696	-	
216		DENTAL FAMILY INCREASED 2.68%	2,256				2,316	-	
217		LIFE $100,000 EST INCREASES 10%	408				449	-	
218	142	CANON FOR CONGREGATIONAL VITALITY - PENSION	13,500				13,797	-	13,797
219	143	CANON FOR CONGREGATIONAL VITALITY - PROFESSIONAL DEVELOPMENT (TENS&MISSION)	2,500				2,500	-	2,500
220	144	CANON FOR CONGREGATIONAL VITALITY - PROFESSIONAL EXPENSES	1,250				1,250	-	1,250
221	145	CANON FOR CONGREGATIONAL VITALITY - TRAVEL (INCLUDES CELL PHONE)	10,000				10,000	-	10,000
222									
223	146	YOUTH COORDINATOR - SALARY 75 % PKG	29,754				29,754	-	29,754
224	147	YOUTH COORDINATOR - FICA	2,276				2,276	-	2,276
225	148	YOUTH COORDINATOR - INSURANCE	-				-	-	10,230
226		BCBS PPO 80/60 SINGLE INCREASED 5.43%	8,364				8,820	-	
227		LIFE $10,000 EST INCREASE 10%	80				88	-	
228		DENTAL SINGLE INCREASD 2.68%	804				828	-	
229		DISABILITY EST INCREASE 10%	449				494	-	
230	149	YOUTH COORDINATOR - PENSION	2,678				2,678	-	2,678
231	150	YOUTH COORDINATOR - CONTINUING EDUCATION	1,000				1,000	-	1,000
232	151	YOUTH COORDINATOR - TRAVEL (INCLUDES CELL PHONE)	2,000				2,000	-	2,000
233			-						
234	152	ASST. FOR ADMIN. & COMMUNICATIONS - SALARY	36,627				37,000	-	37,000
235	153	ASST. FOR ADMIN. & COMMUNICATIONS - FICA	2,802				2,831	-	2,831
236	154	ASST. FOR ADMIN. & COMMUNICATIONS - INSURANCE	-				-	-	10,276

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237		BCBS PPO 80/60 SINGLE EST INCREASED 5.43%	8,364				8,820	-	
238		LIFE $10,000 EST INCREASE 10%	80				88	-	
239		DENTAL SINGLE INCREASED 2.68%	804				828	-	
240		DISABILITY EST INCREASE 10%	491				540	-	
241	155	ASST. FOR ADMIN. & COMMUNICATIONS - PENSION	3,296				3,330	-	3,330
242	156	ASST. FOR ADMIN. & COMMUNICATIONS - CONTINUING EDUCATION	1,000				1,000	-	1,000
243	157	ASST. FOR ADMIN. & COMMUNICATIONS - TRAVEL	2,000				1,000	-	1,000
244	**158**	**TOTAL PROGRAM SUPPORT STAFF**	**341,376**		**-**		**347,881**	**-**	**347,881**
245									
246		**ADMINISTRATIVE STAFF:**							
247	159	CONTROLLER - SALARY (SEE STAFF INCREASES 1.5% COLA)	62,563				63,971	-	63,971
248	160	CONTROLLER - FICA (SEE STAFF INCREASES FRINGE ADJ.)	4,786				4,894	-	4,894
249	161	CONTROLLER - INSURANCE (BCBS PPO 80/60)	-				-	-	10,736
250		BCBS PPO 80/60 SINGLE INCREASED 5.43%	8,364				8,820	-	-
251		LIFE $10,000 EST INCREASE 10%	81				89	-	-
252		DENTAL SINGLE INCREASED 2.68%	804				828	-	-
253		DISABILITY EST INCREASE 10%	908				999	-	-
254	162	CONTROLLER - PENSION	5,631				5,757		5,757
255	163	CONTROLLER - CONTINUING EDUCATION	1,500				1,500	-	1,500
256	164	CONTROLLER - TRAVEL	2,000				2,000	-	2,000
257									
258	165	FINANCIAL ASSISTANT - SALARY (SEE STAFF INCREASES 1.5 % COLA)	40,640				41,140	-	41,140
259	166	FINANCIAL ASSISTANT - FICA (SEE STAFF INCREASES FRINGE ADJ.)	3,060				3,147	-	3,147
260	167	FINANCIAL ASSISTANT - INSURANCE	-				-	-	10,528
261		BCBS PPO 80/60 SINGLE EST INCREASE 10%	8,364				8,820	-	
262		LIFE $10,000 EST INCREASE 10%	81				89	-	
263		DENTAL COVERAGE	804				828	-	
264		DISABILITY EST INCREASE 10%	719				791	-	
265	168	FINANCIAL ASSISTANT - PENSION	3,600				3,703	-	3,703
266	169	FINANCIAL ASSISTANT - CONTINUING EDUCATION	1,000				1,000	-	1,000
267	170	FINANCIAL ASSISTANT - TRAVEL (PARISH AUDITS)	4,500				4,500	-	4,500
268									
269	**171**	**TOTAL ADMINISTRATIVE STAFF**	**149,405**		**-**		**152,876**	**-**	**152,876**
270									
271		**OTHER DIOCESAN STAFF COSTS:**							
272	172	INSURANCE-WORKERS' COMP. (EST INCREASE 10%)	7,797				8,577	-	8,577
273	173	STAFF DEVELOPMENT (RETREAT & 2 PEOPLE TO ACS TRAINING)	3,000				3,000	-	3,000
274	174	STAFF SALARY (INCREASES 1.5% COLA AND1 MERIT INCREASE)	9,567				18,339	-	18,339
275	175	STAFF FRINGE ADJ. (FICA AND PENSION) (FRINGE FOR 3 MERIT)	1,692				3,230	-	3,230
276	**176**	**TOTAL OTHER DIOCESAN STAFF COSTS**	**22,056**		**-**		**33,145**	**-**	**33,145**
277									
278	**177**	**TOTAL DIOCESAN STAFF COMPENSATION**	**764,535**		**-**		**787,191**	**-**	**787,191**
279									
280	**(2)**	**OFFICE COSTS**							
281									
282	178	RENT	46,348				46,348	-	46,348
283	179	PARKING (4 SPACES STAFF FOR 2017, at $100)	3,060				4,800	-	4,800
284	180	UTILITIES (2017 BUDGET INCREASE LGE RATE INCREASE 10%)	28,156				30,972	-	30,972
285	181	OFFICE SUPPLIES (INK FOR POSTAGE METER & COPIER, PAYROLL FORMS, CKS, MISC.)	6,600				6,600	-	6,600
286	182	OFFICE HOSPITALITY	600				600	-	600
287	183	PURCHASES & RENTAL FEES-(acs, postage meter & sentry file)	-				-	-	7,629
288		ACS 7 modules 15,000 records + on line $442 per month + 5% increase = $486 MONTHLY	5,160				5,832	-	
289		SENTRY FILE	1,500				1,500	-	
290		POSTAGE METER ($55.00 PER QUARTER)	270				297	-	
291	184	EQUIPMENT - MAINT. & REPAIRS	-				-	-	8,100
292		MAINT. ON SAVIN, (2) RICOH PRINTERS ($185 per month + 600 for color ink)	1,500				2,820		

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293		ABS BACK-UP SENTRY FILES OFF SITE ($50 per month) (EST 10% INCREASE)	600				660	-	
294		ABS MONTHLY MAINTENANCE ($350 per month) (EST. 10% INCREASE)	4,200				4,620	-	
295	185	EQUIPMENT - RESERVES - COPIER REPLACEMENT	1,200				2,400	-	2,400
296	186	EQUIPMENT - RESERVES - COMPUTER (hardware & software)	3,000				3,000	-	3,000
297	187	TELEPHONE	1,800				2,412	-	3,000
298		CONFERENCE CALLS	-				588	-	
299	188	ONLINE SERVICES	-					-	
300		EMAIL SCHEDULER	-						
301		DOMAIN NAME (RENEWAL 11/2014) (BILLING EVERY 2 YEARS)	170				170	-	170
302		SPAMFILTER	-				-	-	
303		ANTI-VIRUS (ESTIMATE)	-				-	-	
304		FIREWALL (RENEWAL 11/2016) (BILLING EVERY 2 YEARS)	500				500		500
305		SATALITE CONNECTION FOR INTERNIT-BISHOP (EST 10% INCREASE)	383				421	-	421
306		INTERNET SERVICE	3,000				3,000	-	3,000
307	189	POSTAGE	1,300				1,300	-	1,300
308	190	INSURANCE-PROP & LIABILITY (includes group life for retired ($220), 10% increase.	11,055				12,401	-	12,401
309	191	INSURANCE-PROPERTY & SAFETY ADM. TRAVEL	500				500	-	500
310	192	SUBSCRIPTIONS & PROFESSIONAL FEES (CODE,St Filing fee, Ch Fin. Law & Tax, Living Ch, etc.)	1,000				1,000	-	1,000
311	193	BANK FEES (ACH use)	1,050				1,200	-	1,200
312	194	LOAN COMPUTER EQUIPMENT	2,337				2,337	(2,337)	-
313	195	LOAN FOR BISHOP SEARCH	12,260				12,260	(12,260)	-
314	**196**	**TOTAL OFFICE COSTS**	**137,549**				**148,537**	**(14,597)**	**133,940**
315									
316	**(3)**	**COMMUNICATIONS:**							
317	197	DESIGN & MARKETING (INCLUDES DIRECT MAIL PRINTING & POSTAGE)	7,660				7,660	-	7,660
318	198	MOBILE COMMUNICATIONS & EQUIPMENT (INCLUDES WEB-X CONFERENCING)	700				2,400	-	2,400
319	199	MEDIA MGT., SUBSCRIPTIONS, FEES	359				359	-	359
320	200	CONVENTION	-				-	-	-
321	201	WEBSITE	6,300				6,300	-	6,300
322	202	WORKSHOPS & TRAINING	150				150	-	150
323	203	MISCELLANEOUS	100				100	-	100
324	**204**	**TOTAL COMMUNICATIONS**	**15,269**				**16,969**	**-**	**16,969**
325									
326									
327	**(4)**	**OTHER DIOCESAN COSTS:**							
328	205	CONTINGENCIES	1,200				2,000	-	2,000
329	206	SEXUAL MISCONDUCT PREVENTION (on web)	200				200	-	200
330	207	DISCIPLINARY BOARD EXPENSE (NEW ACCOUNT)	2,500				2,500	-	2,500
331	208	RETIRED CLERGY CHAPLAIN (INCLUDES STIPEND AND $1,500 PROGRAM & CONFERENCE)	4,500				4,500	-	4,500
332	209	CONVENTION: ADV REPT/JOURNAL	3,000				3,000	-	3,000
333	210	DIOCESAN CONVENTION (TECH & STAFF EXPENSE AND INFORMATIONAL DATA)	3,000				3,000	-	3,000
334	211	CLERGY DEPLOYMENT EXPENSES (INCLUDES TRANSITION CONFERENCE)	5,500				5,500	-	5,500
335	212	TRUSTEES & COUNCIL (ROOM & BOARD & FOOD EXPENSE)	2,250				2,250	-	2,250
336	213	COMMISSION ON MINISTRY- DEPARTMENT EXPENSES (Food,Travel,Bibles,Mtgs,Cert.& Invitations)	1,200				1,200	-	1,200
337	214	LITURGICAL COMMISSION (Ordination & Diocesan Events)	2,500				2,500	-	2,500
338	215	ECUMENICAL COMMISSION	2,500				2,500	-	2,500
339	216	STANDING COMMITTEE	100				100	-	100
340	217	COMPANION DIOCESE COMMITTEE	100				100	-	100
341	218	HISTORIOGRAPHER	1,500				1,500		1,500
342	219	CHANCELLOR	1,000				1,000	-	1,000
343	**220**	**TOTAL OTHER DIOCESAN COSTS**	**31,050**				**31,850**	**-**	**31,850**
344									
345	**221**	**TOTAL DIOCESAN OPERATIONAL COSTS**	**183,868**				**197,356**	**(14,597)**	**182,759**
346									
347	**222**	**TOTAL COSTS**	**1,612,588**				**1,750,422**	**(101,492)**	**1,648,930**
348									
349	**223**	**Increase over 2016 budget**	**36,342**		**2.25%**				

CONGREGATION PLEDGES FOR 2017

NO.	NAME AND LOCATION	NDI 2014	NDI 2015		13%	15%	20%	2016 PLEDGE		2017 PLEDGE	Increase (Decrease)	%
1	CHRIST CHURCH CATHEDRAL, LOUISVILLE	361,619.00	368,970.00	I	47,966.10	55,345.50	73,794.00	54,243.00		47,966.10	(6,276.90)	13.00%
2	ST. LUKE'S, ANCHORAGE	417,986.00	383,696.00	D	49,880.48	57,554.40	76,739.20	52,000.00		52,000.00	-	13.55%
3	CHURCH OF THE ASCENSION, BARDSTOWN	79,292.00	79,928.00	I	10,390.64	11,989.20	15,985.60	11,894.00		11,989.20	95.20	15.00%
4	CHRIST CHURCH, BOWLING GREEN	642,828.00	597,024.00	D	77,613.12	89,553.60	119,404.80	96,424.00		89,553.60	(6,870.40)	15.00%
5	HOLY TRINITY, BRANDENBURG	38,975.00	39,023.00	I	5,072.99	5,853.45	7,804.60	5,846.00	M	5,072.99	(773.01)	13.00%
6	ST. THOMAS, CAMPBELLSVILLE	19,221.00	16,126.00	D	2,096.38	2,418.90	3,225.20	2,883.00	M	2,096.38	(786.62)	13.00%
7	CHRIST CHURCH, ELIZABETHTOWN	103,308.00	76,680.00	D	9,968.40	11,502.00	15,336.00	15,496.00		11,502.00	(3,994.00)	15.00%
8	ST. ALBAN'S, FERN CREEK	61,802.00	47,143.00	D	6,128.59	7,071.45	9,428.60	900.00		6,128.59	5,228.59	13.00%
9	RESURRECTION, LOUISVILLE	59,648.67	65,969.68	I	8,576.06	9,895.45	13,193.94	2,386.00		2,400.00	14.00	3.64%
10	TRINITY, FULTON	25,560.00	32,619.00	I	4,240.47	4,892.85	6,523.80	3,504.00	M	4,240.47	736.47	13.00%
11	ST. PETER'S, GILBERTSVILLE	50,212.00	60,790.00	I	7,902.70	9,118.50	12,158.00	7,532.00		9,118.50	1,586.50	15.00%
12	ST. ANDREW'S, GLASGOW	58,348.00	53,046.00	D	6,895.98	7,956.90	10,609.20	8,752.00	M	6,896.00	(1,856.00)	13.00%
13	ST. FRANCIS, HARRODS CREEK	1,483,361.00	1,437,705.00	D	186,901.65	215,655.75	287,541.00	110,000.00		125,000.00	15,000.00	8.69%
14	ST. PAUL'S, HENDERSON	208,811.00	224,522.00	I	29,187.86	33,678.30	44,904.40	29,234.00		29,187.86	(46.14)	13.00%
15	ST. PAUL'S, HICKMAN	10,500.00	10,527.00	I	1,368.51	1,579.05	2,105.40	1,575.00		1,368.51	(206.49)	13.00%
16	GRACE, HOPKINSVILLE	232,535.00	253,112.00	I	32,904.56	37,966.80	50,622.40	34,880.00		35,435.68	555.68	14.00%
17	CALVARY, LOUISVILLE	673,982.00	639,784.00	D	83,171.92	95,967.60	127,956.80	80,000.00		83,172.00	3,172.00	13.00%
18	CHURCH OF THE ADVENT, LOUISVILLE	157,364.00	200,550.00	I	26,071.50	30,082.50	40,110.00	17,310.00		26,071.50	8,761.50	13.00%
20 *	MESSIAH TRINITY, LOUISVILLE	55,469.00	51,741.00	D	6,726.33	7,761.15	10,348.20	3,500.00	*	3,363.17	(136.84)	6.50%
21	OUR MERCIFUL SAVIOUR, LOUISVILLE	61,352.00	51,231.00	D	6,660.03	7,684.65	10,246.20	9,203.00		6,660.03	(2,542.97)	13.00%
22	ST. ANDREW'S, LOUISVILLE	507,887.00	507,406.00	D	65,962.78	76,110.90	101,481.20	76,183.05		76,110.90	(72.15)	15.00%
23	ST. CLEMENT'S, LOUISVILLE	2,450.00	2,020.00	D	262.60	303.00	404.00	368.00		262.60	(105.40)	13.00%
24	ST. GEORGE'S, LOUISVILLE	29,877.00	28,207.50	D	3,666.98	4,231.13	5,641.50	4,482.00	M	3,666.98	(815.03)	13.00%
26	ST. MARK'S, LOUISVILLE	371,969.00	362,554.00	D	47,132.02	54,383.10	72,510.80	55,795.00		54,384.00	(1,411.00)	15.00%
27	ST. MATTHEW'S, LOUISVILLE	700,795.00	706,158.00	I	91,800.54	105,923.70	141,231.60	105,120.00		105,923.70	803.70	15.00%
28	ST. PAUL'S, LOUISVILLE	196,553.00	212,622.00	I	27,640.86	31,893.30	42,524.40	12,000.00		21,262.20	9,262.20	10.00%
29	ST. PETER'S, LOUISVILLE	96,892.00	70,759.00	D	9,198.67	10,613.85	14,151.80	11,000.00		10,613.85	(386.15)	15.00%
30	ST. THOMAS', LOUISVILLE	224,493.00	221,416.00	I	28,784.08	33,212.40	44,283.20	33,674.00		33,212.40	(461.60)	15.00%
31	ST. MARY'S, MADISONVILLE	158,755.00	123,145.00	D	16,008.85	18,471.75	24,629.00	23,813.00		16,008.85	(7,804.15)	13.00%
34	ST. JOHN'S, MURRAY	152,197.00	145,882.00	D	18,964.66	21,882.30	29,176.40	22,830.00		21,882.30	(947.70)	15.00%
35	TRINITY, OWENSBORO	332,842.00	402,642.00	I	52,343.46	60,396.30	80,528.40	49,926.00		52,343.46	2,417.46	13.00%
36	GRACE, PADUCAH	462,176.00	434,582.03	D	56,495.66	65,187.30	86,916.41	69,326.00		65,187.30	(4,138.70)	15.00%
37	ST. JAMES', PEWEE VALLEY	236,656.00	230,245.00	D	29,931.85	34,536.75	46,049.00	21,300.00		24,176.00	2,876.00	10.50%
38	TRINITY, RUSSELLVILLE	70,172.00	69,000.05	D	8,970.01	10,350.01	13,800.01	10,526.00	M	10,350.01	(175.99)	15.00%
39	ST. JAMES', SHELBYVILLE	88,712.00	91,110.20	I	11,844.33	13,666.53	18,222.04	13,307.00		9,111.00	(4,196.00)	10.00%
40	ST. LUKE'S CHAPEL ,LOUISVILLE	46,529.00	50,143.00	I	6,518.59	7,521.45	10,028.60	6,979.00		7,521.45	542.45	15.00%
	TOTALS	**8,481,128.67**	**8,348,078.46**		**1,085,250.20**	**1,252,211.77**	**1,669,615.69**	**1,064,191.05**		**1,071,239.57**	**7,048.52**	

16 congregations had a increasing NDI for 2015
20 congregations had a declining NDI for 2015
M= Mission congregations

	NDI base	$$ of Giving	% of Giving
Giving average for 2017	8,348,078.46	1,071,239.57	12.83%
Giving average for 2016	8,481,128.67	1,064,190.99	12.55%
Giving average for 2015	8,859,301.85	1,025,871.20	11.58%
Giving average for 2014	8,487,867.85	1,035,692.35	12.20%
Giving average for 2013	8,643,639.69	995,483.43	11.52%
Giving average for 2012	8,201,431.87	951,316.00	11.60%
Giving average for 2011	8,249,577.00	922,730.20	11.19%
Giving average for 2010	8,284,631.00	975,310.50	11.77%
Giving average for 2009	8,256,833.75	966,760.06	11.71%
Giving average for 2008	7,833,171.45	993,203.03	12.68%

FOUR IMPORTANT CONSIDERATIONS FOR CONGREGATIONS
REGARDING THEIR ANNUAL DIOCESAN BUDGET ASSESSMENT

1. Some congregations feel they can amend their assessment after submitting the forms to the diocesan budget committee. We have no way to amend the diocesan budget once convention votes to approve the balanced budget presented at Convention. There is no mechanism in the canons for that, so there is no way to accept an amendment by a congregation after the convention approves the budget.

