



The Free Methodist Church in Canada

**A
GUIDE
FOR
TREASURERS**

August 2010

On behalf of The Free Methodist Church in Canada, thank you for your willingness to support your local church and the Ministry Centre towards the vision of healthy churches within the reach of all people in Canada and beyond. You may not have significant church treasurer experience. This guide is provided with you in mind to better understand your role locally and how you assist in the work of The Free Methodist Church in Canada on financial matters. We also encouraged experienced treasurers to read through this guide as a reminder of good practice. If after reading this document, you have additional questions, do not hesitate to contact the Administrative Services staff at the Ministry Centre. We are here to help.

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INTRODUCTION

Your Role as Treasurer

The Church Board is entrusted with responsibility to manage the affairs of the church, including the financial resources, i.e. money. As treasurer you do not control the finances, but you are the person primarily responsible to ensure that the details of financial decisions are carried out. Your four major tasks as treasurer are:

- 1) To receive donations and other income, ensure that it is deposited in the bank and recorded in church records.
- 2) To ensure all bills are paid.
- 3) To provide financial reports to the official board, ministry leaders and society.
- 4) To ensure compliance with all government regulations with respect to charitable receipts and required government filings.

Appendix A provides an overview schedule of your duties as the treasurer.

Additional places where you can receive help:

- 1) *The Manual of The Free Methodist Church in Canada* – Chapters 3 and 4 and Par 878 contain financial policies related to the local church and General Conference. In *Appendix B*, you will find a collation of this information. Since these chapters are quoted in this guide, it is important that you are familiar with this material. As *The Manual* is updated, this appendix will be changed.
- 2) **The website of The Free Methodist Church in Canada**
 - The Administrative and Financial Services section) provides forms and other helpful information. Go to www.fmcic.ca > Administrative and Financial Services
 - The Manual provides necessary financial information. Go to www.fmcic.ca > Who We Are > The Manual. See also *Appendix B*.
- 3) **Canada Revenue Agency website** – government forms and bulletins related to the work of Charities at <http://www.cra-arc.gc.ca/charities/>

Confidentiality

The Treasurer holds a position of trust in handling the finances of the church and the donations of individuals. This requires the highest level of integrity and confidentiality. Board or group discussions that are confidential in nature and information about donations to the church by individuals must be kept strictly confidential and not disclosed except as provided for in Par 372.2.4.

Your church board may delegate some treasurer responsibilities to a bookkeeper and/or a financial secretary. They must also ensure confidentiality of information.

ACCOUNTING

A. Bank Accounts, Documents

The church will require at least one bank account with a financial institution. It is recommended that the church have a checking account and it may be useful to have a savings account as well.

The bank's documentation requirements may vary but likely a list of officers will be required, a banking and signing resolution passed by the board, specimen signatures of those authorized to sign supported by identification documents and some confirmation of the status and/or organization of the church. The financial institution will order checks for the church and provide the necessary deposit forms.

Decisions will need to be made about who may sign checks. This should be considered when ordering checks and making banking arrangements. (See Par 320.4.1; 372.2.3.1)

The use of a night deposit bag may be a consideration, depending on the system in place for counting offerings and getting the funds deposited in the bank

B. Bank Reconciliation

It is very important that the bank reconciliation be completed monthly. In simple terms, this is reconciling or balancing the church accounting records to the bank statement or records.

The balance shown on the bank statement, plus any deposits the church has made, not yet reflected in the bank statement, minus any checks or payments made by the church that are still outstanding (not yet charged to the bank account) should equal the bank balance shown in the church records.

It is important to reconcile these records to discover any errors made in the bank statement or in the church accounting records. If the two records do not balance or reconcile, it is necessary to check for items on the bank statement that are not in the church records and vice versa or where the amounts differ for some reason. You may be required to cross check the two statements and mark off every item that is found in both records.

C. Offering Procedures – tellers, deposits, recording of envelopes

It is important that offerings be kept secure until counted, balanced and deposited in the bank to avoid temptation and possible loss. It is recommended that offerings be processed at least by the day following receipt.

Offerings should be counted by at least two people designated as tellers (Par 320.4.3). Unless circumstances warrant, the treasurer should not act as one of the tellers.

Appendix C outlines the procedure for tellers to follow in processing the offering and a sample form to use to record and balance the offering receipts.

Unless another system is devised, a copy of the count sheet is to be provided to the treasurer as well as the offering envelopes which shall be recorded and then stored in a secure location in the church.

The church needs to provide suitable offering envelopes to the congregation for making donations. When size and volume warrants, church envelopes can be ordered from suppliers in boxed sets with the church name, designations/categories and an assigned number for recording purposes.

Also available is a Pre Authorized Remittance (PAR) program for church offerings. This is a monthly automatic bank debit program that the United Church of Canada has administered for its own denomination as well as other denominations and organizations. This is an optional service available to any Free Methodist Church. Contact the Administrative Services department for more information.

D. Budget Processes

A key component of good stewardship of the financial resources of the church is *preparation of an annual ministry budget*. This should be developed before the beginning of the next fiscal year with enough time to present it to the board/society for review, revision and approval before the start of the next fiscal year.

The treasurer provides the body responsible for developing the budget with adequate information about income, expenses, etc. The budget should be realistic and have reasonable expectations of being met, both in terms of income (offerings) and expenses.

An important part of the budget process is ongoing monitoring of the budget which is part of the task of the treasurer as well as the board members and ministry leaders. The board has a fiduciary responsibility to act as a “trustee” on behalf of the congregation for the resources of the church, including its finances or money. To do this, they must be provided with timely and accurate reports. Reports with a comparison to the previous year and a year-to-date comparison to the current approved budget where possible is helpful.

The budget is not a means of controlling funds but a plan as to how the financial resources of the church are to be used. It is critical to the financial health of the church that the state of the church finances be well communicated. The treasurer takes the lead role in being responsible for this under the direction of the board. From time to time, it is wise to reevaluate the budget and, if necessary, revise it based on income/expenditure performance. *Appendix D* is a sample Financial Report.

E. Bookkeeping Records, Chart of Accounts

A key part of establishing the accounting system is determining what general ledger accounts will be used. By accounts, we mean the asset, liability, income and expense categories. It is best to establish enough categories to properly allocate and distinguish items so as to easily generate reports, but not in so much detail as to be onerous. *Appendix E* is a sample Chart of Accounts.

Another important consideration when setting up the general ledger chart of accounts is the categories used in the annual charity report (form T3010A) which is submitted to Canada Revenue Agency (CRA) as well as the designations used by the FMCiC in its remittance form. It makes the job easier if the accounts match those used in reports to the government and the FMCiC.

Where practical, it is recommended that the accounting system be computerized. This makes the financial recording, reporting and production of charitable receipts much easier. There are several simple yet inexpensive software programs that are suitable including: Membership Plus/Money Counts, Power Church Plus, Quick Books and Simply Accounting.

If a manual system is used, a ledger record with enough columns will be required to record income and expenses by categories.

1. Payables

All expenditures to be made need to be supported by proper bills, invoices or expense accounts (with receipts attached that show the GST or HST on the bill). The purpose of the expenditure should be recorded on the invoice or expense form, if it is not readily apparent, as well as the date of the payment and the check number. All bills should be filed using a system for easy retrieval.

Funds being forwarded to the Ministry Centre (i.e. Core, Giving Streams, mortgage/loan payment) should be accompanied by the FMCiC remittance form. One copy of the Remittance Form should be forwarded with the check and one kept on file for reference purposes. *Appendix F* provides a sample Remittance Form (which is updated yearly by the FMCiC). A current remittance form is available at <http://www.fmcic.ca/index.php/en/Admin-Root/remittance-form.html>.

To save work and make cash flow more predictable, it is recommended that an equal billing system be set up for utility payments (e.g. water, gas and electricity) and that automatic withdrawal (preauthorized payment plan) is used whenever possible. It is necessary, of course, to take account of such payments in the accounting records and bank balances to ensure funds are always available to meet the payments when due.