2. Since Convention voted to approve the revision of Canon 16 at the 2015 Convention, the amount required from each congregation is an assessment, not a pledge. Whatever a congregation submits on their form is what is booked for the budget. The commitment form, which each congregation receives with their assessment, must be returned to the Budget Committee at least 45 days prior to the first session of each year's Convention.

3. The non-discretionary (non-restricted) income listed on the 2015 parochial report is the basis for computing the 2017 assessment. Thus, what a congregation anticipates or collects in 2017 has no bearing on the amount of the 2017 assessment. The assessment is based on prior years because there is no way to predict the actual amount in the current year until the year ends. If the current year income ends up being less than previous years, it will be reflected in the 2019 assessment, so, over time, a congregation will catch up. Trusting in God and the good people of our congregations, making the monthly remittance of one twelfth of the assessment as submitted, achieves two purposes:

a. It sends a message to the congregation that the integrity of the vestry/Bishop's Committee (and thus the congregation) is secured by keeping a commitment made and accepted by congregation and diocesan leadership in good faith.

b. It buys time to allow for opportunities for management-driven savings or stewardship increases that will equal a potential shortfall.

4. If a congregation's shortfall is a small percentage of the 2015 income, we suggest that the amount be divided by the number of 2017 pledges received, and then be divided by 12 months or even 52 weeks, to show folks how small an increase across the board it will take to make up the shortfall. These items, particularly the last one, will help folks think through the situation, rather than look for the lowest hanging fruit, and find a way for a win-win.One of our smaller congregations faced a shortfall in terms of actual pledges vs. budget two years ago; they simply sent every household a letter stating the situation and asked folks to reconsider their pledge. People did. It really is ok to go back to the well...when the ox is in the ditch.

David Brooks, Treasurer, Diocese of Kentucky
Karl Lusk+, Chair Diocesan Budget Committee

G

Benefits: Pension and Health

Annual Treasurers' and Administrators' Letter

The Church Pension Fund Retirement Plans

January 2015

Annual Treasurers' and Administrators' Letter
The Church Pension Fund Plans

Dear Treasurer/Administrator,

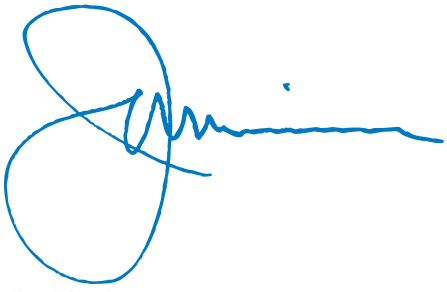
Our *Annual Treasurers' and Administrators' Letter* is designed specifically for the treasurers and administrators of organizations participating in plans sponsored by The Church Pension Fund (CPF). This issue summarizes changes that have happened over the past year and things you need to know about for the coming year with respect to the following CPF plans:

- The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan)
- The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan)
- The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan)
- The Episcopal Church Retirement Savings Plan (RSVP)

We hope you will find this *Annual Treasurers' and Administrators' Letter* helpful and the material it contains informative. We encourage you to visit our website at ***www.cpg.org*** where detailed information is available.

If you have any questions regarding these plans, please call our dedicated administrators' phone number, (855) 215-5990, Monday – Friday, 8:30AM – 8:00PM ET (excluding holidays), or email us at ***benefits@cpg.org***.

Warm regards,



Jim Morrison
Executive Vice President and Chief Operating Officer

Change in an employee's personal status? Please let us know.

When you get a change in personal status from a cleric or lay employee (i.e., marriage, divorce, birth of a child), please notify us of that change by calling (855) 215-5990. Or, the designated senior or administrative officer of your church/institution can log in to the Employee Roster and make the change there.

CHURCH PENSION FUND

The Clergy Pension Plan

The Church Pension Fund Board of Trustees approved a 1.7% cost of living increase.

The CPF Board approved a 1.7% cost of living increase in the monthly pension benefit effective January 1, 2015. For those who retired during 2014, the increase is prorated.

The amount of "allowed earnings" for retired clergy has been increased to $36,500 for 2015.

This is the amount that retired clergy can earn during a 12-month period and still receive full pension benefits as long as they are not continuing to serve in the same organization where they worked just prior to retirement. To review the complete rules regarding *Working While Pensioned (Work After Retirement)*, go to ***www.cpg.org***.

Effective July 1, 2014, the definition of Compensation has been revised.

- Compensation now includes: cash salary or stipend, overtime, bonuses, special service fees, employer-paid tuition for the participant's dependents, employer contributions to a qualified retirement plan or arrangement (e.g., 403(b), 401(a), IRA, etc.), Social Security tax reimbursements, utilities, other taxable income, all or a portion of severance pay (if applicable), and housing (as described below).
- Employer contributions (whether funded or not funded) to a non-qualified deferred compensation plan are assessable as Housing Equity.
- The calculation of the assessable value of free housing and free room and board has been revised:
  - ~ For clergy who receive free housing, the formula is 30% of cash salary, employer-paid tuition for the participant's dependents, Social Security tax reimbursements, and utilities.
  - ~ For clergy who receive free housing and a cash housing allowance, the formula is the greater of:
    - **a.** 30% of cash salary, employer-paid tuition for the participant's dependents, Social Security tax reimbursements, and utilities, or
    - **b.** cash housing.
  - ~ For clergy who receive free room and board, the formula is 40% of cash salary, employer-paid tuition for the participant's dependents, Social Security tax reimbursements, and utilities.

You will see these changes reflected in the Employee Roster tool. For more information about this online tool, go to ***www.cpg.org/er***.

The CPF Medicare Supplement subsidy was increased by $10 per member/per month for 2015.

CPF provides a subsidy toward the purchase of post-retirement health benefits for eligible clergy who retire under the Clergy Pension Plan and their eligible spouses or surviving spouses.[1] For 2015, CPF approved a subsidy increase of $10 per member/per month for the Medicare Supplement plans. The subsidy increase is one of the ways that CPF seeks to protect participants against certain cost-of-living increases.

The subsidy must be used to purchase a Medicare Supplement plan and/or dental plan through The Episcopal Church Medical Trust. Retirees can choose from three Medicare Supplement plans — Comprehensive, Plus, and Premium — and three levels of dental coverage to meet their healthcare needs and financial resources.

For eligible participants and their eligible spouses or surviving spouses, the Medicare Supplement subsidy is calculated according to date of retirement. For participants who retired prior to July 1, 2013 (or were eligible to retire as of June 30, 2013 but chose to retire at a later date), the subsidy is based on a fixed out-of-pocket cost of the selected Medicare Supplement plan, adjusted by years of Credited Service. For participants who retired on or after July 1, 2013, the subsidy is based on a percentage of the total monthly cost of the selected Medicare Supplement plan, adjusted by years of Credited Service.

Detailed 2015 information for each Medicare Supplement plan is available on the CPG website at ***www.cpg.org/medicare***.

If you have any questions, please call our dedicated administrators' phone number: (855) 215-5990.

[1] To qualify for CPF's Medicare Supplement subsidy, a spouse must be enrolled in Medicare Parts A and B and be married to an eligible cleric on the day the cleric retires or dies and during a period in which the cleric earned at least three years of Credited Service under the Clergy Pension Plan.

The Lay DB Plan

Effective July 1, 2014, the definition of Compensation has been revised.

- Compensation is now defined as the total of cash salary, overtime, special service fees, bonuses, severance, utilities, and housing (as described below).
- The calculation of the assessable value of free housing and free room and board has been revised:
  - ~ For employees who receive free housing, the formula is 30% of cash salary and utilities.
  - ~ For employees who receive free room and board, the formula is 40% of cash salary and utilities.

Effective July 1, 2014, retroactive enrollment of employees is no longer permitted.

An employee cannot become a participant in the plan until the first day of the month following receipt by CPF of all necessary enrollment information and paperwork. We strongly recommend that you enroll employees as soon as they become eligible to participate.

You will see these changes reflected in the Employee Roster tool. For more information about this online tool, go to ***www.cpg.org/er***.

The Lay DC Plan and the RSVP

The following information applies to both of these plans.

Effective July 1, 2014, the definition of Compensation has been revised.

- Compensation has been redefined as follows:

Definition of "Compensation" by Plan

Plan	Included Components
Lay DC Plan and RSVP (For lay **employee** salary deferrals)	Cash salary, overtime, special service fees, bonuses, and utilities
Lay DC Plan and RSVP (For lay **employer** contributions)	Cash salary, overtime, special service fees, bonuses, utilities, severance (lump-sum and pay continuation), and housing (as described below)
RSVP (For clergy **employee** salary deferrals)	Cash salary, overtime, special service fees, bonuses, utilities, employer-paid tuition for dependents, Social Security tax reimbursements, and other taxable income
RSVP (For clergy **employer** contributions)	Cash salary, overtime, special service fees, bonuses, utilities, employer-paid tuition for dependents, Social Security tax reimbursements, other taxable income, severance (lump-sum and pay continuation), and housing (as described below)

- The calculation of the assessable value of free housing and free room and board has been revised:
  - ~ For lay employees who receive free housing, the formula is 30% of cash salary and utilities. For clergy participants in the RSVP, the formula is 30% of cash salary, employer-paid tuition for the participant's dependents, Social Security tax reimbursements, and utilities.
  - ~ For lay employees who receive free housing and a cash housing allowance, the formula is 30% of cash salary and utilities. For clergy participants in the RSVP, the formula is the greater of:
    - **a.** 30% of cash salary, employer-paid tuition for the participant's dependents, Social Security tax reimbursements, and utilities, or
    - **b.** cash housing.
  - ~ For lay employees who receive free room and board, the formula is 40% of cash salary and utilities. For clergy participants in the RSVP, the formula is 40% of cash salary, employer-paid tuition for the participant's dependents, Social Security tax reimbursements, and utilities.

You will see these changes reflected in the Employee Roster tool. For more information about this online tool, go to ***www.cpg.org/er***.

Administrative fees have been reduced.

Effective January 2, 2015, and commencing with fees assessed after the first quarter of 2015 based on fourth quarter 2014 balances, the administrative fees charged on the Lay DC Plan and the RSVP have been reduced from 7.5 basis points of the quarterly mutual fund account balance to 5.0 basis points of the quarterly balance. This means that a participant with a quarterly balance of $10,000 will enjoy a fee reduction of $2.50 per quarter.[2]

Small balances of terminated participants will be cashed out.

Effective January 1, 2015, account balances of $1,000 or less held by terminated participants will be cashed out, unless the participant elects to do a rollover. Participants will be formally notified prior to such cash out. Administrators should educate employees on the cash-out provision as part of the termination process.

Beginning in 2015, after-tax contributions can be withdrawn at any time regardless of age.

Certain contribution limits for 2015 have changed from 2014

		2015	2014
Employee Contributions	The amount that an employee may contribute on a pre-tax basis:	**$18,000**	$17,500
Employee Age 50+ Catch-up Contribution	If an employee is age 50 or older, s/he may make an additional catch-up contribution on a pre-tax basis:	**$6,000**	$5,500
Total Contribution	The total amount of employee and employer contributions that may be made to the Lay DC Plan and RSVP	**$53,000**	$52,000
Total Contributions including Catch-up Contributions		**$59,000**	$57,500

Universal availability and non-discrimination testing

As in past years, Non-Qualified Church Controlled Organizations (non-QCCOs) must comply with the universal availability rules, which means that they must provide an annual notice to their eligible employees notifying such employees of their right to participate in the Lay DC Plan or RSVP, as applicable. This notice also must be provided to any new employees hired during the year. (A non-QCCO is an employer other than a church or a qualified church-controlled organization, for example, colleges, universities, hospitals, and nursing homes.) Churches and elementary and secondary schools controlled, operated or principally supported by the church are not required to provide this annual notice to eligible employees.

Non-QCCOs that participate in the Lay DC Plan or in the RSVP, as applicable, may be responsible for performing their own non-discrimination testing with respect to any employer contributions or after-tax employee contributions made to the applicable plan. Non-QCCOs are required to perform this non-discrimination testing only if they have highly compensated employees participating in the applicable plan, which, for the 2014 plan year, generally means that an employee earned more than $115,000 in 2013.

CPF requires all affected non-QCCOs to certify either that a. the non-QCCO does not have any highly compensated employees participating in the applicable plan, or b. the non-QCCO performed and passed the required non-discrimination testing. This certification is required in early 2015, and CPF will notify those non-QCCOs that will be required to make such certification ahead of time. This is an annual certification requirement.

If you have questions about whether or not you are a non-QCCO, or to access a sample of the Annual Notice, please visit our website at ***www.cpg.org/laydcenroll***.

[2] *There is no administrative fee charged on amounts invested in the Stable Value Option (SVO).*

CPF plans to continue to provide the Medicare Supplement subsidy. However, given the rising cost of medical care coupled with the uncertainty regarding the structure of Medicare in the future, this should not be viewed as a guarantee of the Medicare Supplement subsidy in perpetuity.

Please note that this summary is provided to you for informational purposes only and should not be viewed as investment, tax or other advice. In the event of a conflict between the information contained in this summary and the official plan documents, the official plan documents will govern. The Church Pension Fund and its affiliates retain the right to amend, terminate or modify the terms of any benefit plans described in this document at any time, without notice and for any reason.

01/15 1613

Highlights of the Lay Employee Pension System

Overview

The Church-wide Lay Employee Pension System was established by Resolution A138 of the 76th General Convention of The Episcopal Church and its associated canon in July 2009.

The Resolution provides that the Church will establish a church-wide lay employee pension system for employees who are scheduled to work a minimum of 1,000 hours annually for any domestic Diocese, Parish, Mission or other ecclesiastical organization or body subject to the authority of the Church in accordance with the following principals:

- The lay employee pension system shall be designed and administered by the Trustees and Officers of the Church Pension Fund.
- The lay employee pension system shall provide benefits that will, initially, include a defined benefit plan and a defined contribution plan.
  - ~ ***If a defined benefit plan is selected***, the employer assessment shall not be less than 9% of the employee's compensation.
  - ~ ***If a defined contribution plan is selected***, the employer shall contribute not less than 5% of the employee's compensation and match not less than 4% of the employee's compensation. The employer has the option of making a larger employer contribution provided the combination of the employer's contribution and match equals a minimum of 9%.
- Employers have the option, but not the requirement, of providing lay employees scheduled to work fewer than 1,000 hours per year with participation in a lay employee pension plan.
- **If a Church employer does not have a lay employee pension plan but does have eligible lay employees**, that employer will offer one of CPF's plans. CPF offers both a defined benefit plan and a defined contribution plan.
- **If a Church employer has a non-CPF lay employee pension plan:**
  - ~ ***If a defined benefit plan***, the employer shall be permitted to continue the plan as long as the plan design delivers pension benefits not less than the pension benefits required by Resolution A138, as determined by the Plan Administrator (the Church Pension Fund). Annual certification will be required.
  - ~ ***If a defined contribution plan***, the employer shall be required to begin participation in a CPF lay employee pension plan no later than December 31, 2012.[1]

[1] *If the non-CPF defined contribution plan is a 403(b) plan, there are important reasons having to do with IRS regulations that the employer should not terminate the plan but freeze it instead. Terminating a 403(b) plan would prevent the employer from participating in another 403(b) plan for 12 months. Employers are invited to call Pattie Christensen at (800) 223-6602, ext. 8333 for more information.*

Highlights of the Denominational Health Plan

Overview

The denominational health plan (DHP) was established by General Convention Resolution A177 of the 76th General Convention and its associated Canon in July, 2009. The DHP shall be designed and administered by the Trustees and officers of The Church Pension Fund, following best industry practices for comparable plans.

Effective no later than January 1, 2013, all domestic[2] dioceses, congregations and other ecclesiastical organizations or bodies subject to the authority of the Church, as well as any diocesan institutions that the diocese has said must participate in the denominational health plan, are required to provide eligible clergy and lay employees — those regularly scheduled to work 1,500 hours or more per year (i.e., 30 or more hours per week) — with healthcare benefits, as delineated by the diocese, through the Episcopal Church Medical Trust (the Medical Trust).

- Employees regularly scheduled to work 20-29 hours or more per week may voluntarily participate; healthcare benefits will be funded according to guidelines established by the employer.
- Employees with coverage from an approved source may waive ("opt-out" of) coverage from their Episcopal employer.

Dioceses have autonomy and choice in certain key areas: choice of health plan options to offer its congregations and institutions; establishment of a diocesan-wide policy regarding the minimum employer cost-sharing requirements; the offering of healthcare benefits to domestic partners, and the participation of local parish schools and diocesan institutions.

The diocesan-wide minimum cost-sharing policy must apply equally to clergy and lay employees scheduled to work 1,500 or more hours per year.

Implementation of the Denominational Health Plan: Collaboration at the Local Level

The Medical Trust will collaborate closely with Episcopal employers. While the Medical Trust is bringing the Church together around healthcare on a national level, it is the dioceses that will engage congregations and diocesan agencies/institutions at the local level.

The Medical Trust has established five regional territories and assigned a Regional Relationship Specialist to support each territory. These specialists live within the regions they serve, and work closely with their constituencies to address specific local concerns.

[2] *For the purposes of Resolution A177, the term "domestic" means ecclesiastical organizations and bodies located in the United States and the Dioceses of Puerto Rico and the Virgin Islands.*

H

Payroll Documents

42A809
3-07

COMMONWEALTH OF KENTUCKY, DEPARTMENT OF REVENUE
FRANKFORT, KENTUCKY 40620

See Instructions on Reverse

CERTIFICATE OF NONRESIDENCE

(Please Type or Print)

Name of employee _____ Social Security No. _____

Home address _____ _____ _____ _____
Number and street or rural route | City, town, or post office | State | ZIP Code

I have not been a resident of Kentucky during the year. (Check block in front of applicable statement.) I work in Kentucky and reside in:

☐ Illinois, ☐ Indiana, ☐ Michigan, ☐ West Virginia, ☐ Wisconsin
☐ Virginia and commute daily to my place of employment in Kentucky. *(Must commute daily to apply.)*
☐ Ohio and I am not a shareholder-employee who is a "twenty (20) percent or greater" direct or indirect equity investor in a S corporation.

I hereby certify that the above information is true and complete. I further certify that at any time I change my status as a resident of _____ (Name of current state of residence), I will notify my employer of such fact within ten days from date of change.

_____ _____
Signature of employee | Date

INSTRUCTIONS
To Be Filed With Employer

To The Employee:

You are exempt from income taxes on wages or salaries earned in Kentucky if: (1) You have not been a resident of Kentucky during the taxable year and you reside in Illinois, Indiana, Michigan, West Virginia, or Wisconsin or (2) you reside in Virginia and commute *daily* to your place of employment in Kentucky or (3) you reside in Ohio and are not a shareholder-employee who is a "twenty (20) percent or greater" direct or indirect equity investor in a S corporation.

If you meet one of the above qualifications and are therefore exempt, your employer may cease withholding Kentucky income taxes. However, you must complete the front of this form and file it with your employer before he can stop withholding.

To The Employer:

Upon receipt of this form, properly completed, you are authorized to discontinue the withholding of Kentucky income tax from the wages of (1) an employee who resides in Illinois, Indiana, Michigan, West Virginia, or Wisconsin, and has not resided in Kentucky during the taxable year, or (2) an employee who resides in Virginia and commutes *daily* to his place of employment in Kentucky or (3) an employee who resides in Ohio and is not a shareholder-employee who is a "twenty (20) percent or greater" direct or indirect equity investor in a S corporation. The completed form is to be retained in *your* file. If the employee moves or otherwise changes his residence to a state other than those mentioned above, begin withholding Kentucky income tax, as required by KRS 141.310, with the first payroll period ending after you receive notice of status change from the employee.

Kentucky K-4 Form

INSTRUCTIONS

1. NUMBER OF EXEMPTIONS—Do not claim more than the correct number of exemptions. However, if you have unusually large amounts of itemized deductions, you may claim additional exemptions to avoid excess withholding. You may also claim an additional exemption if you will be a member of the Kentucky National Guard at the end of the year. If you expect to owe more income tax for the year than will be withheld, you may increase the withholding by claiming a smaller number of exemptions or you may enter into an agreement with your employer to have additional amounts withheld.

2. CHANGES IN EXEMPTIONS—You may file a new certificate at any time if the number of your exemptions **INCREASES**.

You must file a new certificate within 10 days if the number of exemptions previously claimed by you **DECREASES** for any of the following reasons.

(a) Your spouse for whom you have been claiming an exemption is divorced or legally separated, or claims their own exemption on a separate certificate.

(b) The support of a dependent for whom you claimed exemption is taken over by someone else, so that you no longer expect to furnish more than half the support for the year.

(c) Your itemized deductions substantially decrease and a Form K-4A has previously been filed.

OTHER DECREASES in exemption, such as the death of a spouse or a dependent, do not affect your withholding until the next year, but require the filing of a new certificate by December 1 of the year in which they occur.

3. DEPENDENTS—To qualify as your dependent (line 4 on reverse), a person (a) must receive more than one-half of his or her support from you for the year, and (b) must not be claimed as an exemption by such person's spouse, and (c) must be a citizen of the United States, or a resident of the United States, Canada, or Mexico, or (d) must have lived with you for the entire year as a member of your household or be related to you as follows:

your child, stepchild, legally adopted child, foster child (if he lived in your home as a member of the family for the entire year), grandchild, son-in-law, or daughter-in-law;

your father, mother, or ancestor of either, stepfather, stepmother, father-in-law, or mother-in-law;

your brother, sister, stepbrother, stepsister, brother-in-law, or sister-in-law;

your uncle, aunt, nephew, or niece (but only if related by blood).

4. PENALTIES—Penalties are imposed for willfully supplying false information or willful failure to supply information which would reduce the withholding exemption.

EDUCATION PAYS

Revenue Form K-4
42A804 (12-99)

KENTUCKY REVENUE CABINET
EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Payroll No. _____

Print Full Name _____ Social Security No. _____

Print Home Address _____

EMPLOYEE:

File this form with your employer. Otherwise, he must withhold Kentucky income tax from your wages without exemption.

EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the Revenue Cabinet should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If SINGLE, and you claim an exemption, enter "1," if you do not, enter "0" ..... _____
2. If MARRIED, one exemption each for you and spouse if not claimed on another certificate.
   (a) If you claim both of these exemptions, enter "2"
   (b) If you claim one of these exemptions, enter "1"
   (c) If you claim neither of these exemptions, enter "0" } ..... _____
3. Exemptions for age and blindness (applicable only to you and your spouse but not to dependents):
   (a) If you or your spouse will be 65 years of age or older at the end of the year, and you claim this exemption, enter "2"; if both will be 65 or older, and you claim both of these exemptions, enter "4" ..... _____
   (b) If you or your spouse are blind, and you claim this exemption, enter "2"; if both are blind, and you claim both of these exemptions, enter "4" ..... _____
4. If you claim exemptions for one or more dependents, enter the number of such exemptions ..... _____
5. National Guard exemption (see instruction 1) ..... _____
6. Exemptions for Excess Itemized Deductions (Form K-4A) ..... _____
7. Add the number of exemptions which you have claimed above and enter the total ..... ☐
8. Additional withholding per pay period under agreement with employer. See instruction 1 ..... $ _____

I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

Date _____ Signed _____

Revenue Form K–4M
42A804–M (11–10)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

NONRESIDENT MILITARY SPOUSE
Withholding Tax Exemption Certificate

Kentucky UNBRIDLED SPIRIT

Part I—To be completed by the employee

Employee Name _____ Employee Social Security Number _____

Military Servicemember's Name _____ Military Servicemember's Social Security Number _____

Address where both currently reside

Street _____

City _____ State _____ Zip Code _____

Form K–4M is to be used only for employees claiming exemption from Kentucky's income tax withholding requirements because they meet the conditions set forth under the Servicemembers Civil Relief Act, as amended by the Military Spouses Residency Relief Act (P. L. 111–97).

In order to qualify the employee must complete this form in full, certify that the employee is not subject to Kentucky withholding tax because the employee meets the conditions set forth below, and provide a copy of the employee's military spouse picture ID issued to the employee by the Department of Defense.

1. My spouse is a military servicemember ..... (check one) ☐ YES ☐ NO
2. I am NOT a military servicemember ..... (check one) ☐ YES ☐ NO
3. My military servicemember spouse has a current military order assigning him or her to a military location in Kentucky ..... (check one) ☐ YES ☐ NO
4. I and my military servicemember spouse live at the same address ..... (check one) ☐ YES ☐ NO
5. My domicile is a state other than Kentucky ..... (check one) ☐ YES ☐ NO
   If yes, enter the 2-letter state code of your state _____
6. My military servicemember spouse's domicile is the same as mine ..... (check one) ☐ YES ☐ NO
7. I am present in Kentucky solely to be with my military servicemember spouse ..... (check one) ☐ YES ☐ NO

If you checked "YES" to all the statements above, your earned income is exempt from Kentucky withholding tax.

☐ *Start Military Spouse Exemption.* If you answered "YES" to ALL of the above statements, check the box and note the start date here _____

☐ *Terminate Military Spouse Exemption.* If the answer to any of the statements above changes to "NO" Kentucky tax must be withheld. Check the box and enter the termination date here _____

Under penalties of perjury, I certify that I am not subject to Kentucky withholding tax because I meet the conditions set forth under the Servicemembers Civil Relief Act, as amended by the Military Spouses Residency Relief Act (P.L. 111–97). I understand that my state of residency may tax the income I earn in Kentucky.

Employee's Signature _____ Date _____

Part II—To be completed by the employer

Note: An employer shall be held harmless from liability for withholding based on the employee's representations on this form.

Employer Name		Employer identification number (EIN)	
Address	City	State	Zip Code

➤ **See "Employer Requirements" for the proper handling of this form.**

INSTRUCTIONS

EMPLOYEE REQUIREMENTS

Under the Military Spouses Residency Relief Act, Public Law 111–97, the spouse of an armed forces member is exempt from Kentucky income tax when:

a. The employee's spouse is a military servicemember;
b. The employee is NOT a military servicemember;
c. The military servicemember spouse has a current military order assigning him or her to a military location in Kentucky;
d. The employee and military servicemember reside at the same address;
e. The employee's domicile is a state other than Kentucky;
f. The employee's and military servicemember's domicile is the same; and
g. The employee is present in Kentucky solely to be with the military servicemember spouse.

If all of the above conditions are met, the employee is exempt from Kentucky withholding tax.

The Nonresident Military Spouse Exemption, Form K–4M, must be completed by the employee and the employee must present the employee's military spouse picture ID to the employer for verification and photocopying.

When the withholding exemption takes effect

Form K–4M takes effect on the later of (1) the date you give it to your employer or (2) the first payroll period your employer is able to put the exemption into effect. The exemption does not apply to wages paid prior to the date Form K–4M takes effect.

Termination of the Military Spouse Exemption

The withholding tax exemption will no longer be valid if the answer to any of the statements changes to "NO". If the exemption terminates, the employee must complete a Form K-4.

In general, the exemption termination date will be the earlier of:

- The day the military servicemember is no longer in the military;
- The day the employee enlists in the military;
- The day the employee and the military servicemember no longer live at the same address; or
- The day the military servicemember's permanent duty station changes to a location outside of Kentucky.

EMPLOYER REQUIREMENTS

The employer is required to have a copy of this form and a copy of the military spouse picture ID on file for each employee who is claiming to be a nonresident of Kentucky because he/she is the spouse of a military servicemember and is in Kentucky due to the military orders of the spouse.

The employer is also required to submit this completed form and a copy of the military spouse picture ID, within 30 days of receipt, to the Kentucky Department of Revenue, P.O. Box 181, Station 57, Frankfort, Kentucky 40602–0181 or by fax to the Withholding Tax Section at (502) 564–3685.

Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

▶ **START HERE:** **Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.**

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Attestation *(Employees must complete and sign Section 1 of Form I-9 no later than the **first day of employment**, but not before accepting a job offer.)*

Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Other Last Names Used *(if any)*

Address *(Street Number and Name)*	Apt. Number	City or Town	State	ZIP Code

Date of Birth *(mm/dd/yyyy)*	U.S. Social Security Number	Employee's E-mail Address	Employee's Telephone Number
	☐☐☐ - ☐☐ - ☐☐☐☐		

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following boxes):

☐ 1. A citizen of the United States

☐ 2. A noncitizen national of the United States *(See instructions)*

☐ 3. A lawful permanent resident (Alien Registration Number/USCIS Number): _____

☐ 4. An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): _____
Some aliens may write "N/A" in the expiration date field. *(See instructions)*

Aliens authorized to work must provide only one of the following document numbers to complete Form I-9:
An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number.

1. Alien Registration Number/USCIS Number: _____
OR
2. Form I-94 Admission Number: _____
OR
3. Foreign Passport Number: _____
Country of Issuance: _____

QR Code - Section 1
Do Not Write In This Space

Signature of Employee	Today's Date *(mm/dd/yyyy)*

Preparer and/or Translator Certification (check one):

☐ I did not use a preparer or translator. ☐ A preparer(s) and/or translator(s) assisted the employee in completing Section 1.

(Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.)

I attest, under penalty of perjury, that I have assisted in the completion of Section 1 of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator	Today's Date *(mm/dd/yyyy)*

Last Name *(Family Name)*	First Name *(Given Name)*

Address *(Street Number and Name)*	City or Town	State	ZIP Code

STOP *Employer Completes Next Page* STOP

Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

Section 2. Employer or Authorized Representative Review and Verification

(Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.")

Employee Info from Section 1	Last Name *(Family Name)*	First Name *(Given Name)*	M.I.	Citizenship/Immigration Status

List A Identity and Employment Authorization	OR	List B Identity	AND	List C Employment Authorization
Document Title		Document Title		Document Title
Issuing Authority		Issuing Authority		Issuing Authority
Document Number		Document Number		Document Number
Expiration Date *(if any)(mm/dd/yyyy)*		Expiration Date *(if any)(mm/dd/yyyy)*		Expiration Date *(if any)(mm/dd/yyyy)*
Document Title				
Issuing Authority				
Document Number				
Expiration Date *(if any)(mm/dd/yyyy)*				
Document Title				
Issuing Authority				
Document Number				
Expiration Date *(if any)(mm/dd/yyyy)*				

Additional Information

QR Code - Sections 2 & 3
Do Not Write In This Space

Certification: I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

The employee's first day of employment *(mm/dd/yyyy)*: _____ ***(See instructions for exemptions)***

Signature of Employer or Authorized Representative	Today's Date*(mm/dd/yyyy)*	Title of Employer or Authorized Representative

Last Name of Employer or Authorized Representative	First Name of Employer or Authorized Representative	Employer's Business or Organization Name

Employer's Business or Organization Address (Street Number and Name)	City or Town	State	ZIP Code

Section 3. Reverification and Rehires *(To be completed and signed by employer or authorized representative.)*

A. New Name *(if applicable)*			B. Date of Rehire *(if applicable)*
Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Date *(mm/dd/yyyy)*

C. If the employee's previous grant of employment authorization has expired, provide the information for the document or receipt that establishes continuing employment authorization in the space provided below.

Document Title	Document Number	Expiration Date *(if any) (mm/dd/yyyy)*

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative	Today's Date *(mm/dd/yyyy)*	Name of Employer or Authorized Representative

LISTS OF ACCEPTABLE DOCUMENTS
All documents must be UNEXPIRED

Employees may present one selection from List A
or a combination of one selection from List B and one selection from List C.

LIST A Documents that Establish Both Identity and Employment Authorization	OR	LIST B Documents that Establish Identity	AND	LIST C Documents that Establish Employment Authorization
1. U.S. Passport or U.S. Passport Card		1. Driver's license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		1. A Social Security Account Number card, unless the card includes one of the following restrictions: (1) NOT VALID FOR EMPLOYMENT (2) VALID FOR WORK ONLY WITH INS AUTHORIZATION (3) VALID FOR WORK ONLY WITH DHS AUTHORIZATION
2. Permanent Resident Card or Alien Registration Receipt Card (Form I-551)		2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		2. Certification of Birth Abroad issued by the Department of State (Form FS-545)
3. Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa		3. School ID card with a photograph		3. Certification of Report of Birth issued by the Department of State (Form DS-1350)
4. Employment Authorization Document that contains a photograph (Form I-766)		4. Voter's registration card		4. Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal
5. For a nonimmigrant alien authorized to work for a specific employer because of his or her status: **a.** Foreign passport; and **b.** Form I-94 or Form I-94A that has the following: (1) The same name as the passport; and (2) An endorsement of the alien's nonimmigrant status as long as that period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form.		5. U.S. Military card or draft record		5. Native American tribal document
		6. Military dependent's ID card		6. U.S. Citizen ID Card (Form I-197)
		7. U.S. Coast Guard Merchant Mariner Card		7. Identification Card for Use of Resident Citizen in the United States (Form I-179)
		8. Native American tribal document		8. Employment authorization document issued by the Department of Homeland Security
		9. Driver's license issued by a Canadian government authority		
		For persons under age 18 who are unable to present a document listed above:		
		10. School record or report card		
		11. Clinic, doctor, or hospital record		
		12. Day-care or nursery school record		
6. Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI				

Examples of many of these documents appear in Part 8 of the Handbook for Employers (M-274).

Refer to the instructions for more information about acceptable receipts.

Form W-4 (2017)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2017 expires February 15, 2018. See Pub. 505, Tax Withholding and Estimated Tax.

Note: If another person can claim you as a dependent on his or her tax return, you can't claim exemption from withholding if your total income exceeds $1,050 and includes more than $350 of unearned income (for example, interest and dividends).

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income; tax credits; or itemized deductions, on his or her tax return.

The exceptions don't apply to supplemental wages greater than $1,000,000.

Basic instructions. If you aren't exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2017. See Pub. 505, especially if your earnings exceed $130,000 (Single) or $180,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at *www.irs.gov/w4*.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for **yourself** if no one else can claim you as a dependent	**A**	
B	Enter "1" if: • You're single and have only one job; or • You're married, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are $1,500 or less.	**B**	
C	Enter "1" for your **spouse.** But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	**C**	
D	Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return	**D**	
E	Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above)	**E**	
F	Enter "1" if you have at least $2,000 of **child or dependent care expenses** for which you plan to claim a credit (**Note:** Do **not** include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)	**F**	
G	**Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than $70,000 ($100,000 if married), enter "2" for each eligible child; then **less** "1" if you have two to four eligible children or **less** "2" if you have five or more eligible children. • If your total income will be between $70,000 and $84,000 ($100,000 and $119,000 if married), enter "1" for each eligible child.	**G**	
H	Add lines A through G and enter total here. (**Note:** This may be different from the number of exemptions you claim on your tax return.) ▶	**H**	

For accuracy, complete all worksheets that apply.

- If you plan to **itemize** or **claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you are **single and have more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed $50,000 ($20,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

OMB No. 1545-0074

2017

1	Your first name and middle initial	Last name	**2** Your social security number
	Home address (number and street or rural route)	**3** ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate. **Note:** If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
	City or town, state, and ZIP code	**4** If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ ☐	
5	Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2)	**5**	
6	Additional amount, if any, you want withheld from each paycheck	**6**	$
7	I claim exemption from withholding for 2017, and I certify that I meet **both** of the following conditions for exemption. • Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability, **and** • This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability. If you meet both conditions, write "Exempt" here ▶	**7**	

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(This form is not valid unless you sign it.) ▶ **Date** ▶

8	Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	**9** Office code (optional)	**10** Employer identification number (EIN)

Deductions and Adjustments Worksheet

Note: Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

1	Enter an estimate of your 2017 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 10% of your income, and miscellaneous deductions. For 2017, you may have to reduce your itemized deductions if your income is over $313,800 and you're married filing jointly or you're a qualifying widow(er); $287,650 if you're head of household; $261,500 if you're single, not head of household and not a qualifying widow(er); or $156,900 if you're married filing separately. See Pub. 505 for details	1	$
2	Enter: { $12,700 if married filing jointly or qualifying widow(er); $9,350 if head of household; $6,350 if single or married filing separately }	2	$
3	**Subtract** line 2 from line 1. If zero or less, enter "-0-"	3	$
4	Enter an estimate of your 2017 adjustments to income and any additional standard deduction (see Pub. 505)	4	$
5	**Add** lines 3 and 4 and enter the total. (Include any amount for credits from the *Converting Credits to Withholding Allowances for 2017 Form W-4* worksheet in Pub. 505.)	5	$
6	Enter an estimate of your 2017 nonwage income (such as dividends or interest)	6	$
7	**Subtract** line 6 from line 5. If zero or less, enter "-0-"	7	$
8	**Divide** the amount on line 7 by $4,050 and enter the result here. Drop any fraction	8	
9	Enter the number from the **Personal Allowances Worksheet,** line H, page 1	9	
10	**Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet,** also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1	10	

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)

Note: Use this worksheet *only* if the instructions under line H on page 1 direct you here.

1	Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**)	1	
2	Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However,** if you are married filing jointly and wages from the highest paying job are $65,000 or less, do not enter more than "3"	2	
3	If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet	3	

Note: If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.

4	Enter the number from line 2 of this worksheet	4	
5	Enter the number from line 1 of this worksheet	5	
6	**Subtract** line 5 from line 4	6	
7	Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here	7	$
8	**Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed	8	$
9	Divide line 8 by the number of pay periods remaining in 2017. For example, divide by 25 if you are paid every two weeks and you complete this form on a date in January when there are 25 pay periods remaining in 2017. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	$

Table 1

Married Filing Jointly		All Others	
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $7,000	0	$0 - $8,000	0
7,001 - 14,000	1	8,001 - 16,000	1
14,001 - 22,000	2	16,001 - 26,000	2
22,001 - 27,000	3	26,001 - 34,000	3
27,001 - 35,000	4	34,001 - 44,000	4
35,001 - 44,000	5	44,001 - 70,000	5
44,001 - 55,000	6	70,001 - 85,000	6
55,001 - 65,000	7	85,001 - 110,000	7
65,001 - 75,000	8	110,001 - 125,000	8
75,001 - 80,000	9	125,001 - 140,000	9
80,001 - 95,000	10	140,001 and over	10
95,001 - 115,000	11		
115,001 - 130,000	12		
130,001 - 140,000	13		
140,001 - 150,000	14		
150,001 and over	15		

Table 2

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $75,000	$610	$0 - $38,000	$610
75,001 - 135,000	1,010	38,001 - 85,000	1,010
135,001 - 205,000	1,130	85,001 - 185,000	1,130
205,001 - 360,000	1,340	185,001 - 400,000	1,340
360,001 - 405,000	1,420	400,001 and over	1,600
405,001 and over	1,600		

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation; to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

I

Episcopal Payroll Services

A full range of payroll services including tax reporting and filing

CPG's Episcopal Payroll Services (EPS) program provides Episcopal employers with an accurate, efficient, cost-effective way to pay faculty and staff.

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Services include:

- Web-based and telephonic processing — manage your payroll 24/7 from a PC or mobile device, or speak with an administrative representative
- Federal, state and local tax reporting — ADP deposits payroll taxes, prepares and files returns, and issues paper or electronic copies
- Preparation and timely filing of pay verification forms such as W-2 and 1099 forms
- Direct client support from ADP, as well as one-on-one support from our EPS staff

Start a conversation

Call Patricia Tucker at (800) 223-6602 x6286, Monday – Friday, 9:00AM – 5:00PM ET (excluding holidays), or email ***eps@cpg.org***. Learn more at ***www.cpg.org/eps***.

[5] *CPG cannot and does not guarantee the performance of ADP.*

J

Church Insurance Agent Contact Information

The Episcopal Diocese of Kentucky

Church Insurance Agency Agent Contact Information

JEFFREY LYNGAAS
Account Representative

Mobile: 630-327-6066 Office:
630-868-8575 Fax: 630-868-8576
Email: JLygaas@cpg.org

JACQUELYN SIMONS
Customer Service
Office: 800-293-3525 ext. 4738
Email: jsimons@cpg.org

FILING CLAIMS
800-223-5705

K

Sample Senior Warden Job Description

The Episcopal Diocese of Kentucky

Sample Senior Warden Job Description

Congregational Leadership Conference

QUALIFICATIONS AND GIFTS:

- Have a love of God and demonstrate a commitment to following the way of Christ. Being an active minister of the Gospel in daily life and work.
- Be active in and knowledgeable about the congregation, its programs and governance. Pledging financially to support the ministry of the church. Bringing one's whole self to the table; being present – mind, body, spirit.
- Be known as someone who is fair, interacts well with people and is respected by members of the congregation.
- Have respect and, preferably, affection for the rector.
- Have an ability to "check one's ego at the door," to be a servant of the people without a need to be the "most important person" in the congregation or to be the one with the right answers to everything.
- Have an enthusiasm and vitality for this vocation.
- Risking openness with one's ideas, belief and desires.