All expenditures should take into consideration the established budget and bank funds available. The appropriate ministry leader or treasurer must authorize expenses above a certain established amount before the funds are spent. The intent to donate the amount of the expense does not preclude the requirement to ensure proper authorization of the expenditure, cash availability and budget provision prior to the expenditure.

Staff Expenses, Travel Expenses

The board must establish policies regarding expenses chargeable by staff for travel, books, education, etc. See Par. 878.7.1. for guidance on travel expense. A sample travel log is in **Appendix G**. An employee cannot be reimbursed for travel to and from their residence to the church. It is appropriate to calculate GST or HST on mileage expense.

2. GST or HST Rebate

A system for recording the amount of GST (and in Quebec there is also a 50% QST rebate) paid on invoices and receipts should be set up since 50% of the GST and QST paid is recoverable by the church. This is a feature available in computer software programs. If your bookkeeping system is manual, a procedure for recording GST (and QST) amounts needs to be set up. To do this, include a column for recording the 50% of the GST (and another column for the QST expense, i.e the GST/QST recoverable). This would be an asset. The other portion of the GST/QST would be added to the expense. (e.g. If the bill was \$100 + \$5 GST, you would charge \$102.50 to the appropriate expense account and record \$2.50 in the GST recoverable column). This example applies for Alberta, Saskatchewan, and Manitoba.

For Ontario, if the bill was \$100 + \$13 HST (13%), you would charge \$103.94 to the appropriate expense account and record the \$9.06 in the HST recoverable column. The \$9.06 is calculated as the sum of:

- a) 50% of \$5 = \$2.50 (the federal portion of the HST – ie. the old GST) and
- b) 82% of \$8 = \$6.56 (the provincial portion of the HST – ie. the old Ontario sales tax now rolled into the HST).

The amount in a) above would be written on line 305 of CRA form GST284.

The amount in b) above would be written on line 305-ON of CRA form GST284.

For BC, if the bill was \$100 + \$12 HST (12%), you would charge \$105.51 to the appropriate expense account and record the \$6.49 in the HST recoverable column. The \$6.49 is calculated as the sum of:

- a) 50% of \$5 = \$2.50 (the federal portion of the HST – ie. the old GST) and
- b) 57% of \$7 = \$3.99 (the provincial portion of the HST – ie. the old BC sales tax now rolled into the HST).

The amount in a) above would be written on line 305 of CRA form GST284.
The amount in b) above would be written on line 305-BC of CRA form GST284.

For Alberta, Saskatchewan, and Manitoba, the amount eligible for recovery is only 50% of the GST amount on the bill.

3. Petty Cash

Maintaining a petty cash fund is to be avoided unless considered absolutely necessary. Petty cash is to be kept secure at all times and all payments from petty cash must be supported by a voucher of some nature. Petty cash must be balanced at least monthly. Reimbursement of petty cash is by check against charges to the appropriate expense categories supported by the vouchers in the petty cash. Approval for petty cash expenditures would generally be similar to board policy per 1.a. above.

F. Designated Funds

The church may establish designated funds beyond the General Budget for special purposes. This means that donations can be made for specific purposes or projects (e.g. Building Fund, various FMCiC Giving Streams, etc.). All ministry projects and associated designated funds must be approved by the board and recorded in official minutes. It is important that when a designated fund is established, its purpose or intent be clearly documented.

Once funds are received from a donor designated for a specific approved purpose, the funds in question must be used for that specific purpose only. The key question to be answered by the treasurer or board is “What was in the mind of the donor when the donation was made?”

The designation cannot be changed after the funds are received by action of the board. The exception is when funds are being raised for a specific project that has a budget limit. Funds can be allocated for other purposes in cases where the goal or budget for the project is exceeded **and** this intent or possibility is clearly communicated when the fundraising is initiated.

Income and expenditures for designated funds must be recorded separately from general funds. The treasurer must know the net balance of all designated funds at all times. The accounting system must be able to carry forward net designated fund balances from one fiscal year to the next.

It is not permissible to temporarily “borrow” designated funds for general operating purposes. If designated funds are kept in the same bank account as general budget funds, the bank balance must always at least equal the amount of designated funds on hand.

G. Investment of Surplus Funds

The church may from time to time generate surplus funds. If the amount is relatively small and available for what may be a short period of time, it may be appropriate to transfer the funds to a savings account with the church's financial institution.

Funds may be generated for special projects such as a building fund, which will accumulate over a period of time before the money is intended to be spent. In such cases, it is appropriate to consider a longer-term investment in an instrument such as a term deposit or guaranteed investment certificate. Most financial institutions offer these and competitive rates should be researched. The FMCiC has an investment fund and issues one-year bonds with competitive interest rates offered. Contact the Administrative Services staff for information.

It is not generally appropriate to invest funds of this nature in corporate bonds, stocks or mutual funds due to the potential for loss of a portion of the capital.

1. Permission to Accumulate Funds

Churches may from time to time desire to expand an existing church building or purchase a larger building. In order to do this, the church may decide to "accumulate funds" over a period of more than one year to have funds in hand to carry out the expansion or relocation. This may have impact to the church's *disbursement quota* (as reported on the T3010) since tax-receiptable funds received in one year may not be used or spent until more than one year in the future. To avoid a possible disbursement quota problem, consideration should be made to seek permission from the Canada Revenue Agency (CRA) to accumulate funds. CRA does not have a prescribed form for this; however, to ask for permission to accumulate funds, send a letter with the following information:

- a) the specific purposes for which the funds will be used;
- b) the amount required;
- c) the length of time needed to accumulate the funds (minimum 3 years and maximum 10 years);
- d) the signature of a director/trustee or other authorized representative of the church;
- e) the name and registration number of the church;
- f) the effective date or starting date to accumulate funds

The letter may be faxed to the Charities Directorate at (613) 954-8037.

H. Charitable Registration and Receipts

1. Charities Registration

In order to issue charitable receipts for tax purposes, charities must be registered with the CRA. In most cases, your church will already be registered. If your

church has yet to be registered with CRA, contact Church Development at the Ministry Centre for guidance.

2. **Charitable Receipts**

Legally there is no mandatory date by which an annual charity receipt must be issued. However, to help individuals file income tax returns on a timely basis, it is recommended that your church issue receipts no later than the end of February of the year following the year in which the donation was made. For Quebec churches, duplicate charitable receipts must be provided, because Quebec residents must file separate provincial and federal income tax returns. Tax receipts can be ordered in small booklets and each receipt is in triplicate. Photocopies are not accepted. The first two copies are for the donor and third copy is for the local church records.

Official tax receipts issued by the church for donations received must contain all of the following required information:

- a) The name and address of the donor;
- b) The amount of the donation;
- c) The year the donation was received;
- d) The business registration number of the church;
- e) CRA's name and web site address (www.cra.gc.ca/charities);
- f) A statement that the receipt is an "official receipt for income tax purposes";
- g) A unique serial number for the tax receipt.
- h) Signature of the Treasurer or other authorized officer of the church.

Replacement/duplicate receipts must be clearly identified.

Note that if the date or amount is altered the receipt becomes invalid. It is therefore necessary to ensure that all receipts issued are issued in accordance with CRA's guidelines and regulations as the church could be subject to financial penalties or revocation of its registered charity status for failure to comply in the event of an audit.

Gifts of securities (e.g. stocks or mutual funds) require additional information such as the date on which the securities were received by the church and name of the security received and the number of securities received by the church. The FMCiC has brokerage facilities that can process these transactions on your church's behalf. Contact the Director of Administrative Services for more information.

Gifts of services provided by an individual to the church are specifically excluded from being tax receiptable. Instead, CRA recommends the individual who provided the service invoice the church, the church pays the invoice, and then the individual donates back the amount to the church.