TIME COMMITMENT:

- Vestry meetings.
- Vestry retreat (if applicable).
- Weekly worship services (rotating occasionally if more than one).
- Parish events: coffee hours, meals, fundraisers, adult education programs, etc.
- Weekly meetings with the rector (Junior Warden and other staff), if required.
- Diocesan meetings, as necessary.
- Annual Meeting.
- Consistent communications and coordination regarding church business with the vestry.

RESPONSIBILITIES:

- Meet regularly with the rector to review the life and work of the congregation, plan ahead, anticipate and resolve problems.
- Provide leadership in the vestry to identify the vision, mission and goals of the congregation, make and implement plans, assess progress and celebrate achievements.
- Provide leadership in the congregation by demonstrating a consistent positive attitude that seeks to solve problems and learn from mistakes; recognizes accomplishments and gives thanks for those things that build community and further the mission of the church.
- Pray regularly for the rector, leaders and members of the congregation.
- Be available to discuss any and all concerns with the rector; maintain confidentiality where appropriate.
- Be available to discuss any and all concerns with members of the congregation; avoid making hasty judgments, encourage complainants to speak to those involved, discuss problems with the rector.

- In cases where the rector, staff or vestry is beleaguered or unfairly criticized, foster understanding and reconciliation, distribute accurate information, etc.
- Ensure that policies and procedures regarding employee and volunteer misconduct are in place and enforced; take any questions, complaints and concerns to the rector and/or appropriate authorities immediately.
- Take action to intervene promptly (with others as appropriate) in the event that the rector is charged with misconduct, has problems with drugs or alcohol or is acting inappropriately; speak with the rector and the bishop as necessary and appropriate.
- Support the rector in taking action when employees or volunteers are charged with misconduct or inappropriate behavior.
- In cases where conflict imperils the pastoral relationship between the rector and congregation, the rector or a majority vote of the vestry may ask the bishop, in writing, to intervene; the senior warden traditionally makes this petition on behalf of the vestry.
- In cases where the rector is overworked, disregarding his or her health and well being, and that of the family, encourage the rector to take corrective steps, solicit the vestry's support in reducing workload, adding staff, funding a sabbatical, etc as appropriate
- Assist in identifying persons for leadership roles; may also participate in inviting them to serve in those roles.
- Be prepared to assist the rector or to step in and do what is necessary (make an announcement, turn up the heat, write a letter, etc.)
- With the rector, announce the bishop's pending visit and prepare a report on the spiritual and temporal state of the congregation to be discussed with the bishop during the bishop's visitation (Canon III. 14.1. e)

IN THE ABSENCE OF A RECTOR:

- If the congregation's rector leaves, notify the bishop promptly and make provisions for worship services (Canon III. 17.1)
- If the congregation is without a rector, lead the congregation, ensuring that the worship services, program and pastoral care needs of the congregation are met, that the selection process for a new rector is established, that employee relations and communications with the diocese are maintained.
- Prepare a Letter of Agreement with the proposed new rector.
- Ensure that the name of the person proposed to be called as rector is submitted to the bishop thirty days before the election is to be held; deliver written notice of the election of a rector to the bishop (Canon III.17.2 and 3).
- Accountability: A covenant in which both the rector and warden agree on the roles and responsibilities of the warden is developed in conversation with the vestry. A yearly mutual ministry assessment process should be established for the warden along with the rector, vestry members and other leaders.

ADDITIONAL RESPONSIBILITIES:

These responsibilities may apply in some congregations. Often they are more applicable in smaller congregations, especially those without full-time clergy. In cases where the clergy primarily provide Sunday services and pastoral care, the wardens may provide the primary leadership in the congregation. There are also congregations where there is a tradition of the senior warden providing more leadership or clergy who desire a more shared ministry and thus choose to ask the senior warden to take on some of the leadership roles traditionally or canonically assigned to the clergy.

- Conduct the vestry meeting in the absence of, or when delegated by, the rector or priest-in-charge. While the canons designate the rector as the one to preside at meetings of the vestry, he or she may delegate this responsibility.
- Make the Sunday morning announcements.
- Visit anyone known to have a major problem with a program, vestry decision, clergy, etc, (in consultation with and usually accompanied by the rector).

SAMPLE AGENDA FOR MEETING OF WARDEN(S) AND RECTOR

Monthly

1. Review last vestry meeting: what happened; where is follow up needed?
2. Discuss agenda for next vestry meeting: what role can the warden take to be helpful?
3. Review parish staff: are there issues that need to be delt with that warden can be helpful?
4. Review vestry committee progress: do one or more committees need some guidance or support from the warden?
5. Review parish organization: are they well functioning, or are there matters in which the warden can be helpful?

Annually

1. Review wardens' and rectors' work during the past year and ask what areas need further attention.
2. Work with the rector and parish leadership to set goals for the coming year for the rector, staff, warden(s), and vestry.
3. Revisit the overall mission of the church as well as challenges and opportunities and the parish's mission statements.

RESOURCES:

These samples are based off of materials presented in the follow resource books. Purchasing a copy of each for your parish or each member of your vestry is highly recommended.

The Vestry Resources Guide. The Episcopal Church Foundation, 2012.

Webber, Christopher. *The Vestry Resource Guide.* Morehouse, 2000

L

Parish Financial Review

MEMORANDUM

To: Lew Spears — Chair, Department of Stewardship and Finance
David Brooks — Treasurer
Becky Meyer — Controller
Vicky Kaeser — Financial Assistant

From: Gibbs Reese — Chair, Audit Committee

Date: April 26, 2016

Re: Congregational Audit Procedures for FY 2015 Conducted in 2016

On April 7th, the above gathered at the diocesan offices to discuss the language and fiduciary requirements contained in the Episcopal Diocese of Kentucky – Diocesan Audit Program document as revised January 10, 2008. The general language contained therein relates similarly to corresponding verbiage in the Canons of the Episcopal Church USA. The purpose of said meeting was to discuss recent Diocesan Audit Committee processes for assuring congregational audits occur and whether such process meet the written compliance requirements within our Canon(s). In a nutshell, the answer seems to be NO but for respectful reasons.

Diocesan Canon 15, Section 2 states"...shall be audited by a certified public accountant (CPA), an independent licensed accountant or such audit committee as shall be authorized by the Finance Committee." The Finance Committee has charged the Audit Committee to standardize and simplify the criteria for congregations to comply with Canon 15. In turn, the Audit Committee developed the Simplified Congregational Financial Review Requirements.

For descriptive purposes replace the word "Audit" and its professional definition with "Financial Review".

Very few congregations, if any, have sufficient financial resources for a formal audit by a CPA or licensed accountant, therefore Vestries and Bishop's Committees can select an internal committee to perform its own individual required Financial Review. Upon request, the Audit Committee may be available to assist congregations with their Financial Review or the Audit Committee may issue invitations to assist congregations with their Financial Review. Depending on the availability the Audit Committee members and/or Vicky they will be able to schedule a time for those reviews in collaboration with parishes and missions.

The Simplified Congregational Financial Review Requirements are as follows:

- Vestries/Bishop's Committee should select your own Financial Review Committee. This Committee should be a minimum of 3 individuals not related by blood or marriage to any check signers.

Internal Financial Review Committee's due diligence is as follows:

1. Minimum documentation to be reviewed by said Committee:
   - Bank statements and reconciliations of all accounts, i.e. checking, savings, investments and discretionary funds.
   - Balance sheets and Income/Expense statements for both operating and discretionary accounts. (Financial Reports)
   - Internal Controls Questionnaire.
   - Vestry or Bishop's Committee Minutes
   - All cash receipts and cash disbursements along with supporting documentation including authorized signatures, payroll, vouchers, pledge and plate offerings, contracts, etc..
   - Listing of all active insurance policies with corresponding coverage value(s).

2. Congregation's Internal Financial Review Committee prepares both the Internal Financial Review Committee Certificate and the Internal Financial Review Findings on Policies and Procedures form. These forms require presentation to and acceptance from the Vestry/Bishop's Committee.

- Vestries/Bishop's Committee accepts the Internal Financial Review Committee's report (Internal Financial Review Findings on Policies and Procedures). Any challenges and modifications to the report must be done in writing and included with the report, for submission to the Diocese of Kentucky's Audit Committee.

- Vestries/Bishop's Committee submits one copy to Audit Committee of the following documents, before September 1st:
  1. Balance Sheet and Income/Expense Statement (Financial Reports).
  2. Internal Control Questionnaire.
  3. Internal Financial Review Findings on Policies and Procedures Certificate with written challenges and modifications.
  4. Internal Financial Review Committee Certificate.
  5. Pages 3 and 5 of the Parochial Report for the year in review.
  6. Property and Liability Insurance (Declaration page only)

Accordingly, the Audit Committee requests your approval of this procedure for this audit period and if so approved, present to and request subsequent approval from Trustees & Council at their next regularly scheduled meeting.

Respectfully submitted,

H. Gibbs Reese
Chair, Audit Committee
2016AuditProceedures.04.26.16

The Episcopal Diocese of Kentucky

Internal Control Questionnaire
Manual of Business Methods in Church Affairs (Spring 2012)

Chapter II: Internal Controls, Section C

The following Internal Control Questionnaire is intended to provide guidance for setting up an accounting system and a checklist for periodic review and evaluation of an existing system. The questionnaire is designed also to assist a congregation's internal audit committee. The format is a series of questions, most of which refer to some recommended internal control. The normative answer to a question will be positive. A negative response suggests an area of the system that could be strengthened.

Developing a narrative description is suggested, to provide documentation of the current review. This narrative should be retained for reference in future evaluations.

General: The following items are intended to provide general information to aid understanding of the overall accounting and internal control system.

1. Are prior internal control questionnaires and auditors' recommendations available? Yes □ No □
2. Have recommendations of prior reports on internal controls been implemented? Yes □ No □
3. Is a complete and current chart of accounts, listing all accounts and their respective account numbers, available? Yes □ No □
4. Is there an accounting policy and procedure manual? Is it up to date? Yes □ No □
5. Is a current edition of this manual available? Yes □ No □
6. Is the accounting system using a double-entry bookkeeping method? Yes □ No □
7. Have the findings of external auditors been reported to the Vestry? Yes □ No □

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 Vestry? Yes □ No □
2. Are all changes to the budget authorized by the Vestry and recorded in the minutes of the meetings? Yes □ No □
3. Is there a periodic review of the budget by the Vestry? Yes □ No □

Reporting: The best accounting system is of little value, unless it communicates the information it contains to those responsible. Although there may be variations, certain minimum standards exist to assure adequate communication of the financial information.

1. Is a Treasurer's report submitted to the Vestry or accounting committee each month? Yes □ No □
2. Is the Treasurer's report presented in sufficient detail to inform the reader about the nature of the various income and disbursement items? Yes □ No □

3. Does the report present the current actual financial data compared with the approved budget? Yes ☐ No ☐
4. Is there periodic reporting, at least quarterly, of all other funds and activities, including designated or restricted funds? Yes ☐ No ☐

Cash Receipts Clearly stated policies and procedures regarding the handling of cash and other recepits help not only to protect from loss, but assure that all recepts are properly recorde 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 ☐
2. Are the collection receipts counted and deposited so that the deposit equals the entire amount of receipts on a timely basis (e.g., at least weekly)? Yes ☐ No ☐
3. Are there at least two unrelated persons responsible for counting and depositing the collections? Yes ☐ No ☐
4. Are the persons responsible for counting receipts rotated on a periodic basis? Yes ☐ No ☐
1. Do the counters have a standardized form for recording the deposit information? Yes ☐ No ☐
2. Are the counters' sheets retained and reconciled with actual deposits, and are all discrepancies investigated? Yes ☐ No ☐
3. Is there a control prohibiting the cashing of checks from the currency received? Yes ☐ No ☐
4. Are all of the pledge envelopes or other memoranda retained and reconciled to the recorded amounts? Yes ☐ No ☐
5. Are all other cash receipts recorded and deposited on a timely basis? Yes ☐ No ☐
6. Are all checks received restrictively endorsed —for deposit only "immediately upon receipt?" Yes ☐ No ☐
7. Are all cash receipts deposited into the general operating checking account? Yes ☐ No ☐
8. Are there procedures that will highlight, or bring to someone's attention, the fact that all receipts or income have not been received or recorded? Yes ☐ No ☐
9. Are periodic statements provided to donors of record (i.e. at least quarterly)? Yes ☐ No ☐
10. Do acknowledgments of contributions in excess of $250 include a receipt from the recipient organization which states that it is "the contemporaneous acknowledgment required by the Internal Revenue Code, and states that, in accordance with Section 170(F)(8)(B), any goods or services provided consist solely of intangible religious benefits"? Yes ☐ No ☐
11. Are all discrepancies investigated? Yes ☐ No ☐

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

1. Are all disbursements made by check, except for small expenditures made from petty cash? Yes ☐ No ☐
2. Are all checks pre-numbered and used in sequence? Yes ☐ No ☐
3. Is there a clearly defined approval process for all disbursements? Yes ☐ No ☐

4. Are all voided checks properly cancelled and retained? Yes □ No □
5. Are all checks made payable to specified payees and not to cash or to bearer? Yes □ No □
6. Are all disbursements supported by original documentation? Yes □ No □
7. Is the original vendor's invoice or other documentation cancelled at the time of signature to prevent duplicate payment? Yes □ No □
8. Check signing: Yes □ No □
   a. Is signing blank checks prohibited? Yes □ No □
   b. Is using a signature stamp or pre-printed signatures prohibited? Yes □ No □
   c. Does all supporting documentation accompany checks presented for signature? Yes □ No □
   d. Are all account signers authorized by the Vestry? Yes □ No □
   e. Is more than one signature required for any check? Yes □ No □
   f. If not, do checks for more than $500 require more than one signature? Yes □ No □
   g. If signature imprint machines are used, are the keys kept under lock and key except when in use? Yes □ No □
9. Are all disbursements requiring special approval of funding sources or the Vestry properly documented in the Vestry or Finance Committee minutes? Yes □ No □
10. Are there adequate controls and segregation of duties regarding electronic funds transfers? Yes □ No □

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

1. Is there an appropriate explanation accompanying each journal entry? Yes □ No □
2. Are all journal entries approved by a knowledgeable authority other than the person initiating the entry? Yes □ No □
3. Is adequate documentation maintained to support each journal entry? Yes □ No □

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 of bank statement? Yes □ No □
2. Do two different people perform the tasks of opening and reconciling the bank statement? Yes □ No □
3. Does someone complete the bank account reconciliations other than the person who participates in the receipt or disbursement of cash? Yes □ No □
4. Do the reconciliation procedures provide for: Yes □ No □
   a. Comparison between the bank statement and the cash receipts journal of dates and amounts of deposits? Yes □ No □
   b. Investigation of bank transfers to determine that both sides of the transactions have been recorded? Yes □ No □
   c. Investigation of all bank debit and credit memos? Yes □ No □
   d. Review of all checks outstanding more than 90 days? Yes □ No □
   e. Are checks more than 180 days outstanding voided during the year-end reconciliation? Yes □ No □

f. Is the bank immediately notified of all changes of authorized check-signers? Yes ☐ No ☐

5. Are all journal entries for bank charges and bank account interest recorded routinely? Yes ☐ No ☐
6. Are all bank accounts included on financial reports to the Vestry? Yes ☐ No ☐

Petty Cash: The following controls are intended to provide a timely recording of cash expenditures in the accounting system.

1. Is the responsibility for the petty cash fund assigned to one person? Yes ☐ No ☐
2. Are all petty cash funds maintained on an imprest basis, i.e., the total amount of vouchers paid or disbursed, plus cash, always equal the amount of the fund? Yes ☐ No ☐
3. Is adequate review made of documentation before the fund is reimbursed? Yes ☐ No ☐
4. Is the petty cash fund reimbursed at least monthly? Yes ☐ No ☐
5. Are check cashing and making loans to employees prohibited? Yes ☐ No ☐
6. Is the actual petty cash protected from theft or misplacement? Yes No

Investments: Procedures for 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 ☐
2. Is authorization for the sale and/or purchase of investments provided for by the Vestry or authorized investment committee? Yes ☐ No ☐
3. Are all investment instruments adequately protected from fire, theft, or misplacement? Yes ☐ No ☐
4. Is the income/dividends/interest recorded? Yes ☐ No ☐
5. Are all investment accounts included in financial reports to the Vestry? Yes ☐ No ☐

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 Vestry required for all property and equipment additions and dispositions? Yes ☐ No ☐
   Is a detailed inventory of all property, furniture, fixtures, and equipment maintained showing: Yes ☐ No ☐
   a. Date acquired? Yes ☐ No ☐
   b. Detailed description? Yes ☐ No ☐
   c. Cost or fair market value at time of donation? Yes ☐ No ☐
   d. Any funding source restrictions? Yes ☐ No ☐
2. Is a periodic review conducted to compare the actual property, furniture and fixtures, and equipment with the recorded inventory listing? Yes ☐ No ☐
3. Is there a safe deposit box? Yes ☐ No ☐
   a. Who is authorized to enter it? _____ Yes ☐ No ☐
   b. Is there an inventory of its contents? Yes ☐ No ☐
4. Are permanent records such as articles of incorporation, if applicable, bylawsand real estate deeds kept in a safe place? Yes ☐ No ☐
5. Are they up to date? Yes ☐ No ☐

Insurance: Insurance should be maintained that is adequate to protect against all reasonable risks of loss.

1. Is a periodic review conducted to ensure the adequacy of the insurance coverage for: Yes ☐ No ☐
   a. Property? Yes ☐ No ☐
   b. Liability? Yes ☐ No ☐
   c. Fidelity bond? Yes ☐ No ☐
   d. Sexual misconduct? Yes ☐ No ☐
   e. Directors and officers liability? Yes ☐ No ☐
   f. Workers' compensation? Yes ☐ No ☐
2. Is there a policy related to sexual misconduct? Yes ☐ No ☐
3. Is a periodic review conducted to ensure that adequate controls are in place to prevent loss? Yes ☐ No ☐

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 Vestry and the appropriate diocesan board or committee? Yes ☐ No ☐
2. Are all loan agreements and/or lease agreements in writing and properly safeguarded? Yes ☐ No ☐
3. Are there periodic reviews conducted to determine compliance with any debt/lease provisions? Yes ☐ No ☐
4. Are all liabilities noted on Financial Reports to Vestry? Yes ☐ No ☐

Restricted Gifts and Income: Gifts restricted by donors are not handled in the same manner as other contributions. 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: Yes ☐ No ☐
   a. Date, amount and donor of gift? Yes ☐ No ☐
   b. Any restrictions or limitations? Yes ☐ No ☐
2. Does the Vestry or other authoritative body approve all restricted gifts and grants? Yes ☐ No ☐
3. Are the income and other transactions periodically reported to the Vestry? Yes ☐ No ☐
4. Are written acknowledgments issued for whom they are required? Yes ☐ No ☐

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 to include: Yes ☐ No ☐
   a. Employment application and/or letter of employment Yes ☐ No ☐
   b. Authorizations of pay rates and effective dates? Yes ☐ No ☐
   c. Internal Revenue Service Form W-4? Yes ☐ No ☐
   d. Department of Justice Form I-9? Yes ☐ No ☐
   e. State Withholding Forms? Yes ☐ No ☐
   f. New hire reporting? Yes ☐ No ☐

2. Is there a written record of hours worked, approved by a supervisor when applicable? Yes ☐ No ☐
3. Are there adequate records to: Yes ☐ No ☐
   a. Show computation of gross pay? Yes ☐ No ☐
   b. Account for all deductions from gross pay? Yes ☐ No ☐
   c. Support payroll tax returns and Forms W-2? Yes ☐ No ☐
4. Are payroll tax returns filed on a timely basis? Yes ☐ No ☐
5. Are payroll tax deposits made on a timely basis? Yes ☐ No ☐
6. Are all employees, clergy and lay, receiving a Form W-2? Yes ☐ No ☐
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 ☐
8. Are Form W-2 wages reconciled to the general ledger accounts, and all four quarterly payroll tax returns? Yes ☐ No ☐
9. Are clergy housing allowances recorded in the minutes of the Vestry no later than the first meeting of the year? Yes ☐ No ☐

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 ☐
2. Are the files backed up daily and the backups maintained off premises? Yes ☐ No ☐
3. Is access to the computer and computer programs limited to authorized persons? Yes ☐ No ☐
4. Is there adequate documentation, including user manuals, available on-site for all computer programs? Yes ☐ No ☐
5. Is a printed copy retained of all journals, general ledger, financial statements and any other computerized records? Yes ☐ No ☐
6. Is there a plan for recovery of data and continuation of operations in the event of a disaster? Yes ☐ No ☐

The Episcopal Diocese of Kentucky

Internal Financial Review Committee Certificate

Date: _____/_____/_____

To: the Rector, Wardens and Vestry of _____

Name and address of church

Subject: 20___ Internal Financial Review

We have inspected the statement of financial position of _____ Church as of December 31, 20___, and the related statement of activities and cash flows for the year then ended. Our inspection was made in accordance with the guidelines of the *Manual of Business Methods in Church Affairs*, and the financial statements are prepared on a (please circle one –*cash, modified accrual,* or *accrual*) basis in accordance with principles adopted by the Episcopal Church and approved by its General Convention except as noted.

(Note exceptions here, if any: Was depreciation recognized? Were donated services recorded?)

We have taken steps to see that the accompany financial statements, as presented in the Parochial Report for 20___, present fairly in all material respects, except as noted above, the financial position of the Congregation at December 31, 20___; and that the changes in the net assets and its cash flows for the year then ended are in accordance with the principles authorized by General Convention of the Episcopal Church on a basis consistent with that of the preceding year.

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

Members of the Internal Financial Review Committee

Name	Address	Signature

The Episcopal Diocese of Kentucky

Internal Financial Review Committee Findings on Policies and Procedures

Date: _____/_____/_____

To: the Rector, Wardens and Vestry of _____

Name and City of Church

Subject: 20___ Internal Financial Review

During the course of the above inspection the following items pertaining to internal control and other operation matters were noted. The first group includes areas of management control where prior year recommendations have been implemented; the second group includes comments and recommendations of current year. This letter should be made a part of the minutes of your vestry meeting.

Areas where prior year review recommendations have been implemented:

_____

_____

_____

Comments and recommendations of current year committee:

_____

_____

_____

Members of the Internal Financial Review Committee

Name	Address	Signature

Balance Sheet

Assets	
Cash and Cash equivalents	$
Certificates of deposit	
Investments	
Prepaid expenses	
Accounts receivables	
Fixed assets	
Total Assets	$
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$
Total Current Liabilities	
Long-term Liabilities	
Notes payable	
Total liabilities	
Net Assets	
Unrestricted	
Restricted	
Designated	
Total Net Assets	
Total Liabilities and Net Assets	$

SAMPLE

Income Statement

	Restricted	Unrestricted	Designated	Total
Revenue and Support				
Revenue	$	$	$	$
Change in __ Fund				
Total Revenue and Support				
Expenses				
Depreciation				
Salaries				
Benefits				
Building Expenses				
Office Expenses				
Miscellaneous Expenses				
Interest Expense				
Funds Expense				
Worship				
Music and Supplies				
Fellowship Expenses				
Hospitality Expense				
Vestry Expense				
Total Expenses				
Change in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year				

SAMPLE

Stewardship and Financial Information of the Reporting Congregation

Giving Information for 2014:

Number of Pledges

1. Number of signed pledge cards for 2014-report year (1) _____

Total $ Pledged

2. Total dollar amount pledged for 2014-report year (2)$_____

Report of Revenues and Expenses for 2014:

Operating Revenues

3. Plate offerings, pledge payments & regular support (3) _____
4. Money from investments used for operations in 2014 (4) _____
5. Other operating income, including unrestricted gifts & restricted gifts used for operations & contributions from congregation's organizations (5) _____
6. Unrestricted bequests used for operations (6) _____

Subtotal Normal Operating Income (3+4+5+6) = A [ ]

7. Assistance from diocese for operating budget (7) _____

Total Operating Revenues (A+7) = B [ ]

Non-Operating Revenues

8. Capital funds, gifts & additions (8) _____
9. Additions to endowment & other investment funds (9) _____
10. Contributions & grants for congregation-based outreach & mission programs (10) _____
11. Funds for transmittal to other organizations (11) _____

Subtotal Non-Operating Revenues (8+9+10+11) = C [ ]

Total All Revenues (B+C) = D [ ]

Operating Expenses

12. To diocese for assessment, apportionment, or fair share (12) _____
13. Outreach from operating budget (13) _____
14. All other operating expenses (14) _____

Subtotal Operating Expenses (12+13+14) = E [ ]

Non-Operating Expenses

15. Major improvements & capital expenditures (15) _____
16. Expenses for congregation's outreach & mission (16) _____
17. Funds contributed to Episcopal seminaries (17) _____
18. Funds sent to other organizations (18) _____

Subtotal Non-Operating Expenses (15+16+17+18) = F [ ]

Total All Expenses (E+F) = G [ ]

At Year-End:

As of December 31, 2014

19. Total cash in all checking & passbook savings accounts (19) _____
20. Total investments at market value (not including cash reported in line 19) (20) _____

The Episcopal Diocese of Kentucky

Part II: Report of Congregation's Assets, Liabilities, and Insurance
(Otherwise known as the Page 5 of the Parochial Report)
2014

Congregation: _____ City: _____

		Unrestricted Assets	Restricted Assets			Other Assets
		Operating Accounts	Congregation's Organizations	Other Funds	Trust/ Endowment Fund(s)	Property (Canon I.6.1)
	Assets					
18	Petty Cash					
19	Checking Accounts					
20	Savings Accounts					
21	Short Term Investments					
22	Accounts Receivable					
23	Temp. Loans from Other Funds					
24	Deferred Expenses					
25	Long-Term Inv. at Market Value					
26	Land					
27	Buildings					
28	Furniture and Equipment					
29	Depreciation (Bldg. Fd Equip)					
	I. *Total Assets (add 18-28 minus 29)*					
	Liabilities					
30	Accounts Payable					
31	Payroll Taxes Payable					
32	Temp. Loans to Other Funds					
33	Deferred Income					
34	Long-Term Debt					
	J. *Total Liabilities (add 30-34)*					
	K. *Net Assets (I. minus J.)*					

	Insurance Category	Name of Primary Insurance Carrier (Canon I.6.1 (3))	Coverage
a	Building(s)		$, ,000
b	Contents of Building(s)		$, ,000
c	Bonding		$, ,000
d	Worker's Compensation		Yes No

	Audit: name of Firm/Auditor/Authorized Audit Committee	Scheduled Audit Date (Canon I.7.)
36		

M

Cash Management

Cash Management

Benefits to Lay Leaders and Congregations:

Cash & Checks Are Protected from Theft or Misplacement.

Good Practices for Cash Management.

Adequate Controls Provide Staff & Volunteers Protection.

Accountability of Monies Received for Ministry & Mission.

Management of the Bank Reconciliation Process.

Management of the Payroll-Risks Associated with Payroll.

Preparation of Parochial Reports and Financial Review.

To Protect Cash & Checks From Theft or Misplacement From The Time Funds Are Received Until Deposited

1. Cash & Checks are counted by 2 unrelated (either by blood or marriage) persons responsible for counting and depositing receipts.
2. Is there a standardized form or counters sheets for recording the deposit information?
3. Are pledge envelopes and other memoranda retained and reconciled to the recorded amounts?
4. Are the counter sheets being retained and reconciled with actual deposits and are discrepancies investigated?
5. If possible checks or money orders should be copied and attached to the counters sheets.
6. Are all checks immediately upon receipt restrictively endorsed “for deposit only”?
7. Do the counters sheets and the amount of the deposit equal?
8. Are the Sunday collections as well as all cash receipts deposited into the general operating checking account?
9. Are deposits and all other cash receipts recorded and deposited on a timely basis?

Good Practices For Cash Management

1. Checks may not be cashed from cash received.
2. Procedures highlighting the fact that all receipts or income have not be received or recorded.
3. Periodic (quarterly) statements provided to donors of record (pledges). David Brooks, Assistant Treasurer and Finance Chair, recommends a statement be sent out prior to the end of the year reminding people of where they stand on their pledge.
4. Do acknowledgements of contributions in excess of $250 include a receipt from the church which states that it is "the contemporaneous acknowledgement required by the Internal Revenue Code, and states that, in accordance with Section 170(F)(8)(B), any goods or services provided consist solely of intangible religious benefits"?
5. Are all discrepancies investigated? Large irregularities should be reported to the Vestry or Bishop's Committee and the Bishop.

Adequate Controls Provide Staff & Volunteers Protection

1. Check signers should not be related by blood or by marriage.
2. The Vestry or Bishop's Committee minutes should list the check signers for the coming year.
3. All checks $300 or over shall require 2 signatures, except discretionary fund checks. (Canon 15. Sec 4A.)
4. Vestries and Bishop's Committees approving Credit Cards for their congregations should list the names and credit limits of persons eligible for their use in the minutes.
5. Signing blank checks is prohibited.
6. Signature Stamps or pre-printed signatures are prohibited. Signature imprint machines should be kept under lock and key.
7. The financial record keeper should not be related by blood or by marriage to any of the check signers.
8. The financial records of the congregation should be kept at the church in a secure location. (This includes blank check stock.)
9. Procedures for any distributions made by on-line transactions or electronic funds transfers should be recorded in the Vestry or Bishop's Committee minutes.

Accountability of Monies Received For Ministry & Mission

1. Are all disbursements made by check, except for small expenditures made from petty cash?
2. Are all checks pre-numbered and used in sequence?
3. Is there a clearly defined approval process for all disbursements (vouchers)?
4. Are all voided checks properly cancelled and retained?
5. Are all checks payable to specified payees and not to cash or to bearer?
6. Are all checks supported by original invoices not statements?
7. Does all supporting documentation accompany checks when presented for signature?
8. Are all disbursements requiring special approval of funding sources of the Vestry or Bishop's Committee properly documented in the minutes?
9. Congregations receiving monies for endowments or bequests and gifts should have Vestry or Bishop's Committee approval and documented with any donor restrictions in their minutes?

Management of the Bank Reconciliation Process

1. Someone other than the bookkeeper and check signers should receive the bank statement directly from the bank and check the statement. That individual should look for inappropriate checks, improper endorsements, checks payable to individuals not on the payroll and companies the church doesn't do business with. That person doesn't have to reconcile the account.
2. The bank account should be reconciled monthly and the reconciliations should be reviewed by the auditors on an annual basis. The lack of monthly reconciliations means there are probably errors in the financial statements and steps should be taken to resolve the situation as soon as possible.

Management of the Payroll-Risks

1. Overpayment to legitimate employees.
2. Payment to fictitious employees.
3. Under or over withholding of taxes.
4. Failure to deposit payroll taxes as required by IRS.
5. Failure to file payroll tax returns as required by IRS.
6. Shown on clergy W-2's are their housing allowance, any annuities withheld from their pay and imputed income from life insurance exceeding $50,000. (The Church Pension Fund provides coverage to all active clergy based on four times Total Compensation up to a maximum of $100,000, rounded to the nearest $500. The Diocese of Kentucky group life plan to all active clergy is $50,000 and premiums are billed to the congregation they serve.
7. Failure to provide W-2's to clergy and employees (includes organists). File year-end reporting to various taxing authorities. (Episcopal Payroll Services 1-800-223-6602 x 6286 Patricia Tucker)
8. Failure to provide 1099 MISC. forms to all individuals and any service providers paid $600 or more in the past year (includes supply clergy, nursery workers, sextons, grass cutting services and consultants).
9. Failure to keep proper documentation.

Ease in Preparation of Parochial Reports and Financial Reviews

1. Financial Statements should mirror the Parochial Report.
2. Financial Review Committees can be members of the congregation, members of another congregation or group of 3 individuals with financial expertise. Internal Financial Reviews can emphasis separation of duties and internal controls. External audits are required to prepare Financial Statements formats according to general accounting practices and review internal controls. External audits can be very costly.
3. Annual Financial Reviews are important as a review of internal controls and review of procedures used in the financial reporting to the congregation. A review of these procedures and controls protects your Bookkeeper, your Treasurer, the Vestry or Bishop's Committee and your Clergy.

N

Church Finance Today

ChurchFinanceToday

Vital accounting, finance, and tax developments for church treasurers.

January 2017

WHAT'S NEW

Florida Court Upholds Estate Given to Church

A Florida court ruled that an elderly woman's estate plan that left her entire estate to her church could not be altered through the undue influence of the woman's caretaker who attempted to redirect the estate to herself. For the full analysis of this ruling, see the "Recent Developments" section in the January/February issue of *Church Law & Tax Report*.

Ignore "Tax Rebate Program"

You may have seen promotions touting a $42.4 billion federal "consumer rebate program." The marketing materials say Section 106 of a 2015 federal law gives every taxpaying American the right to a cash rebate on nearly every purchase. You can ignore them. There is no consumer rebate program. The law being peddled simply made permanent a rule that gives taxpayers who itemize on their returns the option to deduct state and local sales taxes in lieu of state and local income taxes. The $42.4 billion figure is the 10-year budget estimate for the provision.

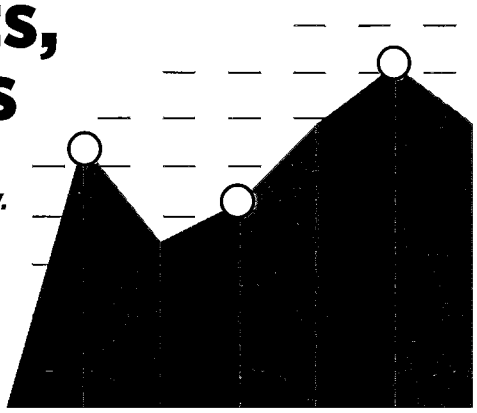
—Kiplinger.com

Religion Is Good for the Economy

"Religion in the United States today contributes $1.2 trillion each year to our economy and society," reported a new study titled *The Socio-economic Contribution of Religion to American Society: An Empirical Analysis*. "These contributions range from the basic economic drivers of any business—staff, overhead, utilities—to billions spent on philanthropic programs, educational institutions, and health care services. Congregations, businesses inspired by faith, [and] faith-based charities and institutions not only build communities and families but also strengthen our economy in every town and city of the country." Congregations alone contribute a total of $418 billion, according to the study.

We made some design changes to make this newsletter as useful as ever. Let us know what you think: editor@churchlawandtax.com.

Better Reports, Better Results



Metrics and dashboards can shape smart financial decisions—here's how.

Interview by Chris Lutes

Norwood Davis is the chief financial officer at 12Stone Church—a thriving multicampus congregation in the Atlanta area. In the October 2016 issue of Church Finance Today, *Davis, along with other financial experts, shared insights about collecting and analyzing financial and demographic data. In this issue, we asked Davis to share the best ways to use this data for effective reports that help with financial decisions.*

12Stone is known as a church that uses dashboard and metrics effectively in financial reports. Why is that?

A few reasons. First, all the time we're tweaking and adjusting our reports, adding new metrics or taking away metrics that are no longer relevant. We're constantly trying to improve our reports and reporting.

Second, it's a team effort. I'm designing a lot of our dashboards and oftentimes my name is on the report, but there are a lot of people involved in gathering, analyzing, reporting, and presenting the data. From time to time, we've also brought in outside consultants to help us think about what we could learn from our data and how we could best present it to different groups in the church.

Third, we're always studying trends analysis and data reporting. We're learning from other organizations. I serve on the boards of several nonchurch charitable organizations. I look at what data they're reporting and how they're reporting it. When I see something that would be helpful for 12Stone, I integrate it into our own metrics and reports.

What should be the key goals or purposes of financial reporting?

There are four purposes. First, reports inform decisions. Unfortunately, reports often become an administrative task—just something churches have always done so they continue to do them. But reports really need to help with decision-making.

Second, financial reports should measure progress. How is your church doing over time? What positive trends do you see?

Third, reports diagnose challenges. When studied over a period of time, metrics can be a significant indicator of where there may be a challenge. When you see a variance from a trend, you can ask questions and diagnose what's happening.

Fourth, reports help churches celebrate achievement. We all need to capture moments we can celebrate. John Kotter, the author of *Leading Change*, talks about celebrating short-term wins. But the only way you can know your wins is to have appropriate metrics in place.

What are key characteristics of an effective report?

Accuracy and data integrity. It's important to have good, accurate information that ties back to auditable processes and systems. For example, we measure giving per person and expense per person. If one of our campus youth ministries is careful about taking attendance on a Wednesday night and another is simply estimating attendance—"It looks like we have 50 this week"—we're not going to have great comparisons. We have to capture and compare the same data throughout our campuses. In this case, we need accurate numbers for each youth ministry.

Another important aspect of an effective report is context. Don't just report numbers, but report why the numbers are the way they are. Provide adequate context. As an example, our financial statements show that we generated a significant amount of cash from operations that is more than what we budgeted. We intentionally budgeted less so that we could use that additional revenue to build new

[Senior Editor **Richard R. Hammar, J.D., LL.M., CPA.** Published by **Christianity Today.**]

campuses. People need to know why there is a difference in our budget compared to our actual cash flow.

How do metrics and dashboards—charts, graphs, and tables—add to a report's effectiveness?

Think of them as features on a dashboard of a car. A fuel gauge shows us if we have enough gas to get from point A to point B. A lot of cars have navigation systems that give an estimated time of arrival, so we can measure our progress. We have warning lights that tell us there's a problem.

Financial dashboards and metrics serve a similar purpose. They help us measure progress, provide warnings signs about problems ahead, help diagnose challenges, and give information for making decisions. Metrics help measure what kind of resources are there and how to allocate resources down the road.

What's an easily avoidable mistake often made when creating reports?

Giving people information they can't act on. There are different groups that need specific financial information. At 12Stone, these groups are the congregation, staff, leadership team, and governing board. There's some overlap between what financial information each of these groups need, but generally, there's different information for different audiences.

Do you have an example?

Going back to the car analogy, if my check engine light comes on, the only decision I have to make is whether or not I get the car serviced. The vehicle doesn't give me the diagnostic code. It doesn't tell me if my fuel pump is bad. It just gives me information I can act on, which is to get the vehicle serviced.

To illustrate how this applies to churches, every quarter I make a presentation to our board of directors that includes our debt-to-income ratio. In my church, only the board can make decisions related to debt. So, this board is the right place to discuss debt in detail. We don't go to our leadership team with this information, with the exception of our senior pastor, who is on this governing board. The members of our leadership team—which is made up of our campus pastors and other ministry leaders—don't see information about debt levels because there's nothing they can do about it. They don't make those decisions.

What about reports given to your congregation?

We report overall contributions to the congregation at an annual meeting. But we always highlight how those contributions fueled our mission, which is to reach the lost, serve the least, and raise up leaders. Financial information gets tied to our mission.

"[W]e always highlight how those contributions fueled our mission."

What clutters a report?

Sometimes you can have too many graphs, charts, and tables. It's really about producing a report that has a good visual representation of what's happening. Make sure you have enough dashboards to communicate the message that you're trying to communicate—and to the correct audience. But don't do so many dashboards that you obscure the underlying data.

What other mistakes do financial managers often make when giving out or presenting reports?

They use finance and accounting jargon unfamiliar to those who receive the report. Financial managers may just breeze through a report without explaining anything. Dashboards, metrics, and reports are about helping churches make better financial decisions. Financial managers need to teach people how to use a report. When we hire new staff members or when current employees get a promotion, we'll sit down with them and walk them through their financial reports. My church also holds an annual financial luncheon for our staff. It's not mandatory, but it is an opportunity for them to learn about our financial processes.

What hidden agendas are sometimes tucked inside financial reports?

Some church leaders may use reports to try to generate more revenue or reduce expenses. They use the report to get something or to prove a point.