Additional information regarding issuing tax receipts is available from CRA at:

<http://www.cra-arc.gc.ca/tx/chrts/prtng/rcpts> and in Bulletin IT110R3 on the CRA website at <http://www.cra-arc.gc.ca/E/pub/tp/it110r3/it110r3-e.html>

Gifts in kind are non-monetary gifts such as a life insurance policy, property, vehicle, furniture, computer, etc. Gifts in kind must be carefully considered and handled properly. The first consideration is whether or not the church wants or needs the item being donated. Does it have value to the church and can it be effectively used in the church's ministry. The second important consideration is the value of the gift in kind. It is the responsibility of the charity, i.e. the church, to determine the fair market value of the gift in kind for purposes of issuing the tax receipt. In addition to the normal information required on the tax receipt, a description of the property and the name and address of the appraiser (if any) is required.

More information is available in a pamphlet entitled "Gifts in Kind" available at District Taxation Offices and in Bulletin IT-297R2 available from the Canada Revenue Agency web site at <http://www.cra-arc.gc.ca/E/pub/tp/it297r2/README.html>

Gifts in kind can be problematic. Exercise due caution and discretion.

I. Audits

Annual financial statements that are prepared by an organization are normally prepared in accordance with generally accepted accounting principles (GAAP) and normally include:

- a balance sheet, which shows assets and liabilities as at the end of the fiscal year end of the organization
- a statement of activities (also known as an income statement) that shows the results of operations for the year
- a statement of cash flows, which shows operating, investing, and financing activities and how these activities effect the cash position (unless these items can be readily determined from the balance sheet and statement of activities noted above, in which cash this statement is not provided)
- notes to the financial statements, which provide additional explanations and details concerning financial statement items (eg. If there is a mortgage, there would be disclosure around the terms of the mortgage, the interest rate etc)

As well, there may be schedules attached which can provide even more detailed information relating to items disclosed in the financial statements.

GAAP are independent standards set by the CA profession for both for profit and not-for-profit organizations.

It is recommended that an audit/review of the annual financial statements noted above be done annually.

Auditor assurance levels

There are 3 types of engagements for which Chartered Accountants provide services in association with financial statements:

- audits
- reviews
- compilation engagements

Each of these services provide a different level of credibility to the financial statements, and a different prescribed report, which communicates the extent of work performed and the degree of responsibility that the Chartered Accountant accepts.

Nature of Engagement	Nature of Involvement	Report Provided	Level of Assurance Provided
Audit	Application of generally accepted auditing standards in support of each significant financial statement item	Auditor's Report	Reasonable Assurance
Review	Application of generally accepted standards for review engagements (enquiry, analytical procedures and discussion with management)	Review Engagement Report	Plausibility
Compilation	Limited to compiling, in the form of financial statements of data provided by management	Notice to Reader	Not false or misleading

A Chartered Accountant's involvement with financial statements lends a different level of credibility to the financial statements, depending on the nature of the CA's involvement. Standards and procedures for audits, reviews, and compilations are established by the Canadian Institute of Chartered Accountants (CICA). The CICA Handbook prescribes generally accepted accounting principles and generally accepted audit and review standards for profit oriented and not for profit oriented organizations.

As the amount of work performed for each service is different, the cost to perform these services varies accordingly (ie. a review is generally less costly than an audit). **A local**

church can choose to have either an Audit engagement or Review engagement performed annually in order to comply with the Manual.

Below are references from the Manual which would indicate that each church should have an audit or review completed annually. If there are individuals within the local church that have formal training as a Chartered Accountant and can issue the audit report or review engagement report referred to above then certainly those individuals can be engaged to perform these services. Otherwise an external accounting firm should be engaged.

Manual references to audits

320.4.2 Auditors: The society, or in its place, the official board, shall elect an auditor who will have the responsibility of auditing the accounts of all organizations or groups within the local church. The auditor shall report in writing to the annual meeting of the society. External auditors may be used.

372.2.3.2 Auditor: 320.4.2 requires the society, or in its place the official board, to appoint an auditor. The society may choose to employ an external professional accountant or accounting firm, or may use the services of a volunteer auditor. This volunteer may be a member of the church congregation, who has accounting or auditing qualifications, or a volunteer with such qualifications from outside the church.

The audit provides a number of benefits:

- It assures Canada Customs and Revenue Agency and the public that the church is managing its financial assets and keeping financial records that are in keeping with the requirements of the Income Tax Act, and generally accepted accounting principles.
- It assures the church and board that its financial records are accurate and correctly represent its financial status.
- It protects the reputation of the treasurer and/or bookkeeper against any potential negative accusations.
- It limits the potential for misappropriation of funds.

Most churches do not require a full audit. In most cases a review statement is sufficient.

J. Record Retention

Records of all transactions that relate to business income and expense claims must be kept for 7 years to demonstrate compliance with CRA's guidelines. If it is necessary to destroy records before 7 years have passed, complete form T137 from CRA available at: <http://www.cra-arc.gc.ca/E/pbg/tf/t137/README.html>

It is important that all necessary records and files be properly maintained using a safe storage system. Records need to be properly labeled for easy retrieval for purposes of

internal review and audit and in the case of any external audit by CRA, etc. A summary of records and the required retention length is in *Appendix H*.

II. SALARY AND BENEFITS

A. Employment Compensation

Careful attention needs to be paid when setting the compensation amounts for employees. In addition to salary and housing, employers must also pay employer portions of CPP, EI, Pension and Group Benefits. See Par 878.1.3 for guidance.

Once the compensation amount has been determined the information needs to be sent to the FMCiC Central Payroll using the forms available on the FMCiC website at <http://www.fmcic.ca/index.php/en/Central-Payroll/centrall-payroll.html> or sending a query to payroll@fmcic.ca. See also III B in this document.

B. Housing Allowance

Parsonage: If the church provides a parsonage, the salary plus the fair market rental value (including basic utilities) of the parsonage make up the pastor's gross salary. The church pays utilities for those pastors living in a parsonage. It is considered a part of the personal living expenses of the pastor and therefore a taxable benefit. It is not an amount paid to the pastor. The local church has the responsibility to determine the parsonage benefit amount, not the pastor.

Housing allowance: If the pastor provides his/her own accommodation, the church provides a gross salary which includes a housing allowance. The pastor is responsible to determine the fair market rental value (including basic utilities) of the accommodation and this is the amount he/she will claim as the Clergy Residence Deduction. If the pastor wishes to have a reduction in taxes withheld through payroll, the following is required:

1. Pastor to complete form T1213 "Request to reduce tax deduction at source" available from CRA at <http://www.cra-arc.gc.ca/E/pbg/tf/t1213/t1213-04e.pdf>. The annual amount of the accommodation noted above would be included in the "other" section and specify "clergy residence deduction"
2. Pastor and Treasurer or other church designated individual to complete form T1223 with estimated amounts for the balance of the current year (if a new pastor begins employment part way through the year) or estimated amounts in anticipation of the following year. "Clergy Residence Deduction" available from CRA at <http://www.cra-arc.gc.ca/E/pbg/tf/t1223/t1223-09e.pdf>.
3. Pastor to send form T1213 and T1223 to a local tax office. Addresses are available at <http://www.cra-arc.gc.ca/cntct/tso-bsf-eng.html>.
4. Pastor to send a copy of the letter from CRA confirming the amount of clergy residence deduction eligible to be reduced from payroll to "Central Payroll" by fax at (905) 848-2603 or by e-mail at payroll@fmcic.ca.

At year-end, in time for the pastor to file their income taxes, form T1223E needs to be completed. Section “B” needs to be completed by the local church as the employer and provided to the pastor for their taxes. **While The FMCiC does provide a Central Payroll service, the local church is the employer of the pastor. The FMCiC acts on the payroll direction provided by the local treasurer.** More information around the Clergy Residence Deduction is available on the website: www.fmcic.ca [see Administrative and Financial Services >Clergy Residence]

C. Benefits

The Benefits programs available to employees of FMCiC congregations are described in detail in Paragraphs 878.2 – 878.6 of *The Manual* [see www.fmcic.ca >Who We Are >Manual>Chapter 8.].