But I would think reports sometimes need to say, "Wake up! We have a problem here."

If you have a track record of reporting consistently, transparently, and in a disciplined way, you will be listened to when a problem arises.

How often do you send out reports?

A weekly dashboard with information from the weekend service goes to our management team. Our board is copied on that. Monthly, budget reports—without charts and graphs—go to all of the budget owners as well as our senior leadership team, and a consolidated overall report goes to the board that includes a cover letter with bullet points that explain what's happening and why. We present the annual report I mentioned to the congregation.

When you send the monthly budget report to, say, the youth pastor, do you only send information related to the youth ministry?

Yes. Our youth pastor is not responsible for revenue. So he would get an expense report. If ministry leaders have multiple departments under them, those different departments would be broken out on the monthly budget report.

Are there tools that can help financial managers generate good reports?

There are some free online tools, such as CapinCrouse's Church Financial Health Index and the one at ChurchMetrics.com. You can produce reports with Microsoft Excel. For a small amount of money, your church can subscribe as a nonprofit to Microsoft's Office 365. There are also tools that will cost you quite a bit, like Domo and Tableau. Most churches don't need to spend a lot. My recommendation is to use a reporting tool that's free. When that tool no longer meets your needs, explore other options.

How has effective financial reporting helped your church?

Financial reporting is one of a whole series of leadership tools that have helped us grow. It's not the sole reason for the growth we've experienced, probably not even the primary reason, but it's certainly been part of the equation that's helped inform the decisions we've made. Financial reporting has been very important in helping us fulfill the mission and the vision that we believe God has given us. ■

In Depth

For more on reporting and effective use of financial data, see these resources on ChurchLawAndTax.com and ChurchLawAndTaxStore.com:

- "Accounting and Financial Reporting" chapter in *Church Finance*
- "Follow the Data" in the October 2016 issue of *Church Finance Today*
- "How to Create an Effective Dashboard Report for Your Ministry," a web-only article
- "Communicating Financial Information to Church Leaders," a web-only article

Automate Financial Tasks

Save time and money with electronic systems.

By Tim Samuel

Automation eliminates as many manual tasks as possible, reduces human error, and streamlines various processes. To automate a financial task, a treasurer or financial manager identifies repeatable, logical, mundane tasks that are done on a weekly, monthly, or annual basis. Once identified, a financial manager works to find and optimize available technology to help reduce the time it takes to do these tasks.

Recording donations

Simple e-giving systems reduce the time it takes to record donations, and they import directly into a donor management system. This allows both you and your donor to see donation history in real-time. Consider asking donors to set up recurring online gifts, specifically during the summer months, when people go on vacations and giving to the church tends to take a dip.

Pinpointing dips in giving

An automated process can trigger an email to the appropriate church leader when someone stops giving. Then a church leader can call the donor who has stopped giving, and that may lead to an opportunity to minister to that person. Maybe the person lost a job, retired, became upset over a rumor, or is going through some tough financial times.

Reporting budgets

Budget reports can be automated. Most accounting software programs export budget information into Excel. Macros—special instructions containing a number of steps that you set in advance and then have Excel perform for you with one command—can convert your data to a simple email. This can give those who donate, or those who spend, a quick snapshot of what's left in that project's budget. With time saved through this system, you now have time to craft thank-you emails or letters that communicate vision and results to the donors.

Paying bills

Rather than paying your electric bill or mortgage with a paper check every month, set up a direct debit, and have the bills emailed to you. This makes it easy to save them electronically. With the time you save, you can explore ways to buy energy in bulk or refinance your mortgage and, subsequently, reduce your electric or mortgage payment.

Approving payments

A paperless audit trail can be implemented with electronic signatures along with pictures of the receipts. Rather than tracking down check signers to sign a paper check, use an electronic-signature check approval system to direct deposit to your vendors and staff or volunteers who need reimbursement.

Automate, but verify

One word of caution: Automation is not "setting it and forgetting it" in regard to the tasks that you automate. Always make time to review the automation.

Tim Samuel is chief financial officer at Bridgeway Community Church in Columbia, Maryland. ■

In Depth

For help automating systems and choosing appropriate software, see these resources on ChurchLawAndTax.com and ChurchLawAndTaxStore.com:

- *Church IT: Strategies and Solutions*
- "Best Practices for Technology Usage"
- "The QuickBooks Solution" in the November 2016 issue of *Church Finance Today*
- "Software: Choose Wisely" in the March 2016 issue of *Church Finance Today*
- "One Secret for Unleashing Excel" in *SkillBuilders*

Key Tax Deadline

February 10, 2017

Churches having nonminister employees (or one or more ministers who report their federal income taxes as employees and who have elected voluntary withholding) may file their employer's quarterly federal tax return (Form 941) by this date instead of January 31 if all taxes for the fourth calendar quarter (of 2016) have been deposited in full and on time.

For other important tax deadlines, see Richard R. Hammar's *2017 Church & Clergy Tax Guide* available at ChurchLawAndTaxStore.com or visit churchlawandtax.com/tc.

Q: *Can a church require employees to tithe?*

Is it legal for a church to have a policy that demands or mandatorily requires employees give a portion of their income as a requisite for employment?

A: Yes, with some caveats.

In *Corporation of the Presiding Bishop v. Amos, 483 U.S. 387 (1987)*, the United States Supreme Court approved the firing of a church employee who failed to maintain a temple recommendation for his local congregation of the Church of Jesus Christ of Latter-day Saints. The local temple could not recommend him for employment unless he was a member in good standing. To be in good standing, the local temple requires its members to prove that they have paid their tithes. Since the church employee failed to provide the temple recommendation, he was terminated.

The church may impose religious requirements on its employees, even those employees not involved in active practice of the faith. In the Supreme Court case, the church employee was a janitor in a gymnasium owned and operated by a nonprofit organization associated with the church.

The church may not withhold the tithes from the employee's pay without written permission from the employee. If the employee refuses to consent to the withholding of the tithe, then the employee may be subject to discipline, including termination. Also, if the church withholds the tithes from the employee's pay, it can only withhold the tithes after the withholding of payroll taxes.

If the church mandates that employees pay tithes, the church must pay the nonexempt employees for the time required to pay the tithes. The US Department of Labor rules require employers to pay at least one-tenth of an hour for duty time and many state laws require payment of a minimum of two or more hours each time the employer requests the nonexempt employee to perform any task.

If the employee is not a member of the employer church, then the church may require the employee to request that the employee's church provide a certificate to prove that the employee paid tithes to his or her home church.

—Frank Sommerville, CPA, attorney, and editorial advisor for *Church Finance Today*

To submit a question for consideration in a future Q&A, email editor@churchlawandtax.com.

Notes&Numbers

Reporting Social Security Taxes

A provision in the tax code that causes a lot of confusion is this one: *ministers are always treated as self-employed for Social Security with regard to services they perform in the exercise of their ministry.* This provision—sometimes referred to as the "dual tax status" of ministers—is true even if ministers are employees for federal income tax reporting.

The most important consequence of this dual tax status is that ministers pay the so-called "self-employment tax." This is the Social Security tax that is paid by self-employed workers. It amounts to 15.3 percent of a minister's taxable earnings. Employees and employers pay "Social Security" and "Medicare" taxes (sometimes collectively referred to as "FICA" taxes). Like self-employment taxes, these taxes amount to 15.3 percent of a minister's taxable earnings. But there is a big difference. Employers and employees split the 15.3 percent tax rate, with each paying 7.65 percent. Self-employed persons pay the entire self-employment tax. Many churches pay half, or even all, of a minister's self-employment tax. This is perfectly appropriate, but any amount paid by the church must be reported as taxable income to the minister.

Many churches erroneously withhold the employee's share of Social Security and Medicare taxes from ministers' compensation, and then pay the employer's share. In other words, they treat their minister as an employee for Social Security. This is understandable, especially when the church treats the minister as an employee for purposes of federal income taxation. But, it is always incorrect for a church to treat a minister as an employee for Social Security. Self-employment taxes for ministers are computed on Schedule SE of Form 1040.

—Richard R. Hammar

Giving Habits of Americans

54% More than half of Americans give to churches.

22% A little over 2 in 10 Americans give to nonprofits but not churches.

24% About a quarter of Americans give to neither churches nor other nonprofits.

96% Nearly all practicing Christians give to churches or other nonprofits.

60% Under two-thirds of those professing to be atheists or agnostics still give to churches or other nonprofits.

Source: The State of the Church 2016. *Barna. Based on data collected from January 2016 through April 2016.*



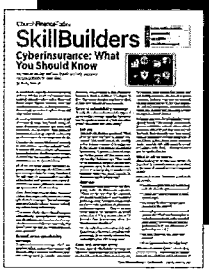
Beware of Calls from the "IRS"

Responding to a surge in phone scammers posing as government agents, the IRS will no longer make its initial contact by phone regarding an audit. From now on, the agency will first mail a letter. If the recipient fails to respond in 14 days, then the IRS will call. The IRS may call about other matters—although the agency is currently reviewing those practices.

To better understand protections churches and pastors have when faced with an audit, read "IRS Extends Audit Protections to Church Payroll Compliance" and "When the IRS Comes Knocking," both available in the *Church Law & Tax Report* archives on ChurchLawAndTax.com.

—Sources: The General Ledger *and* Tax Notes Today

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ChurchFinanceToday

Vital accounting, finance, and tax developments for church treasurers.

February 2017

WHAT'S NEW

Judge Blocks Overtime Changes

In late November, a federal judge in Texas issued an injunction blocking the December 1, 2016, implementation of a new salary threshold rule that would have made millions of more workers, including nonministerial church employees who meet certain criteria, eligible for overtime pay.

The injunction puts the threshold change on hold until its legality can be determined by the judge. Some speculate the new threshold likely won't survive, but the outcome remains uncertain. The current threshold for the "white-collar exemption" of $455 per week, or $23,660 per year, remains in effect.

Further developments will be addressed on ChurchLawAndTax.com and also in *Church Finance Today* and in *Church Law & Tax Report*. For a complete analysis of how the potential change could impact churches, see "Understanding the New Overtime Pay Rules" in the September/October 2016 issue of *Church Law & Tax Report*, available on ChurchLawAndTax.com.

Pastor and Wife Arrested for Understating Income

"The longtime pastor of [an Albany, New York,] church listed his and his wife's annual income at $5,000 to qualify for Medicaid benefits, but records indicate the couple controlled numerous bank accounts from multiple charity and nonprofit organizations—including their church—that paid them more than $150,000 a year," reported TimesUnion.com. Albany County began investigating the pastor and his wife's finances, which led to their arrest, "after receiving a complaint about the pastor's alleged misuse of funds," said the website.

For help protecting your church's financial integrity, see "Whistleblower Policies and Church Culture" in the May 2016 issue of *Church Finance Today*—available at ChurchLawAndTax.com.

IN THE NEXT ISSUE

Preventing Costly Email Scams

Setting Pay Packages for Pastors



Why churches need to get three tax issues right with compensation.

By Richard R. Hammar

Compensation planning for clergy and other church staff presents several unique tax issues that are not well understood by many church leaders and their advisers. Here are three key considerations to review when structuring compensation plans.

1. Salary

The most basic component of church staff compensation is salary. There are two important considerations to keep in mind with respect to staff salaries: (1) the amount of the salary, and (2) the use of "salary reduction agreements." If a church pays unreasonably high compensation to a pastor or other employee, the church may lose its tax-exempt status or face intermediate sanctions, including tax on disqualified persons, additional tax on disqualified persons, and tax on organization matters.

> **Recommendation:** *Churches that pay a minister (or any staff member) significantly more than the highest 25 percent for comparable positions should obtain a legal opinion from an experienced tax attorney confirming that the amount paid is not "unreasonable" and will not expose the employee or the board to intermediate sanctions.*

Many churches have established "salary reduction agreements" to handle certain staff expenses. The objective is to reduce an employee's taxable income since only the income remaining after the various reductions is reported on the employee's W-2 at the end of the year. It is important for churches to understand that they cannot reduce an employee's taxable income through salary reductions unless specifically allowed by law. There are three ways taxable income can be reduced through salary reduction agreements: (1) tax-sheltered annuity contributions, (2) "cafeteria plans," and (3) housing allowances.

2. Housing and equity allowances

The most important tax benefit available to ministers who own or rent their homes is the housing allowance. Ministers who own or rent their home do not pay federal income taxes on the amount of their compensation that their employing church designates in advance as a housing allowance to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the annual fair rental value of the home (furnished, plus utilities). Housing-related expenses include mortgage payments, rental payments, utilities, repairs, furnishings, insurance, property taxes, additions, and maintenance.

Ministers who live in a church-owned parsonage that is provided "rent-free" as compensation for ministerial services do not include the annual fair rental value of the parsonage as income in computing their federal income taxes. The annual fair rental value is not "deducted" from the minister's income. Rather, it is not reported as additional income anywhere on Form 1040 (as it generally would be by nonclergy workers). Further,

Help Us, Help Yourself

Great data is the cornerstone of good salaries. When you participate in the National Church Compensation Survey, you help yourself and other church workers. Visit bit.ly/CTSalary by March 31, 2017, to take part in this confidential survey. Complete the survey and receive a free finance eBook, a free subscription to *Christianity Today*, or a free Bible study series on giving.

[Senior Editor **Richard R. Hammar, J.D., LL.M., CPA.** Published by **Christianity Today.**]

ministers who live in a church-provided parsonage do not pay federal income taxes on the amount of their compensation that their employing church designates in advance as a parsonage allowance, to the extent that the allowance represents compensation for ministerial services and is used to pay parsonage-related expenses such as utilities, repairs, and furnishings.

Note that the parsonage and housing allowance exclusions only apply in computing federal income taxes. Ministers cannot exclude them when computing their self-employment (Social Security) taxes.

> **Recommendation:** *Be sure that the designation of a housing or parsonage allowance for the subsequent year is on the agenda of the church board for one of its final meetings of each calendar year. The designation should be an official action of the board or congregation, and it should be duly recorded in the minutes of the meeting. The IRS also recognizes designations included in employment contracts and budget line items—assuming in each case that the designation was duly adopted by the church board (or the congregation in a business meeting). Also, if the minister is a new hire, the church should designate a housing allowance prior to the date he or she begins working.*

Ministers who live in church-owned parsonages are denied one very important benefit of home ownership: the opportunity to accumulate "equity" in a home over the course of many years. Many ministers who have lived in parsonages during much of their active ministry often face retirement without housing. To avoid the potential hardship of no equity and no housing, some churches increase their minister's compensation as an "equity allowance" to provide the equivalent of equity in a home.

> **Recommendation:** *An equity allowance is an excellent idea that should be considered by any church having one or more ministers living in church-provided housing. The equity allowance should not be accessible by the minister until retirement, so it should be placed directly in a minister's tax-sheltered retirement account. Equity allowances should also be considered by a church whose minister rents a home.*

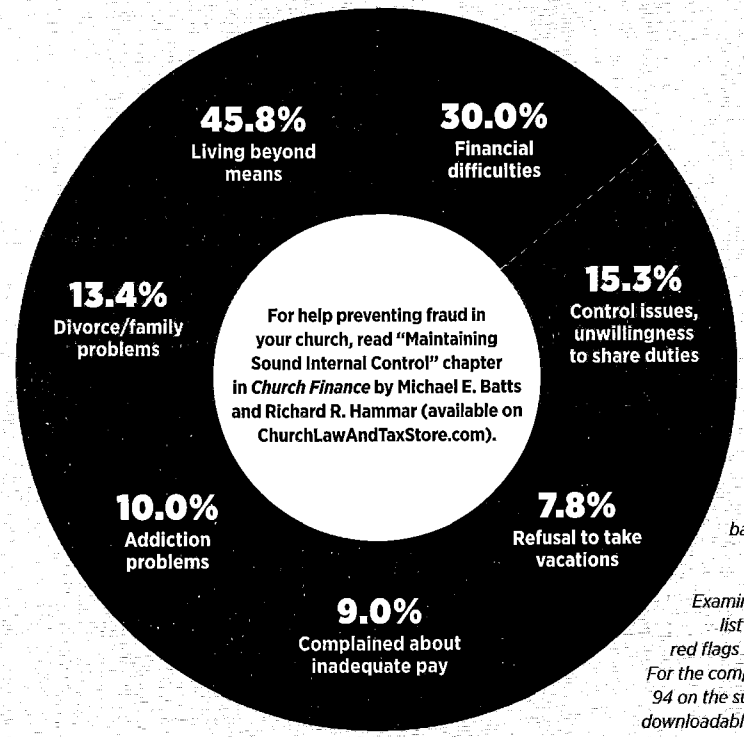
3. Accountable business expense reimbursement policy

Under such an arrangement, a church (1) reimburses only those business expenses that are properly substantiated within a reasonable time as to date, amount, place, and business purpose, and (2) requires any excess reimbursements (in excess of substantiated expenses) to be returned to the church. Churches should seriously consider adopting an accountable reimbursement policy for reimbursing staff business expenses. Such a policy has the following advantages:

- Church staff report their business expenses to the church rather than to the IRS.
- Church staff who report their income taxes as employees, or who report as self-employed and who are reclassified as employees by the IRS in an audit, avoid the limitations on the deductibility of employee business expenses. These limitations include (1) the elimination of any deduction if the employee cannot itemize deductions on Schedule A (most taxpayers cannot), and (2) the deductibility of business expenses on Schedule A as an itemized expense only to the extent that these expenses exceed 2 percent of the employee's adjusted gross income.
- The so-called *Deason* allocation rule is avoided. Under this rule, ministers must reduce their business expense deduction by the percentage of their total compensation that consists of a tax-exempt housing allowance.
- The "50 percent limitation" that applies to the deductibility of business meals and entertainment expenses is avoided. Unless these expenses are reimbursed by an employer under an accountable plan, only 50 percent of them are deductible by either employees or self-employed workers.
- Church staff who report their income taxes as self-employed avoid the risk of being reclassified as an employee by the IRS in an audit and assessed additional taxes. ■

Behavioral Red Flags Displayed by Perpetrators of Fraud

Certified Fraud Examiners pinpoint these warning signs.



Source: Report to the Nations on Occupational Fraud and Abuse: 2016 Global Fraud Study. *Conducted by the Association of Certified Fraud Examiners. Report based on 2,410 online surveys completed by Certified Fraud Examiners. This is a partial list of the 17 behavioral red flags listed on the survey. For the complete list, see Figure 94 on the survey—available in a downloadable PDF at ACFE.com.*

In Depth

To go deeper on church salary decisions and tax issues related to clergy, see these resources at ChurchLawAndTaxStore.com:

- ***2016–2017 Compensation Handbook for Church Staff***
- ***2017 Church & Clergy Tax Guide***
- ***Setting a Pastor's Pay***

Housing Allowance Challenge Continues

FFRF's renewed effort may negatively affect this important benefit.

By Richard R. Hammar



The constitutionality of the ministerial housing allowance benefit is again in question, thanks to one organization's ongoing efforts to challenge it.

On November 22, 2013, federal district court judge Barbara Crabb of the District Court for the Western District of Wisconsin struck down the ministerial housing allowance as an unconstitutional preference for religion. *Freedom From Religion Foundation, Inc., v. Lew, 983 F. Supp. 2d 1051 (W.D. Wis. 2013).* The ruling was in response to a lawsuit brought by the Freedom From Religion Foundation (FFRF). The federal government, which defended the housing allowance since it is a federal statute, asked the court to dismiss the lawsuit on the ground that the plaintiffs lacked standing to pursue their claim in federal court.

Standing is a constitutional requirement of any plaintiff in a federal case and generally means that a plaintiff must have suffered some direct injury as a result of a challenged law. The Wisconsin court concluded that the plaintiffs had standing on the ground that they would have been denied a housing allowance exclusion had they claimed one on their tax return. The government appealed this ruling to a federal appeals court (the Seventh Circuit Court of Appeals in Chicago).

On November 13, 2014, the appeals court issued its ruling reversing the Wisconsin court's decision. *Freedom From Religion Foundation, Inc., v. Lew, 2014 WL 5861632 (7th Cir. 2014).* It concluded that the plaintiffs lacked standing to pursue their challenge to the housing allowance. The plaintiffs had asserted that they had standing due to their "injury" of being denied a tax-free housing allowance should they claim one on their tax returns. But the appeals court refused to base standing on theoretical injury. It concluded: "Only a person that has been denied such a benefit can be deemed to have suffered cognizable injury. The plaintiffs here have never been denied the parsonage exemption because they have never requested it; therefore, they have suffered no injury."

It suggested that this deficiency could be overcome if the FFRF's officers filed tax returns claiming a housing allowance that was later rejected by the IRS in an audit: "The plaintiffs could have sought the exemption by excluding their housing allowances from their reported income on their tax returns and then petitioning the Tax Court if the IRS were to disallow the exclusion. Alternatively, they could have . . . paid income tax on their housing allowance, claimed refunds from the IRS, and then sued if the IRS rejected or failed to act upon their claims."

The FFRF responded to the appeals court's ruling by designating a housing allowance for two of its officers. The officers reported their allowances as taxable income on their tax returns, and thereafter filed amended tax returns seeking a refund of the income taxes paid on the amounts of their designated housing allowances. FFRF claims that in 2015 the IRS denied the refunds sought by its officers (one of whom had died, and was represented by the executor of her estate).

Noteworthy developments

Having endeavored to correct the standing problem, the FFRF renewed its legal challenge to the housing allowance in the federal district court in Wisconsin where the litigation began. Two developments are noteworthy.

First, the US Department of Justice, which defends the constitutionality of federal legislation (such as the housing allowance), filed a brief with the court asking it to dismiss FFRF's challenge to the constitutionality of the parsonage exclusion. The Department of Justice noted that section 107 of the tax code grants tax exclusions both for the rental value of parsonages provided to clergy as compensation for the performance of ministerial services, and for housing allowances provided to clergy who own or rent their home. But, since none of FFRF's officers were living in housing owned by FFRF, they lacked standing to challenge the constitutionality of section 107's exclusion of the rental value of church-owned parsonages.

Second, the Department of Justice brief states that "the United States does not contest plaintiffs' standing to sue under section 107(2)" (i.e., the housing allowance). This concession means that the federal appeals court will now have the opportunity to address the merits of FFRF's constitutional challenge to the housing allowance. The appeals court ultimately may rule that the housing allowance is constitutional. Or it may decide that it is not. Either way, the ruling likely will be appealed to the United States Supreme Court.

Possible effects

Should FFRF and its two officers ultimately prevail in their quest to strike down the housing allowance as an unconstitutional preference for religion, what would be the effects for churches and pastors? A ruling by the Seventh Circuit Court of Appeals would apply to ministers in that circuit, which includes the states of Illinois, Indiana, and Wisconsin. It would become a national precedent binding on ministers in all states if affirmed by the Supreme Court—an unlikely outcome because the Supreme Court accepts less than one percent of all appeals. Note, however, that the IRS would have the discretion to follow or not follow such a ruling in other circuits and might be inclined to follow it to promote consistency in tax administration.

Ministers and churches should be aware that the housing allowance remains under attack and one day may be invalidated. Should that occur, two actions will then need to be implemented quickly:

1. Since ministers will experience an immediate increase in income taxes, they should be prepared to increase their quarterly estimated tax payments to reflect the increase in income taxes in order to avoid an underpayment penalty. Note that there will be no effect on self-employment taxes for which the housing allowance is not tax-exempt.

2. Many churches will want to increase ministers' compensation to offset the financial impact. Such an increase could be phased out over a period of years to minimize the effects on the church.

For a complete analysis of several tax developments that affect tax reporting by ministers, church staff, and churches, see "Understanding the 2017 Tax Season" in the January/February issue of Church Law & Tax Report*—also available on ChurchLawAndTax.com.* ■

Notes&Numbers

When a Contribution Is $250 or More

In order for a donor to receive a deduction for a single contribution of $250 or more, the law specifies that the church (donee) must provide a written acknowledgment with the following information:

- Name of organization
- Amount of cash contribution
- Description (but not the value) of noncash contribution (if the contribution was not monetary)
- Statement that no goods or services were provided by the organization in return for the contribution (if that was the case)
- Description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
- Statement that the goods and services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (if that was the case)

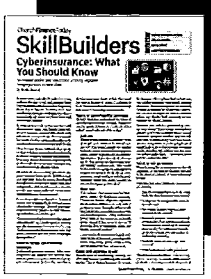
For other important details regarding charitable contributions, see the "Charitable Contributions" chapter in the *Church & Clergy Tax Guide.*

Another Good Reason for Cash Reserves

[Reserves] provide financial flexibility and foster strategic decisions. Reserves do more than allow you to react to fiscal emergencies. If you have reserves and enough positive cash flow, you can make sensible choices, like making bulk purchases to take advantage of better prices. They also position you to seize opportunities that you may not have been able to take advantage of otherwise.

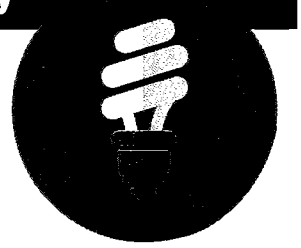
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How We Saved Money



Developing a Comprehensive Energy Program

Our church wanted to reduce our rising utility costs so we could redirect the savings to our missional purpose. To get started, we conducted a comprehensive energy audit in order to develop a holistic, energy conservation program—prioritizing replacement and modernization of systems. Our end goal was to optimize how we could lower our utility costs at the lowest possible capital cost.

Along with creating a project team to guide the process, our church hired a mechanical engineering firm and a consulting firm that specializes in commercial solar feasibility modeling. Working with these experts, we developed a long-term plan that prioritized our various energy needs.

We estimate that our plan will cost our church around $1.2 million over about eight years. All of our retained consultant costs have been funded through solar project financing with a third-party bank. Our LED retrofit project was funded, with no "carrying costs" (such as interest, fees), through a special incentive program with our electric utility company. Our HVAC and roof replacement programs are being paid for, debt free, using funds from our capital replacement reserve funding budget. Once our comprehensive, energy-efficiency program is completed and paid for, we anticipate future savings in excess of $100,000 per year. In around 25 years, we anticipate an overall savings in excess of $2 million.

The best thing we did was work with specialized consultants to develop a comprehensive program. The key is holistic—making it all work together for greater savings and energy efficiency, and a good consultant ensures that happens.

— Dave Cowin, chairman of the board of elders, The Bridge Church (Fresno, California)

"How We Saved Money" features stories from treasurers, church business administrators, pastors, and other church leaders, detailing ways their ministries changed services, practices, or policies and procedures—all resulting in lower costs and added savings for their ministries. Send your own money-saving stories to editor@churchlawandtax.com.

Eight Signs of a Financially Dying Church

1. Failed to preach and teach stewardship.
2. Took on too much debt.
3. Was not transparent with finances.
4. Used very few dollars to reach and minister to the community.
5. Did not have multiple options for giving.
6. Did not constantly evaluate how funds were spent.
7. Never took wise steps of financial faith.
8. The church relied on a few big givers.

—ThomRainer.com

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ChurchFinanceToday

Vital accounting, finance, and tax developments for church treasurers.

March 2017

WHAT'S NEW

New Law Ends an ACA Penalty

Congress passed legislation in December "eliminating a tax penalty on employers who reimburse employees for the cost of health insurance premiums," *Accounting Today* reported. President Obama signed it into law soon after.

"The IRS began enforcing the penalty on employers last year, even though it wasn't part of the Affordable Care Act. Employers who violated the rule risked being fined up to $100 per day for each employee, or up to $36,500 a year, which was 18 times more than the penalty imposed on larger employers that didn't offer insurance to workers," said *Accounting Today*.

With the passage of the new law, eligible small employers can now provide employer-funded Health Reimbursement Arrangements (HRAs) for their employees, noted the Evangelical Council for Financial Accountability.

IRS Sets 2017 Mileage Rates

The Internal Revenue Service has set the new standard mileage rates for 2017:

- 53.5 cents per mile for business miles driven, down from 54 cents in 2016
- 17 cents per mile driven for medical or moving purposes, down from 19 cents for 2016

The rate for miles driven in service of charitable organizations, which is set by Congress, remains fixed at 14 cents per mile.

USCIS Revises Form I-9

Near the end of 2016, the US Citizenship and Immigration Services (USCIS) published a revised version of Form I-9, Employment Eligibility Verification. Employers must now use the new form (dated November 14, 2016). "Changes are designed to reduce errors and enhance form completion using a computer," stated a press release on USCIS.gov.

IN THE NEXT ISSUE

Fulfilling Copier Needs Without Breaking the Budget

Six Ways Churches Can Thwart New Email Threat

Sophisticated messages can appear to come from a leader in the targeted church.

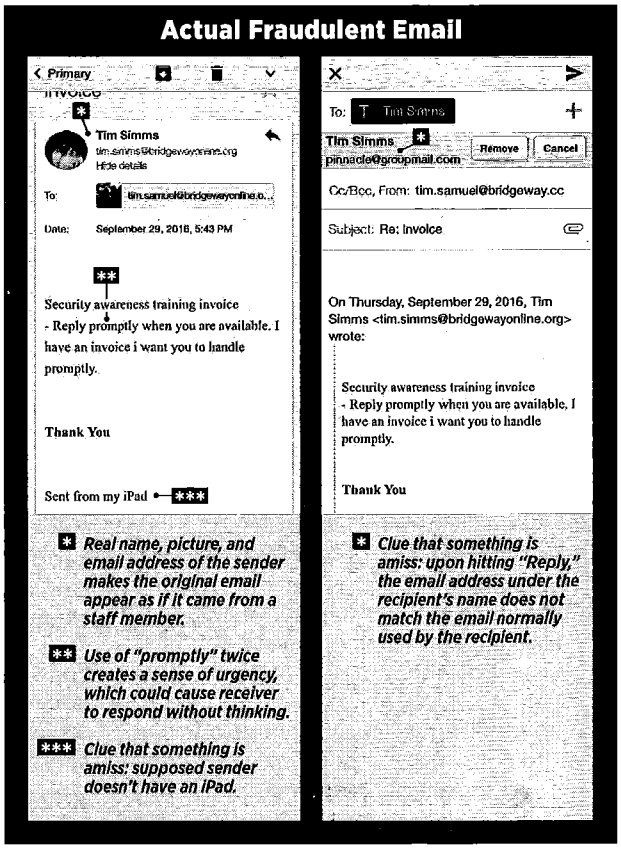
By Bobby Ross Jr.

Tim Samuel nearly fell for an email scam that has cost victims billions of dollars.

Samuel, chief financial officer for Bridgeway Community Church in Columbia, Maryland, received a message that appeared to come from the church's information technology director.

"I was blown away because . . . I almost got tricked," Samuel said. Not only did it look like it was from a fellow staff member, but the email had an "invoice" for a security training awareness program, and the church had been installing a new security system.

But when the CFO hit reply, Samuel noticed that the email address didn't match the one normally used by the sender (see "Actual Fraudulent Email" illustration). Something wasn't right.



The extent of the problem

The scheme that targeted Samuel's church is an example of what the Federal Bureau of Investigation calls a business email compromise scam—dubbed "BEC." According to an FBI review of domestic and international data, the growing problem resulted in 15,668 reported victims and more than $1 billion in losses from October 2013 through May 2016. Other estimates put the total monetary loss at more than $3 billion.

These fraudulent emails are often well-worded, appear to come from someone in the organization, and deal specifically with the organization being victimized—and thus do not raise suspicions about the legitimacy of the request, according to the FBI.

Victims range from large corporations to tech companies to small businesses to nonprofit organizations—and churches have become a frequent target.

"It's frightening because, for whatever reason, people are . . . clicking on these bogus emails, and wiring out money as a result," said Lisa Traina, a CPA and cybersecurity expert who heads the CapinCrouse subsidiary organization Traina & Associates. "It's pretty widespread."

For example, a Tennessee church lost $20,000 in the spring of 2016 when a staff member received what appeared to be an email from the pastor directing that a wire transfer be made in that amount.

In North Carolina last year, the state's attorney general issued a warning after scammers used authentic-looking emails to try to steal thousands of dollars from churches.

[Senior Editor **Richard R. Hammar, J.D., LL.M., CPA.** Published by **Christianity Today.**]

Targeting personal information

"There is a wide range of sophistication as far as the different kinds of scam messages I've seen," said Douglas Ward, director of information technology for the North Carolina Conference of the United Methodist Church. "I've seen messages that are laughably easy to catch, that have a lot of horribly written grammar, really bad typos, incomplete sentences—things that stand out as pretty obvious forgeries."

He's also seen the *other kind.*

"I've seen a lot that are very complex and difficult to catch," Ward said. "So, for example, if I wanted to pull off one of these kinds of scams, I would go to the company's website and download a couple of profile pictures of the company's executives. And then from that, you could create an email address and use that person's profile picture for that account."

Alerts by the FBI and others have made many church treasurers aware of the schemes, but criminals constantly adapt, leading to different iterations of the same scam, warned Michael E. Batts, a CPA and managing partner of Batts Morrison Wales & Lee, P.A., an accounting firm that serves nonprofit organizations. Batts also is an editorial advisor for *Church Finance Today.*

"For example, now they are spoofing a superior in the organization to ask for a copy of employees' W-2 forms from last year," Batts said. "So we're seeing some variations on the theme, but the core element is that these crooks are spending time on an organization's website long enough to learn what the email addresses of the superiors are, what sort of nicknames they go by, and then they use that information to create a spoof email that looks like it came from that person to ask for whatever, whether it's money to be transferred or internal information."

Six action steps

We asked experts and church financial leaders how church leaders can counter such scams. Here are six tips gleaned from their comments:

1. **Don't make financial payments based on email alone.**

   Call to verify that the individual actually requested the money, require a hand-submitted invoice or a second signature, or take other steps to reduce the possibility of fraud.

   The North Carolina Conference of the United Methodist Church, for instance, doesn't allow requests for wire transfers or money to be made by email or telephone.

   "You have to fill out a piece of paper, walk it over, drop it off," Ward said of this policy. "With some kind of physical control, you greatly decrease the possibility [of a scam], if not completely preventing somebody from tricking you into wiring away $100,000 or whatever the dollar amount may be."

   Regarding his own church, Samuel has implemented a system prohibiting staff members from requesting emergency funds by email.

   "At the end of the day, if you need emergency funds, there has got to be a better way," he said.

More Insights on Preventing Cybercrime

Nick B. Nicholaou serves as president of Ministry Business Services, Inc. Nicholaou, author of Church IT: Strategies and Solutions, *consults with churches about their IT needs and issues. Here, Nicholaou shares advice on how churches can avoid becoming victims of cybercrime.*

What is a typical example of email fraud targeting a church?

We see churches targeted specifically with emails that look as if they're legitimate, like, "Hey, the senior pastor told me to contact you and get a check for X amount of money." Those kinds of things.

We also see a lot of fraudulent emails appearing to be from general vendors, like Microsoft and Apple. They look legit, asking you to update or confirm your profile information at places like LinkedIn or Facebook. And, of course, if you click the link, you're taken to a site where your data can be collected or your identity stolen.

Is this a problem specific to churches or are churches getting caught up in something that happens to all businesses?

Everybody is being targeted, and many do not have appropriate spam filters that minimize exposure.

So spam filters will help prevent email scams?

A spam filter will prevent many of the emails that appear as if they're from general vendors like Microsoft and Apple. A spam filter probably won't block emails that appear to come from someone on staff. When this happens, the best approach would probably be to forward the email to the person that is referenced in it. They can then verify whether or not the request is legitimate.

What about verifying by making a phone call?

That would be wise. Sometimes you can reach them by phone; sometimes you can't. But I would say to at least try calling them. Texting them on their smartphone is not as reliable since their phone may have fallen into someone else's hands or been compromised. Public WiFi is not always secure, and if they get the text via public WiFi the verification is not solid. Someone could be "sniffing" the public WiFi airwaves and reading the text and other data that people are transferring via that public WiFi. In that case, it's possible that someone could be picking up information that could compromise a system.

For a lot of pastors, coffee shops become a second office. So, it would seem that hackers would be more likely to be in those public settings.

Your observation is accurate. My recommendation is to not trust public WiFi. Instead, turn on the WiFi hotspot on your smartphone that turns it into a "MiFi." Your connection will then go over your cellular data stream rather than over the public WiFi. When using your notebook computer at Starbucks, for instance, connect via the hotspot (or MiFi) feature of your smartphone, even though MiFi is a little bit slower and it means you may be paying for data. But you'll know that by doing it that way your data transfers—like text and email—are more secure.

One more piece of advice: never click links in emails asking you to verify your data.

—Interview by Bobby Ross Jr.

2. Don't make or authorize disbursements without documentation.

Traina stressed that the scammers have become more sophisticated than the elementary-level con artists once known for sending mass emails purporting, for instance, to have a $100 million inheritance in the bank if someone can just transfer $17,000 in fees.

"They are very sophisticated," she said. "Oftentimes, the executive that these emails [allegedly] come from is, in fact, traveling. So they're taking their time and learning who the players are, and that makes it scary."

Regardless of who's asking for money, every financial request should come with proper and complete supporting documentation, said the experts.

3. Allow church staff members to question any financial request.

In Louisiana last year, someone in the East Baton Rouge Parish school system was conned into wiring $46,500 to someone who claimed to be the superintendent, the *Baton Rouge Advocate* reported. The staffer retired after reports that she never sought verbal confirmation of the request, despite the superintendent being in a nearby office the whole time.

The bottom line: When a financial request looks like it is from the senior pastor or another person in a position of authority, paid staff members and volunteers should feel free to—and should even be encouraged to—find out if the request is legitimate, Samuel said. And they should be able to do so without fear of criticism or reprisal.

4. Create secure systems.

Secure IT systems that are regularly updated can greatly reduce the risks of bogus emails reaching staff members in the first place, Traina said.

While it sounds like something parents do to combat stranger danger, Traina said she heard of an organization using an internal code word for financial transactions that no one on the outside would know. She likes that idea.

Traina also encourages church leaders to determine what kind of information should not be shared online.

"Do you want people to be able to figure out that executives are halfway around the world?" she said. "You might want to be posting something cool that you're doing [such as a mission trip], but by doing so, you open yourself up to more people tricking you."

For further insights on developing security measures, see the sidebar on page 2, "More Insights on Preventing Cybercrime."

5. Provide carefully targeted training.

Batts recommends educating a congregation's team members about possible schemes and developing processes and policies to avoid falling victim to them.

Traina concurs, stating that members need to know how to detect schemes and should be armed with best practices that can help prevent breaches.

Specifically, training should include warnings about the dangers of clicking links from unknown email senders or opening attachments that could spread malware and steal sensitive data and financial records. Staff member should also know how to skim an email for clues that a request for money or sensitive information is bogus—such as spotting an email address that an employee wouldn't normally use. And an entire training session or series of short workshops could be based on the Public Service Announcements on the FBI's Internet Crime Complaint site (ic3.gov/media).

6. Take immediate action if scammed.

If your church falls victim to a scam, the FBI recommends contacting your financial institution immediately upon learning of the fraudulent transfer. Some banks have started waiting longer than normal to process such transfers because of concerns about scams.

The church also should ask that its financial institution contact the corresponding financial institution where the transfer was sent. And the church should contact the FBI and make a report via ic3.gov.

Moving beyond a close call

Looking back at his own close call, Samuel chuckles about one small sign of fraud that stood out: The sender's address line said, "Sent from my iPad."

The staff member whose name was spoofed doesn't have an iPad.

Still, it was scary to think how easy it would have been for even a seasoned CFO to fall for a very costly scam. That makes it all the more important, he said, to double down on policies and procedures that protect the church from this type of cybercrime. ■

Q: *What happens if a minister requests a housing allowance that exceeds his total salary?*

We just hired a pastor, and he is purchasing a new home with a very large down payment. This will make the cost of his housing higher than his salary. How do we handle that?

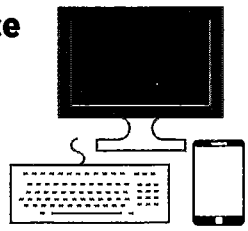
A: A church can only allocate an allowance up to the minister's yearly salary—presuming the minister qualifies for an allowance based on IRS requirements, and the anticipated housing costs represent compensation for ministerial services, go exclusively toward paying housing expenses, and reflect fair rental value of the home (furnished, plus utilities). If a minister's housing expenses are higher than that, it's up to him or her to earn the difference elsewhere. If a minister does so, your church cannot designate more money for the allowance under the presumption that your minister will earn income from other jobs to make up the difference. Let's say your minister earns $15,000 a year with your church, and he anticipates housing expenses of $17,500 for 2017. He cannot earn an additional $2,500 from working 10 hours a week at a coffee shop and have your church designate his housing allowance as $17,500. And those additional funds will be taxed like any other payroll because those earnings are not affiliated with his ministerial work at the church.