III. THE FREE METHODIST CHURCH IN CANADA FINANCIAL MATTERS

A. Core and Giving Streams

To assist you and help us properly account for funds sent to the Ministry Centre, a remittance form should be used and attached with checks submitted. The form is reviewed annually by Ministry Centre staff and updated to reflect funding plans. A hard copy of the form is provided early each calendar year. The form can also be downloaded from our website at <http://www.fmcic.ca/index.php/en/Admin-Root/remittance-form.html> and is available in **Appendix F**.

Policies related to these programs are found in Par. 375.3. Churches are expected to participate in both programs.

1. Core

The Core Ministry funding program represents our collective empowerment ministries facilitated by the National Leadership Team and is the key component to support the development of healthy churches across Canada and around the world. It represents a covenant of trust that local church ministers and delegates set up in the mid nineties as an approach based on the biblical concept of tithing rather than the prior apportionment allocation that was more like a taxation system. Section 440.2.2 of *The Manual* defines Core as a tithe of all donations to the local church less funds raised for Giving Streams, special short-term fund raising programs for local church programs (such as campaigns for building programs or debt reduction), funds raised for special ministry programs outside of the local church (such as funds raised for World Relief, and funds transferred to other Christian organizations), and bequests.

2. Giving Streams:

The Giving Streams funding program provides support of the ministry programs of the FMCiC in the following areas:

a. Global Missions

Global Missions Giving Stream priorities focus upon building indigenous leadership, reaching out to the unreached people groups, and sharing our resources through global stewardship. Our Canadian missionaries, sent out by the local churches, invest their God-given gifts and passion for hurting people in these ministry areas. More information about Global Missions can be obtained by contacting the Director of Intercultural and Global Ministries.

b. Church Development

Church Development Giving Stream focus is on the ongoing development of new Free Methodist churches in Canada, related financial assistance, leadership, training and development. For more information, contact the Director of Growth Ministries.

3. Quebec Ministries

Quebec Ministries Giving Stream represents financial support to assist in funding the Ministry Development Facilitator for Quebec, who focuses on developing leaders and nurturing new church plants through providing resources, training programs, and mentoring in the French language. Contact the Director of Growth Ministries for more information.

4. Leadership Development

Leadership Development Giving Stream provides the opportunity to develop gifted and passionate Christian leaders for ministry in Canada as well as ministers conferences and other leadership training programs. For more information contact the Director of Personnel.

B. Central Payroll

If the church has paid staff, the FMCiC Central Payroll service is to be used (paragraph 878.7.4).

Central Payroll is a bank payroll system operated as a service by the Ministry Centre for local churches. By charging a nominal fee for each employee, the cost of operating the payroll service is shared by all.

The service provided consists of a semi-monthly pay cycle. Pays are directly deposited to the employee's bank account on payday and a stub mailed to the employee's address. Paydays are on the 15th and last day of the month. There is an optional monthly pay cycle

where paydays are the last day of the month only. If the pay date falls on a weekend or a holiday the pay date moves to the previous business day.

T4s are issued at year-end by the FMCiC on behalf of the local church. All employer payroll cost (e.g. CPP, EI, group benefits, pension, etc) and employee deductions (e.g. income tax, etc) are remitted to CRA on behalf of the local church.

When an employment relationship ends, Central Payroll issues a **Record of Employment (ROE)** as advised by the local church and the local treasurer's contact information is recorded on the ROE should the Human Resources and Social Development Canada Department have any queries.

Please remember, when an employee leaves your organization to complete a payroll change notice form and to forward the Termination of Employment agreement for our payroll files **well in advance of the last pay period.** This ensures that the FMCiC stops paying your employee at the right time and ensures the local church pays out any accrued vacation that may be owing to the employee. It also ensures the ROE is issued with complete and correct information.

You will receive new employee information forms as well as payroll change notice forms at the end of each year for salary changes in the coming year. The forms are usually sent out in December of each year. A schedule of payroll transmission dates is also included. This schedule, in addition to the payroll change notice form, is also available on the FMCiC website at <http://www.fmcic/index.php/en/Central-Payroll/centrall-payroll.html>. Copies of these documents may also be requested from the Ministry Centre by e-mailing payroll@fmcic.ca. **Take heed, changes to an employee's pay must be received in advance of payroll transmission dates as outlined in the payroll schedule** (normally at least a week before the pay date).

C. Mortgages

Mortgage financing can be arranged through a local financial institution or through the FMCiC.

The Ministers' Pension Plan of the FMCiC allocates a portion of pension plan assets for mortgage financing of local churches. To ensure the pension plan receives an adequate return, interest rates are based on Canadian market rates. Payments are required monthly and the interest rate is adjusted on the renewal date. Churches can choose terms of 1, 3 or 5 years. The mortgages are fully open but require minimum monthly principal and interest payments.

D. Loans

Loans are available, subject to availability of funds, from the FMCiC's general funds. These loans are fully open, require minimum monthly principal and interest payments and are for a term of 1 year. If renewed, the interest rate is adjusted on the renewal date and is also based on Canadian market rates. Contact the Director of Administrative

Services for detailed information including application procedures, information requirements and current interest rates.

IV. GOVERNMENT REPORTS

A. Goods and Services Tax (GST) Rebate

Charities can claim a 50% rebate on eligible purchases and expenses, whether or not they are registered for GST. If you have not filed for the GST rebate in the last 12 months you should do so as soon as possible. Charities can make claims for purchases up to four years prior. Information on filing the return, including forms and instructions is available at <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/bspsbch>. In addition please see section I. E. above for more information.

B. Annual Charities Return (T3010B)

Once a charity is registered with CRA, it is mandatory that the Annual Charities Return (T3010B) be filed. It is a requirement this Return be filed annually within six months of the fiscal year-end of the church. Late filers can be subject to financial penalties and there is a substantial financial penalty for filing late. **Failure to file the return can result in the revocation of the charity's registration number. The result of this is the church cannot issue charitable receipts for tax purposes. Take heed.**

CRA sends a package to the most recent contact name it has on file. It is important to ensure CRA has the current contact information. If the information package is not received within 4 months after the fiscal year end, contact CRA Charities Directorate at 1-800-267-2384. The blank return (T3010B) can be accessed at <http://www.cra-arc.gc.ca/E/pbg/tf/t3010b/README.html>. You can also access the Guide at the same site.

It cannot be too strongly emphasized that this annual filing is extremely important. It must be completed accurately and submitted in a timely fashion to protect the registered charity status of the church.

APPENDIX A: SCHEDULE OF LOCAL CHURCH TREASURER'S DUTIES

WEEKLY

- Ensure that the offering is counted, an accurate record (Tellers Sheet) is prepared and signed by two tellers and filed and the money is deposited in the bank
- Record offering envelopes and place them in a file
- Record the deposit in the ledger
- Pay bills scheduled for that week, record disbursements with cheque number and file invoices (stapled to cheque stub).

MONTHLY

- Reconcile bank statement with ledger. File the bank statement along with cheques (or copies of cheques provided by the bank).
- Prepare a monthly report (with year to date totals) for the board members (provide a sample of a report)
- Prepare next month's schedule of dates for paying bills
- Send a cheque to the FMCiC for Core (calculated as a tithe – 10% - of all donations to the local church less designated funds raised for Giving Streams, special short-term fund raising programs, capital campaigns or other designated gifts outside of the local church) and Giving Streams.

QUARTERLY

- Prepare and distribute the offering tellers schedule

ANNUALLY

- Provide information for preparation of the Budget
- Prepare year end statement
- Submit the records to be audited
- Provide information for the Pastor's Annual Report to the FMCiC
- File Canada Revenue Agency forms (i.e. Charity report, GST/HST/QST receivable, etc.)

APPENDIX B: EXCERPTS FROM *THE MANUAL OF THE FREE METHODIST CHURCH IN CANADA*

320.2.3 Officers of the Society and Official Board: The society will elect persons to serve as secretary and treasurer of the society and official board, or grant authority to the official board to appoint such officers.