—Vonna Laue, CPA and editorial advisor for *Church Finance Today*

To submit a question for consideration in a future Q&A, email editor@churchlawandtax.com.

Notes & Numbers

Time to Replace Dated Tech?



Churches wanting to replace dated smartphones and other tech in the coming months might experience some significant savings. "Look for an average 5 percent drop in the price of smartphones as low-cost versions from Chinese makers Huawei, Oppo, and Xiaomi flood the market," reported *The Kiplinger Letter* in a special "Business Costs 2017" forecast edition. "Figure on paying 10 percent to 20 percent less for bandwidth as web providers battle it out for customers, though prices will vary by area. Satellite broadband costs . . . also down. Mobile data prices . . . down, too, by 10 percent or so." *Kiplinger* also predicted that personal computer prices will drop but high-end tablets will "go higher." As for printers and copiers, *Kiplinger* said prices could decrease by as much as 10 percent.

Connect Impact with Budget

It's easy to assume attitudes around generosity have led to [decreased giving]. But the truth is that today's church members are just as generous as in years past. The difference is this: there are more organizations competing for the attention and resources of your church members than ever before. Research also tells us that people are beginning to split their charitable giving. How do we overcome this challenge?

We must give people a compelling reason to support our ministry. We must find a way to communicate the connection between the budget and ministry impact. This takes work, but it also gives us the opportunity to identify the things that inspire people to give and ultimately generate more momentum for our ministry.

—RSIStewardship.com

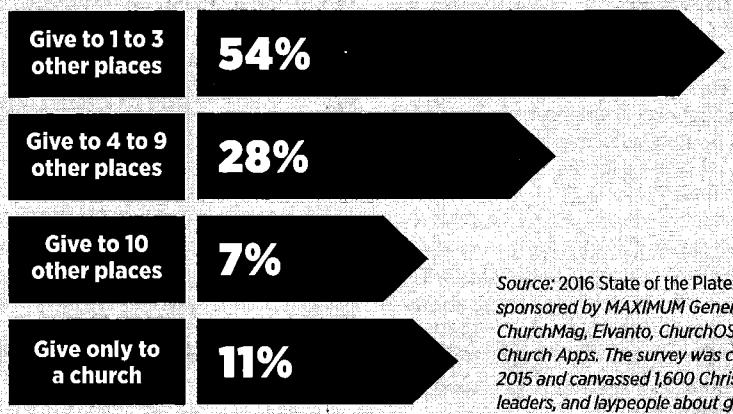
DOWNLOAD YOUR
SkillBuilders!



Download the SkillBuilders on "Strategic Budgeting." Visit CLTStore.com/SkillBuilders by April 30 and enter the code [redacted] at checkout.

Giving That Goes Beyond Church Walls

Percentage of church attenders who also give elsewhere.



Source: 2016 State of the Plate *survey, sponsored by MAXIMUM Generosity, Tithe.ly, ChurchMag, Elvanto, ChurchOS, and Apollo Church Apps. The survey was conducted in 2015 and canvassed 1,600 Christian pastors, leaders, and laypeople about giving and generosity in their church settings.*

Key Tax Deadline

April 29, 2017

Churches hiring their first nonminister employee between January 1 and March 31, 2017, may exempt themselves from the employer's share of Social Security and Medicare taxes by filing Form 8274 by this date (nonminister employees are thereafter treated as self-employed for Social Security purposes). The exemption is only available to churches that are opposed on the basis of religious principles to paying the employer's share of Social Security and Medicare taxes.

***Note:** If a date listed for filing a return or making a tax payment falls on a Saturday, Sunday, or legal holiday (either national or statewide in a state where the return is required to be filed), the return or tax payment is due on the following business day.*

The free Tax Calendar—available on ChurchLawAndTax.com/tc—provides reminders about regular, semiweekly, and monthly withholding requirements, plus other upcoming dates and deadlines related to church taxes.

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ChurchFinanceToday

VITAL ACCOUNTING, FINANCE, AND TAX DEVELOPMENTS FOR CHURCH TREASURERS.

DECEMBER 2016

WHAT'S NEW

Overtime Rule Faces Legal Challenge

Two lawsuits were filed in Texas challenging the US Department of Labor's new overtime rule, reported Politico.com, "one by attorneys general in 21 states and the other by 50 business groups led by the US Chamber of Commerce. The rule, which takes effect [December 1], will double (to $47,476) the salary threshold under which virtually all workers are guaranteed time-and-a-half pay whenever they work more than 40 hours in a given week." Both suits question the legality of the rule. Labor Secretary Tom Perez responded quickly with a statement, saying that he was "confident in the legality of all aspects of [the] final overtime rule."

Watch for updates on the lawsuits, and any effects they have with the implementation of the new overtime threshold, on ManagingYourChurch.com and ChurchLawAndTax.com. For an explanation of the changes, see the September/October issue of *Church Law & Tax Report* on ChurchLawAndTax.com.

New Banking Rule Will Limit Loan Opportunities

Churches planning to obtain loans for future building programs will want to anticipate a new banking rule. The rule can be adopted in 2019 and becomes mandatory in 2020, reported the *Financial Times*. "Currently, banks don't have to report a loss until they believe it has occurred," *The Kiplinger Letter* said. "Under the new rule, they will have to estimate losses they project will be incurred over the lifetime of the loan as soon as it is originated." Doing so, said *Kiplinger*, "will cause banks to ratchet up their reserve levels and thus make fewer loans." When the new rules take effect, a church may have a tougher time borrowing to build that new worship center, additional campus, or educational wing.

IN THE NEXT ISSUE

» Producing Effective Financial Reports

Five Tips for Finance Professionals Joining a Church Staff



Experts emphasize the unique rules and dynamics churches face.

By Bobby Ross Jr.

Jennifer Neal wanted to be successful—as a woman, as a mother, and as a financial controller at a multibillion-dollar company. "I was desperately trying to make my mark and have it all," she said.

What Neal didn't intend was for Jesus, as she put it, "almost taking a two-by-four to my head."

But in 2012, when her church began looking for a director of finance, nine people emailed and encouraged her to go for it. Her career ambitions certainly didn't include a ministry position. However, she couldn't help but feel "the Lord was leading me to at least apply."

After much time spent in prayer, and much deliberation over the benefits of a more stable schedule as she raised her three children, she embraced her new calling with the College Park Church in Indianapolis.

Although Neal took a significant pay cut, she quickly found fulfillment using her gifts to further God's kingdom. "It just gives me a great deal of satisfaction in my position," she said.

Even so, Neal readily admits that the differences between a church and a business is overwhelming at times and the learning curve can be high.

Church Finance Today interviewed editorial advisors and church financial leaders about making the switch from a for-profit business to a nonprofit ministry. Their insights helped develop five tips to keep in mind when navigating the complexities of church finance and tax issues:

1. Finances in the church are very different from a for-profit business. The church treasurer role requires changing from a profit-oriented business management mindset to a focus on serving others and working with ordained ministers, said Dan Busby, president of the Evangelical Council for Financial Accountability.

"That transition in culture," he said, "is often underestimated."

Often those making the transition come into the church expecting it to operate as smoothly as their former workplace, said Elaine Sommerville, a CPA who works on compliance aspects of nonprofit organizations. "A lot of times when we see people making this transition, they're coming out of higher-level positions in some larger companies, and they're used to a well-defined structure of operation," she said.

In Neal's case, she learned to extend "extravagant grace" to her fellow ministers whose primary focus isn't financial matters.

"You have to be a lot more understanding, communicate a lot more, realize that the person that didn't get you the expense report on time was up late dealing with some significant crisis in a person's life," Neal explained. "And at the end of the day, it was way more important and valuable that he was there than doing my expense report."

2. Tax-exempt rules are complicated. The unique tax and regulatory climate for churches and ministries requires getting up to speed in a hurry, said Michael Batts, managing partner of an Orlando-based CPA firm serving nonprofits, ministries, and churches. Financial staff need to learn about specific differences between business structures and church

structures, such as "tax law structure, employment law structure, employee benefits law structure, etc.," Batts said.

There is also a big difference in the risk matrix, said Frank Sommerville, a CPA and attorney. In the for-profit world, if a company pays somebody too much, a disallowed deduction may occur and result in a small penalty, he said. In a church setting, a seemingly small error can result in a big penalty and even put the church's tax-exempt status at risk, he noted.

"When you get into a nonprofit world, consequences are much more serious," he stressed. "[Financial staff] have to be educated on those consequences."

"Most people think, 'Well, we're nonprofit. We don't pay taxes. What's the big deal? Nothing applies to us.' And the truth is, the nonprofit industry is highly regulated in a lot of areas" and churches and ministers face numerous tax-related requirements, added Elaine Sommerville.

3. Charitable contributions are a complicated source of revenue.

In the business world, there's one big pot of money to be used how the company sees fit.

In the church world, there can be a number of different pots with specific purposes—and that complicates how and where it can be spent, the experts said.

"Businesses primarily receive revenue from sales and fees, whereas churches primarily receive revenues from charitable contributions," Busby said. "So the focus of financial administration turns to quality gift administration with churches instead of the for-profit world focusing on sales, cost of sales, and margins."

Under nonprofit rules, the accounting and financial reporting framework must include both nonrestricted and restricted funds.

"An unrestricted contribution means the donor has not placed any restriction on how those funds should be spent," Frank Sommerville explained. "A restricted fund is just how it sounds—the donor has restricted that money to be used for a specific project or a specific purpose. There's not really a comparable concept in the for-profit world."

For example, a restricted fund might be as broad as money given for a building fund or as narrow as a check earmarked specifically to buy a piano.

"So you have to separately create an account for these restricted gifts and make sure that you flag the restriction on the front end receiving it," Frank Sommerville said. "And you set up the accounting side on the other end to see that the church has complied with the law with those restrictions when it spends the money."

4. Tracking and documenting expenses is crucial.

Church finance demands tracking—and documenting—every expense. It protects the church's reputation and it ensures the church complies with the law.

"We're talking about God's resources that [people] give to the church to be used for kingdom purposes," Busby said. "So that would require us to step up to a higher level of integrity with respect to how those funds are handled."

Tim Samuel, chief financial officer for Bridgeway Community Church in Columbia, Maryland, stresses to pastors that financial documentation is not a matter of lacking trust.

"I tell that to every new [pastor who] comes in because the pastor is always going to think, *What, you don't trust me?*" said Samuel, who made the transition from a for-profit CPA firm in 2007. "This has nothing to do with trust. This has to do with [being able to] open up our books and tell myself and the world, 'Hey, we've got these internal controls in place.'"

He recommends a patient-but-firm approach with fellow staff members for whom such controls may be a new and challenging concept.

"Start requiring documentation or don't write the check," he said. "Every check should have some kind of documentation. I track the money the whole way through."

Professionals transitioning from the business world may be surprised by a lack of internal controls in many churches, Elaine Sommerville said.

"It's not unusual to find one person doing everything, from processing donations to writing checks to reconciling the bank account," she said. "The church has a tendency to think the fewer people you have involved, the better. And internal control works off of the [idea that] the more you split up accounting duties, the better it is."

5. Education and training are essential.

The need for training when moving to a nonprofit is immense, Batts said.

From tax laws to accounting rules to the unique governance structure of particular

continued on page 3

More Insights on Switching from Business to Ministry Settings

Dan Busby offers four more insights on the ways church financial leadership differs from the business world—and how those with a business background can make the transition.

What are the core tax differences and penalties between a for-profit business and the church as a nonprofit ministry?

In the for-profit world, organizations are taxed on profits, and in the nonprofit world, churches are generally tax-free. There can be some taxes on unrelated business income. There can be sales and property taxes. But as far as the income tax, which is the biggest tax on for-profit corporations, there is no income tax. So, a lot of the planning that is done in the corporate for-profit world is to minimize taxes, corporate taxes, and that challenge totally goes away in the church world.

Are there any financial/business practices that shouldn't change when moving out of the for-profit sector and into the church?

Well, sure. The focus on high integrity is the same across the board. Focusing on minimizing risks, that broad concept, is the same from the business world to the church world. Focusing on quality of work and producing financial reports that are readable, accurate, and timely—those concepts are the same.

How should treasurers/financial managers respond to pastors and other church leaders who don't seem to understand important financial practices?

As the financial administrator, you just need to continually emphasize the importance of doing everything with integrity because we're doing our work for the King of Kings, and we simply must demonstrate quality in all we do when we're working for a king.

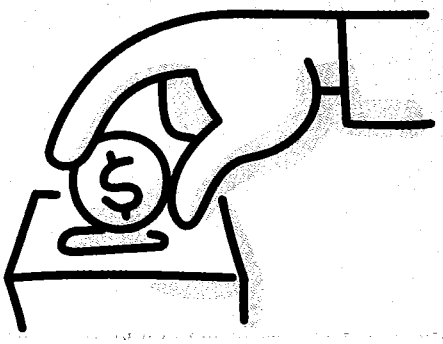
What financial principles should church treasurers/business managers always tenaciously hang on to?

They must hang on to being accurate, being faithful administrators of the funds, preparing financial statements based on solid data, and when communicating data to church leaders and church boards, focusing on the big picture.

Q: Can restricted funds be used for anything but their intended purpose?

My church currently has a large surplus in its benevolence budget but a shortfall in its missions budget. The board is planning to transfer a substantial amount from benevolence to missions. But isn't it illegal to use restricted funds for anything other than their intended purpose?

A: Every state except Pennsylvania has adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), a model law that addresses, among other things, investment of assets by nonprofit organizations and the handling of restricted funds. Each state's version can vary a bit (it was up to each state's legislature to determine whether to modify the model law).



UPMIFA contains language that addresses what to do legally when an organization has determined that it is "unlawful, impracticable, impossible to achieve, or wasteful" to carry out a donor restriction for a fund covered by the law. It might be somewhat challenging to prove that your church meets one of these four criteria with respect to its benevolence fund. It is one thing to deal with a building fund where the building project is canceled, but the needy are always among us.

Some states' versions of UPMIFA provide different options for redirecting a restricted fund depending on the dollar amounts involved. In some cases, a court order is required. There may be other state or federal legal issues to consider—some of which could carry *very significant* risks.

I strongly suggest that any church contemplating the redirection of donor-restricted gifts do the following:

1. Consider the policy implications and member relations issues that could arise even if the church were able to find a legally permissible way to redirect the funds and evaluate whether doing so would be wise.
2. Do not take steps to redirect donor-restricted funds without a clear, well-written opinion from competent legal counsel specifically experienced in this area of law.

For a detailed discussion of restricted funds and UPMIFA, see chapters 1, 3, and 6 in *Church Finance*—a book I coauthored with Richard Hammar (available on ChurchLawAndTaxStore.com).

—Michael Batts, CPA and editorial advisor for *Church Finance Today*

To submit a question for consideration in a future Q&A, email editor@churchlawandtax.com.

continued from page 2

organizations, he said, "a measure of diligence and intentionality is required to get up to speed in these areas to an appropriate level."

"It won't happen casually," Batts said. "Getting briefings from professional advisers, reading internal documents, and attending relevant conferences and training seminars are typically the most effective ways to get up to speed quickly."

Neal echoed the recommendations for ongoing education. She said she regularly reads articles and resources from organizations she trusts. Doing so has helped her redefine success and see how her knowledge and skills can set up her church for success.

"I really wanted to be 'successful' in the world's eyes," Neal said of her past outlook. "But I've really been able to find a passion in helping further the kingdom of Christ.

"I know I'm not the frontline pastor preaching on the stage every Sunday," she added. "But I'm really finding the right niche and [I'm] passionate about doing that so I can equip others . . . and [that] really just changed my attitude." ■

In Depth

Gain a better understanding of issues covered in this article with these resources on ChurchLawAndTax.com and ChurchLawAndTaxStore.com:

- ***Church Law & Tax Report*, Richard R. Hammar, senior editor**
- ***Church Finance* by Michael E. Batts and Richard R. Hammar**
- ***2017 Church & Clergy Tax Guide* by Richard R. Hammar**
- ***Pastor, Church & Law* (four volumes)**
- **"How to Take First Steps in Internal Control" in the March/April 2016 *SkillBuilders***

Key Tax Deadline

January 1, 2017

≫ **The Social Security and Medicare tax rate for employers and employees remains at 7.65 percent of employee wages for 2017 for a combined tax rate of 15.3 percent.**

≫ **Beginning on this date, churches having nonminister employees (or a minister who has elected voluntary withholding) should begin withholding federal income taxes according to the tables and instructions available on IRS.gov.**

The free Tax Calendar—available on churchlawandtax.com/tc—provides reminders about regular, semiweekly, and monthly withholding requirements, plus other upcoming dates and deadlines related to church taxes.

NOTES & NUMBERS

BUILD A FINANCIAL ADVISORY BOARD

On BrianDoddonLeadership.com, Brian Dodd recommends that churches develop a financial advisory board. He suggests looking for these qualities in board members: spiritual maturity, regular givers, committed to the church's mission, and practical experience in business and finance. Here are some possible ways Dodd said this board can guide a church's finances:

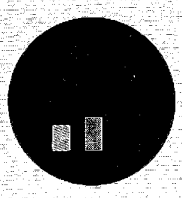
- Review income and giving trends and recommend a percentage budget [change] for the next year.
- Evaluate . . . a staff compensation philosophy and verify that you are following it consistently.
- Review drafts of annual budgets and ask questions or share observations about the items in that budget.
- Review monthly financial reports (summary) and work with the [church staff] to review and question those reports if needed.
- Be available for special financial projects, as requested, for things like building loan details and other debt or large leases.
- Help shape financial policy around issues like what to do with excess cash, cash reserve minimums and maximums, and so on.

WHY ONLINE FEES ARE WORTH THE COST

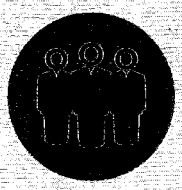
One thing that scares many churches away from online giving is the prospect of fees. . . . The main reason to assume the cost of online giving is that there is a cost to forgoing online donations. It takes time to process and sort cash and check donations. . . . [T]he most important factor to remember is that online giving usually comes with a steep jump in donations, [which] more than pays for small fees associated with [it].

—ChurchTechToday.com

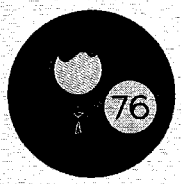
Salary, Staff, and Budget Trends of Large Churches



Pay Raises 3.1%
This percentage was the most common pay raise given to executive staff.



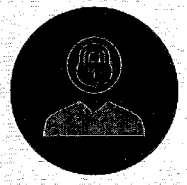
Staffing 49%
Nearly half of a church's total budget goes to staffing costs (includes salary, benefits, and related expenses).



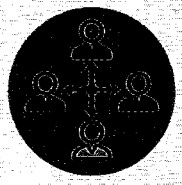
Attender-to-Staff Ratio 76 to 1
For every 76 worshipers, there is an equivalent of one full-time staff person—counting everyone from custodians to pastors (does not include staff of church-sponsored schools).



Money for Ministry Beyond Church Walls 52%
A little over half of those churches surveyed spend 10 percent or more of their budget on ministry beyond their own congregation (from local soup kitchens to world missions).



Who Knows Your Salary? 81%
Around 8 out of 10 churches say knowledge about specific salaries is mostly limited to the board, a board subcommittee, or senior staff.

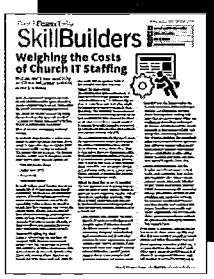


Outsourcing on the Rise 33%
A third of those churches surveyed increased the outsourcing of staff over the past five years to handle custodial, payroll, and Information Technology (IT) needs.

For help with church compensation, check out the *2016-2017 Compensation Handbook for Church Staff*, available on ChurchLawAndTaxStore.com.

Source: 2016 Large Church Salary Study, *Leadership Network and VanderBloemen Search Group. Based on data voluntarily provided from 1,251 churches—of which 26 percent have 2,000 or more people in weekly attendance.*

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