320.4 Other Officers

4.1 **Signing Officers (financial):** The society, or in its place, the official board, shall elect financial signing officers who will have the authority to sign cheques, and other financial documents.

4.2 **Auditors:** The society, or in its place, the official board, shall elect an auditor who will have the responsibility of auditing the accounts of all organizations or groups within the local church. The auditor shall report in writing to the annual meeting of the society. External auditors may be used.

4.3 **Financial Tellers:** The society, or in its place, the official board, shall elect financial tellers who shall assist the treasurer to count offerings and complete signed offering reports stating the date and the amount of the offering.

4.4 **Financial Secretary:** A financial secretary may be elected by the society, or in its place, the official board, to assist the treasurer in the keeping of financial accounts.

325.2.3 Treasurer: The treasurer is the “chief financial officer” of the society. The treasurer is entrusted with administration of the financial resources of the church according to the directions of the official board. The treasurer also provides periodic reporting of the financial status to the official board and society.

350.2 Other Property

2.1 All other property (equipment, supplies, money, and investments; i.e. property other than real property) shall be held in trust by the official board and its treasurer for the use and benefit of the society. The treasurer shall have charge of all monies and investments, subject to local by-laws regarding signing authority.

2.2 The Act of Incorporation requires investments made by The Free Methodist Church in Canada to be made in securities authorized under the federal *Insurance Companies Act, Dec. 1991*). All investments made by local churches shall also be in securities authorized under this act. Any investment of funds or change in investments must be approved by the official board. Funds shall be invested prudently and with due diligence for the security of the principal funds. (See the accompanying *Handbook on Local Church Administration* (§370) for more details).

2.3 Funds (donations, bequests or endowments) designated for specific projects (e.g. building fund, missions, etc.) may not be used to pay operating expenses. If real property is sold, the principal received may not be used for operating expenses. With the permission of the management committee of the conference board of administration, the interest received from money received from the sale of property may be used to pay operating expenses.

¶372.2.3 Treasurer

The treasurer is the officer of the board responsible for the overall administration of the financial assets of the church, as directed by the official board and finance committee. This position should not be confused with that of the bookkeeper or accountant. The treasurer is an officer of the organization, and has the authority to sign legal and business documents relating to financial matters on behalf of the church. For example, the treasurer will be recognized as representing the church in financial matters by Canada Revenue Agency (filing of Income Tax forms, Registered Charity Information Returns, approval of Charitable Tax Receipts) or by financial institutions (signing for various financial transactions).

In many churches, the treasurer will keep the financial records (act as the bookkeeper). In some cases, a church may hire a part-time bookkeeper, or a volunteer may serve as the bookkeeper. In these cases, the treasurer will supervise the bookkeeper, ensuring that board policies are followed, and ensure that overall financial assets are appropriately managed. The treasurer may chair or alternately be an ex-officio member of, the finance committee.

It is important that the treasurer be spiritually mature, with a vision for the ministries of the church. He/she must have the wisdom to understand that the financial assets of the church are only important as tools to further those ministries, and not important in their own right. In addition he/she should have good financial management and organizational skills.

Because of the complexities of operating as a charitable organization, it would be wise for the board to ensure that there is only one bookkeeper within the church, and that only one set financial records are kept. The practice of having separate books for various organizations (e.g. youth, women's ministries) should be discouraged. The church has a single registration as a charitable organization with Canada Revenue Agency. Operation with more than one set of books, and more than one bookkeeper, presents risks that may ultimately lead to revocation of the church's charitable registration number.

¶372.2.3 Other Officers

¶372.2.3.1 Signing Officers: The society or board should name the signing officers who may sign cheques and other financial instruments on behalf of the church. The treasurer should normally be one of the signing officers. The society or board may wish to name more than one signing officer, and define signing limits where cheques larger than a pre-defined amount require more than one signature. If the treasurer does not keep the books, the board may wish to authorize the bookkeeper to sign cheques up to this limit and require cheques for larger amounts be co-signed by the treasurer.

¶372.2.3.2 Auditor: ¶320.4.2 requires the society, or in its place the official board, to appoint an auditor. The society may choose to employ an external professional accountant or accounting firm, or may use the services of a volunteer auditor. This volunteer may be a member of the church congregation, who has accounting or auditing qualifications, or a volunteer with such qualifications from outside the church.

The audit provides a number of benefits:

- It assures Canada Revenue Agency and the public that the church is managing its financial assets and keeping financial records that are in keeping with the requirements of the Income Tax Act, and generally accepted accounting principles.
- It assures the church and board that its financial records are accurate and correctly represent its financial status.
- It protects the reputation of the treasurer and/or bookkeeper against any potential negative accusations.
- It limits the potential for misappropriation of funds.

Most churches do not require a full audit. In most cases a review statement is sufficient.

¶372.2.4 Access to Donor Information

To allow them to provide official donation receipts for income tax purposes, local churches must keep accurate, ongoing records of the amounts given by individual donors. These records are normally kept by the treasurer, or a financial secretary/recording secretary (if one is appointed).

The information on the specific amounts contributed by individual donors is confidential, private, personal information. Only the treasurer and/or the financial secretary/recording secretary should have access to this data. Information on the amounts contributed by an individual donor should not be divulged to anyone other than the donor.

Because the giving pattern may reflect an individual's attitudes toward the church, the official board may approve a policy allowing the treasurer or financial secretary/recording secretary to inform the pastor of any dramatic change in an individual's giving pattern (without providing specific information on the amounts donated), to assist the pastor in fulfilling his/her role as spiritual shepherd.

¶375.3 Policies Guiding Core and Giving Streams Giving

Tithing as a fundamental principle should be understood by the leadership of a core group of a new congregation (church plant), fellowship and affiliated church at its formation or in the case of an affiliated church, at the negotiation stage for affiliation. If the infant/child analogy to tithing is applied, parents assume the full responsibility of the child's support. Where tithing is taught as a household principle, children are encouraged to tithe on their allowance, and as they get older, on their part-time and summer jobs. Only when children assume full responsibility for their living expenses do they begin to tithe on their full income. In the case of local churches, this applies to the operations budget (see ¶440.2.2).

¶375.3.1 New Congregation (Church Plant) Projects

Church plants are at the infancy stage of their life, being provided for by a "parent" church, whether a local church, a network of churches, or the conference. Fiscal accountabilities are overseen by the sponsoring church(es) who birthed the project. Provided the principle is understood as a value of the organization and expected with maturity, new congregations are not expected to tithe to the Core or give to Giving Streams programs. At this stage they are in fact a recipient of the system rather than a contributor to it.

¶375.3.2 Churches in Fellowship or Affiliate Status

In both cases, these churches have been approved by Canada Revenue Agency as a charitable organization under the terms of the Income Tax Act and have demonstrated the appropriate signs of viability. In harmony with the expectations of paragraphs 305.5.6 and 306.6 of *The Manual*, the church will demonstrate “an attitude of intention” by moving toward 5% of its general budget receipts (only those receipts coming from parishioners) to The Free Methodist Church in Canada Core ministries program, beginning the first month after it becomes a fellowship or an affiliated organization. This remains consistent with the parent/child analogy above, where young children are only expected to tithe on the income that they earn themselves, not on the other perks or benefits they receive for being part of that family. Therefore churches are not be expected to tithe on grants, subsidy or gifts that come from Giving Streams, parent churches or otherwise. Prior to applying for society status, a church with fellowship or affiliate status should be moving toward the 10% participation level and be moving toward full independence from denominational subsidy.

¶375.3.3 Churches Applying for Society Status

When a church applies for society status, there is an expectation that it be within the 5-10% payment of Core from its full operational budget as described in Par 440.2 of *The Manual*. Unless a fellowship /affiliate has demonstrated faithful support of Core within this range for six months or more, it will not be considered for society status. Churches that are accepted as societies will need to project full participation to tithe at the full 10% of their operations budget. The church will also need to pledge some interest in supporting denominational Giving Streams and be demonstrating some gesture of Giving Stream support in their budgeting process. Both of these intentions will be based on a covenant of good faith with the denomination.

¶375.3.4 Churches Experiencing Financial Challenges Asking for a Period of Grace

Paying pastors and keeping the lights on should always remain the first priority. However, rather than fully omitting the payment of the tithe from a church budget, a board should first strive to send a reduced percentage (e.g. 8, 6 or 4%) and communicate this adjustment to the Management Committee of the BOA, through the Director of Administrative Services, with a clear recognition that this decrease is for a time. When this communication is sent, the board should also include goals for how long a period will be required before returning to the full tithe. The plan can propose stages for increasing the percentage within a set timeline. This period of grace should never exceed two years. In extreme circumstances, the church may need to completely halt all payment of the tithe to the national church. If a church remains in this state for the duration of a full year, the National Leadership Team will intervene and see what can be done regarding the church’s viability.

Churches intending to plant new churches are normally expected to be giving a minimum of 5% to the CORE ministries budget prior to launching a new church.

¶440 FUNDING

1. The finances for operating the ministries of the Canadian General Conference shall be provided for through two programs known as Core Ministry and Giving Streams. Policies related to these programs are found in ¶375.3.

2. CORE MINISTRY

2.1 The Core Ministry funding program shall provide for the financing of the general operating needs of the general conference and the Corporation of The Free Methodist Church in Canada.

2.2 Each local society in The Free Methodist Church in Canada shall contribute a tithe (10%) of its general operating income to the support of the Core Ministry program. For this purpose (only) the general operating income is defined to include all donations to the local society, LESS funds raised for:

- Giving Streams.
- Special short-term fund raising programs for local church projects (such as campaigns for building programs or debt reduction).
- Funds raised for special ministry programs outside of the local church (such as funds raised for the World Relief, and funds transferred to other Christian organizations).
- Bequests.

3. GIVING STREAMS

3.1 The Giving Streams funding model shall provide for the support of the ministries of The Free Methodist Church in Canada in the following areas:

- Global Ministries: Support for global ministries proceeding from Canadian church involvements.
- Church Development: Ongoing development of new and existing Free Methodist churches in Canada, related financial assistance, and related leadership training and development.
- Quebec Ministries: Financial support to assist in church development and ministry expansion in the province of Quebec.
- Leadership Development: Financial support for the Leadership Scholarship Program.

3.2 Financial support for Giving Streams shall be raised through voluntary free-will donations made by the individual members and adherents of local churches in Canada.

3.3 The Giving Stream model will be promoted through the communications department.

¶878 MINISTERS' AND EMPLOYEES COMPENSATION AND BENEFITS GUIDELINES

The Free Methodist Church in Canada

This booklet provides guidelines relating to salaries and benefits for ministers and employees of Free Methodist churches in Canada. They are reviewed by the FMCiC Board of Administration on an on-going basis and this booklet is updated periodically.

The guidelines are for use by churches, ministers, and other appointed staff, to encourage equitable, consistent remuneration practices and personnel policies. Following these guidelines will create an environment conducive to strong ministerial leadership.

The guidelines in this booklet apply to full-time appointed ministers and associates/assistants. Other employees, employed at least 20 hours per week, may participate in the LTD insurance, health care insurance and group life insurance package.

This booklet is a description only of the main features of various Plans. It does not create or confirm any contractual rights. It should be understood that all rights and interpretations will be governed by the various Plans referred to in the booklet, "Government legislation, Church Policy and Administrative procedures."

**MINISTERS' AND EMPLOYEES COMPENSATION
AND BENEFITS GUIDELINES**

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1. EMPLOYMENT COMPENSATION

Ministers have responsibility to provide for themselves and their families, and are expected to maintain a lifestyle similar to that of the congregation. However, they may be hesitant to bargain for financial compensation, as this may appear materialistic.

To determine compensation for your minister, investigate what salaries are provided by congregations of similar size, particularly in your area. It may also be helpful to investigate salaries for teachers and principals in your community. Another useful comparison is the average salary of the group your church is targeted to reach. For each comparison, it is important to note any special income tax provisions available to ministers. For most Free Methodist churches, the above information will assist in establishing fair ministerial compensation.

1.1 Employment Compensation - Ministers

Total payments fall into a number of categories that recognize the professional necessities of the work. These might include:

- basic salary
- housing (supplied housing or a “Housing Allowance”)
- benefits (Employee and Employer shares)
- travel expenses, including entertainment
- books and professional supplies
- other benefits and allowances.

A finance committee, looking at the list, may think “These are all costs to have a minister on site.” A minister may think, “The first two or three items are part of my salary; the others are expenses connected with my work, and not part of salary.”

To bring consistency to Free Methodist churches in Canada and to ensure conformance to tax laws, the following guidelines should be used:

Ministerial compensation includes only basic salary and housing (or housing allowance).

Travel and entertainment expenses, the employer’s share of benefits, books and supplies, and other allowances are part of the church’s expenses and, although they may be treated in the society’s annual budget as part of the overall cost for having a minister, they are **not** considered as **ministerial compensation** for purposes of this booklet.

1.2 Multiple-Ministerial Staffing

Multiple staff appointments are detailed in Paragraph 851 of *The Manual*.

1.3 Housing Allowance

The Income Tax Act stipulates that the annual rental value of housing provided by an employer without cost must be included in the employee’s income for tax purposes. Eligible individuals may claim a “clergy” housing allowance deduction on their personal tax returns. To support such a deduction, the employee must obtain a signed certificate from his/her employer confirming eligibility provisions were met in the year. The certificate forms part of the tax return.

To qualify for the clergy housing deduction, a person must satisfy both a status test and a function test. In The Free Methodist Church in Canada, a person must have been granted a Lay Minister's License by the local church policy/official board and must have signed a Ministerial Candidate's Statement of Affirmation (§871) to satisfy the status test. To meet the function test, an individual must be in charge of or be ministering to a congregation or be engaged in full-time administrative service by appointment of The Free Methodist Church in Canada.

Persons who qualify are entitled to claim the lesser of:

- a. The greater of \$1000/month times the number of months the person qualifies for the housing allowance (maximum allowance \$10,000) or one third of gross remuneration for the year
- OR**
- b. the fair rental value of the residence plus the cost of utilities. Utilities do not include property taxes.

BENEFITS PROGRAM

The FMCIC Benefits Program is an important part of the total compensation employees receive. Together with various government plans these benefits help protect them and their eligible dependents against loss of income and unexpected financial burdens resulting from illness, disability or death, as well as providing a continuing income after retirement.

The benefits program is available to both ministers and church employees.

A Word about Costs

The cost of the benefit program is shared by the employer and the employee. Long-term disability (LTD) premiums are paid fully by employees so that disability income will be tax-exempt.

2. RETIREMENT INCOME PROGRAM

The FMCIC Pension Plan is designed to integrate with benefits payable under the Canada/Quebec Pension Plan to provide employees with continuing monthly income in their retirement years. The four plans from which employees may receive regular income when they retire are:

FMCIC Pension Plan
 Canada/Quebec Pension Plan
 Old Age Security
 Registered Retirement Savings Plan

2.1 FMCIC Pension Plan

Participation in the FMCIC Pension Plan is mandatory upon employment as an appointed minister.

Until March 31, 2009 two defined benefit options are available. **Plan A**, where the employee contributes 5.0% of basic salary, housing allowance, utilities. The employer (local church) pays 5.2% of the same total.

Plan B, where the employee does not contribute anything and the employer pays 5.2% of basic salary, housing allowance and utilities.

The plan is registered with Canada Revenue Agency (037083), and all personal contributions are tax-deductible. Annual information statements are sent to participants.

Details of the FMCIC pension plan, and benefits paid to participants, are contained in a booklet entitled “The Ministers’ Pension Plan of the Free Methodist Church in Canada” which is available from the Ministry Centre or may be downloaded from the FMCIC website.

It is expected on April 1, 2009, Plan A and B will be frozen and a defined contribution (DC) component will be introduced to the Plan. Key highlights of this component will be:

- a) Members currently participating in Plan A or B of the defined benefit components will automatically participate in the DC component.
- b) All Members will be required to contribute a minimum of 3% of earnings (and be allowed to contribute up to a maximum of 12% of earnings).
- c) Each employer will be required to match the Member contributions dollar for dollar on the first 6% of Member contributions as outlined in the table below.
- d) Retirement income will be based on employee and employer contributions plus investment returns.

Member Contribution	Employer Contribution
3%	3%
4%	4%
5%	5%
6%	6%
7%	6%
8%	6%
9%	6%
10%	6%
11%	6%
12%	6%

2.2 Canada Pension Plan

The federal government administers this mandatory plan. The employee and the employer (local church) make matching contributions. These are payroll deductions at source and the funds are sent to Canada Revenue Agency. The deduction is based on basic salary, utilities, RRSP and the taxable portion of Group Life Insurance premiums. Housing allowance is excluded from this calculation. Information about the Canada Pension Plan maximum monthly benefit is available at www.sdc.gc.ca.

Employee contributions are exempt from income tax.

2.3 Old Age Security

The Old Age Security is payable in addition to the Canada/Quebec Pension Plan benefit. It is paid at age 65 assuming that residence requirements are met. Information about the Old Age

Security maximum monthly benefit is available from the Financial Benefits section of the Department of Human Resources and Social Development Canada (HRSDC) website. Call 1-800-277-9914 or 1-800-255-4786 and request an application kit. The relevant information may also be downloaded from their website at www.hrsdc.gc.ca.

2.4 Registered Retirement Savings Plan (RRSP) (NOT OFFERED AFTER MARCH 31, 2009)

This optional plan can be used to supplement the pension plan and provide additional income on retirement. Funds are deducted through the payroll system and remitted to the Ministry Centre and in turn passed to the plan administrator, BMO Nesbitt Burns. The individual contributor determines the amount to be set aside in the plan.

All contributions are tax-deductible, and this plan can be used in conjunction with other RRSP's provided total annual contributions do not exceed maximums established by the federal government.

Additional information is available from the Ministry Centre.

Retirement

Retirement will normally occur during the calendar year in which the minister attains age 65. Contact should be made with the Canadian Ministry Centre to arrange for proper forms to be completed for the Minister's Pension Plan.

Employees planning retirement should also contact the local office of Health and Welfare Canada at least 6 months prior to age 65 to complete forms for Old Age Security, Canada Pension, Seniors Drug Card, Employee Health Tax, Medical Card, and Employment Insurance.

3. INCOME PROTECTION PROGRAMS

The Income Protection Programs provides employees with a regular income while they are off work because of sickness or disability. In addition the Government of Canada administers an Employment Insurance program which may provide benefits for any periods of unemployment.

3.1 Short Term Disability/Sick Leave

Ministers are normally permitted paid sick leave of 1-1/2 days per month of continuous service in the Canadian Conference, to a maximum of 18 days per calendar year. This is not cumulative and, if not needed, is not carried forward to any succeeding year. If more than 18 days is needed in a year, a local church official board may act to extend the short term paid sick leave.

3.2 Long-Term Disability (LTD) Insurance*

LTD insurance is to provide on-going income to employees who are unable to fulfill their responsibilities due to illness or injury. The LTD plan is administered by The Free Methodist Church in Canada. LTD benefits apply only after a waiting period of 119 days. Full details are available from the Ministry Centre or may be downloaded from the FMCIC website.

Benefits are calculated on basic monthly salary, housing allowance, utilities (if paid by the local church), and RRSP contribution, if applicable. The benefit is calculated as follows:

	<u>Gross Monthly Earnings</u>	<u>Coverage</u>
66.7% of the first	\$2250	\$1500
50% of the next	\$3500	\$1750
44% of the balance	<u>\$1703</u>	<u>\$ 750</u>
Maximum	\$7453	\$4000

Monthly premiums are paid in total by employees by payroll deduction. The plan is reviewed annually and information is provided when premium changes are made.

Under certain circumstances, there may also be eligibility to receive disability income payments from the Canada/Quebec Pension Plan.

3.3 Employment Insurance (EI)

Employment Insurance premiums are deducted by payroll deduction and remitted to Canada Revenue Agency. EI premiums are calculated on salary and housing allowance or, where housing is provided, the “fair rental value” of the supplied housing. The employer (local church) pays 1.4 times the amount contributed by the employee.

If information to apply for Employment Insurance is needed, go to the website: www.servicecanada.gc.ca/en/common/contactus/ei.shtml or call 1-800-206-7218.

4. HEALTH CARE PROGRAM

Health Care Insurance Benefits are provided to employees on a cost-shared basis.

4.1 Dental Insurance*

Employees and their families are covered by a Dental Benefits Plan administered by The Free Methodist Church in Canada through its insurance carrier, Sunlife Financial. Full details of the plan are outlined in the “Employee Group Benefits” booklet produced for The Free Methodist Church in Canada by Sunlife Financial.

Premiums are shared equally by the employee and the employer.

4.2 MAJOR MEDICAL INSURANCE*

Major Medical benefits provide supplementary health care benefits, which include semi-private/ward hospital accommodation, prescription drugs, and miscellaneous other health care benefits. Full details of the benefits are contained in a booklet produced by the company providing the coverage, Sunlife Financial.

The cost is shared equally by the employee and the employer.

**The LTD Insurance (p. 43), the Health Care Insurance (p. 44) and the Group Life Insurance (p.45) are offered as a total package.*

4.3 Vision Care*

A vision care benefit has been added to the current extended health care coverage. The coverage is for eyeglasses or contact lenses for every eligible person. The maximum benefit is \$150.00 per eligible person in any period of 24 consecutive months.

The same deductibles and coinsurance apply to this benefit on a combined basis with the present extended health care.

5. SURVIVOR PROTECTION PROGRAM

5.1 Life Insurance*

Employees and their families are covered by a group life insurance policy arranged by The Free Methodist Church in Canada. Full details are contained in the “Group Benefits” booklet produced for the FMCIC by the benefit provider.

Premiums are shared equally by the employee and the employer.

Life Insurance Coverages

<u>Employee Age</u>	<u>Employee</u>	<u>Spouse</u>	<u>Child</u>
To Age 64	\$75,000	10,000	5,000
Age 65 – 69	37,500	10,000	
Retiree	20,000	5,000	

5.2 Optional Life Insurance

All active members and spouses, under age 65, are eligible to apply for Optional Life Insurance Coverage.

The Optional Life Insurance is available in units of \$10,000 up to a maximum benefit of \$250,000. Applications are available from the Ministry Centre and completed applications are to be mailed to the ministry centre. The group policyholder’s name is “The Free Methodist Church in Canada.”

6. OTHER BENEFITS

Recognizing the need for refreshment and renewal, each church should have a written policy regarding vacation and days off for all employees. This should be in harmony with the labour laws of the province in which the church is located.

6.1 Vacation - Ministers

The following principles are given to local churches as guidance for setting up minimum paid vacation entitlements. An official board is, of course, free to grant more vacation time than is suggested below.

Vacation entitlement is based on the principle of years of conference service under appointment (including time as a supply pastor), not service at a particular church. For example, a minister with 10 years of service in the Canadian Conference is entitled to paid vacation minimums based on that service, even in the first year of appointment to a local church.

Length of service (by Dec. 31 of current year)	Vacation Entitlement
Less than one year	Pro-rata share of 3 weeks (based on completed months of service)
One year but less than ten	Three weeks
Ten years but less than fifteen	Four weeks
Fifteen years or over	Five weeks

A vacation week consists of seven consecutive days including one Sunday.

Vacation entitlement cannot be accumulated. It is to be taken in the calendar year except for special circumstances mutually agreeable to a minister and local church.

Attendance at general conference, family camp, and similar conference functions is part of the minister's job-related responsibility and not part of vacation time.

All vacation should be scheduled in consultation with the pastor's cabinet and official board. Vacation days taken must be recorded in suitable records.

Vacations (or the pro-rata share thereof) in a current year should be taken before transition to a new appointment.

6.2 Statutory Holidays

The chart below, provided by the government of Canada, displays a list of national and provincial statutory (S) holidays observed in Canada. Holidays exist on the federal level and there are additional holidays for each province and territory. Each province has their own set of stat holidays which are paid days off.

Holiday	Day Observed	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL	YT	NT	NU
New Year's Day	January 1	S	S	S	S	S	S	S	S	S	S	S	S	S
Family Day	Third Monday in February		S	S		S								
Louis Riel Day	Third Monday in February				S									
St. Patrick's Day	March 17													
Good Friday	Friday before Easter Sunday	S	S	S	S	S		S	S	S	S	S	S	S
Easter Monday	Monday						S							
St. George's Day	April 23													

Victoria Day	Monday preceding May 25th	S	S	S	S	S	S			S		S	S	S
National Aboriginal Day	June 21												S	
Fête Nationale	June 24													
Discovery Day	June 24													
Canada Day	July 1	S	S	S	S	S	S	S	S	S	S	S	S	S
Nunavut Day	July 9													S
Civic Holiday	First Monday in August	S			S			S						S
Discovery Day	Third Monday in August											S		
Labour Day	First Monday of September	S	S	S	S	S	S	S	S	S	S	S	S	S
Thanksgiving	Second Monday in October	S	S	S	S	S	S					S	S	S
Remembrance Day	November 11	S	S	S				S		S	S	S	S	S
Christmas Day	December 25	S	S	S	S	S	S	S	S	S	S	S	S	S
Boxing Day	December 26					S								

In cases where the above day(s) fall on Sunday, an alternative day may be taken.

Statutory holidays are non-cumulative.

Where provincial labour legislation permits additional statutory holidays not scheduled above, that legislation will apply.

6.3 Special Leaves

Compassionate Leave

Employees may be granted leave of absence of up to three calendar days, with pay, in the case of bereavement of spouse, parents, brother, sister, children, grandparents, mother-in-law, father-in-law, sister-in-law, or brother-in-law. Further compassionate leave may be granted by the official board due to unusual circumstances (e.g. related special travel needs.)

Maternity, Parental, and Compassionate Family Care Leave

Maternity Leave, Parental Leave, and Compassionate Family Care Leave are granted according to labour law standards.

Special Ministries Leave

Ministers may be granted “special ministries” leave of absence for two weekends per year, exclusive of vacation, for special ministries as approved by the official board.

Continuing Education Leave

Continuing education for ministers is for the development, maintenance, updating, and upgrading of professional skills. These skills, developed in an individual involved in a continuing education program, will help bring the joy and satisfaction of a balanced and fulfilling ministry.

Continuing education refers to learning experiences chosen to enhance one's ministry. These may be either for academic credit or non-credit. Ministers are required to develop a continuing education program in consultation with the ministerial education guidance and placement committee. Where possible, spouses should be included in learning experiences.

Local churches are encouraged to provide financial assistance to ministers for continuing education.

Leave of Absence

Guidelines for a Leave of Absence administered by the local church can be found in *The Manual*, Chapter 3 Handbook, Par. 374.6.

Sabbatical Guidelines

Guidelines for the development of a local church sabbatical policy are available through the director of personnel's office or on the FMCIC website.

6.4 PASTORAL CARE

The Free Methodist Church in Canada recognizes the need to make provision for a confidential clergy care referral system and for counseling resources. The Free Methodist Church in Canada has some funds, confidentially administered by a member of the MEGaP committee in consultation with the director of personnel, which are available to ministers and their families to assist with counselling costs. Additionally, The Evangelical Fellowship of Canada maintains a confidential Clergy Care Hotline service intended to help ministers, their spouses, and their families. It is available free of charge to any minister. The hotline telephone number is 1-888-5clergy (1-888-525-3749).

7. OTHER POLICIES AND GUIDELINES

The following list describes a number of matters relating to employment practices that are best understood through clearly-stated guidelines. Some are concerned with a minister's relationship to the local church; others to his/her relationship to the conference.

7.1 TRAVEL EXPENSE

Reasonable reimbursement should be made to an employee for use of a personal vehicle for church-related business. This is unrelated to employment compensation.

To be reimbursed, the employee must submit an account (or log of travel) to the local treasurer. Dates of travel, number of kilometres travelled, and the purpose of the trips should

be shown. Trips from home-to-office or any travel of a purely personal nature may not be claimed.

Guidance on current Canada Revenue Agency per kilometre rates are available from the Administrative Services Department at the Ministry Centre

7.2 Transition/Transfer/Retirement

It is expected when a minister makes contact with another conference or outside agency regarding a job situation or placement, the director of personnel will be notified. It is also expected that a minister will give 60 days notice if transition is the intent.

7.3 Ministerial Moves

The costs of moving the pastor's personal property shall be the responsibility of the receiving local church. Where a minister is leaving active ministry, either for taking retirement status or going on long term disability, and incurs moving expenses to relocate to a different place of residency, the conference will assist with such moving expenses to a maximum of \$1000. This policy also applies to the moving costs of a surviving spouse should a minister die while under normal appointment.

All part-time ministers and part-time assistant ministers are responsible for their own moving expenses subject to any provision made with their receiving church.

Ministers moving to another conference, denomination, or other employment must make their own arrangement with regard to moving expenses.

The director of personnel shall approve the time of ministerial moves.

7.4 Centralized Payroll Plan

Participation in the Ministry Centre's payroll service is mandatory for all local churches. It consists of automatic electronic funds transfers to employees' personal bank accounts on a semi-monthly basis, corresponding withdrawals from the local church's operating funds account, and includes preparation on behalf of the church of all payroll information slips and all Canada Revenue Agency forms required under Income Tax legislation. Details of the plan, and application forms are available from the Ministry Centre or may be downloaded from the FMCIC website

7.5 Malpractice Insurance

Each church should carry malpractice insurance on its paid and volunteer staff.

APPENDIX C: PROCEDURES FOR TELLERS & COUNT SHEET

The objective is to accurately count the offering receipts, tally the total received and record the designations recorded by the donors.

The offering should be counted by at least two people and recorded on a count sheet.

1. Open and count the amount in each envelope and compare it to the amount recorded by the donor on the front of the envelope. If there is a discrepancy, record the amount in the envelope on the front of the envelope and if possible, contact the donor to clarify the error.
2. Record the amount of any checks received in the section provided on the count sheet. Record the name (or envelope number) and the check amount.
3. Segregate the cash by denomination and put checks together.
4. On completion of reviewing each envelope, count each denomination of cash and record the totals on the count sheet.
5. Total the amount of the cash, the total of the checks received and record the grand total of the offering.
6. Using the designations recorded on the envelopes, establish a total for each category such as general budget, global missions, building fund, etc. and record the totals on the count form. All loose cash would be allocated to general budget.
7. Total the various fund designations. The total of the allocations must agree with the grand total of the checks and cash received.
8. Prepare the bank deposit and ensure the total deposit agrees with the count sheet.
9. Date and sign the count sheet, keep a file copy and make a copy available to the treasurer along with the envelopes.
10. Arrange for the deposit to be made at the bank.

SEE NEXT PAGE FOR A SAMPLE CHURCH OFFERING COUNT SHEET

APPENDIX C (CONTINUED) CHURCH OFFERING COUNT SHEET

DATE: _____

BILLS

_____	X	\$ 5.00	_____
_____	X	10.00	_____
_____	X	20.00	_____
_____	X	50.00	_____
_____	X	100.00	_____
_____	X	USD	_____
		Sub-Total	_____

COINS

_____	X	\$ 2.00	_____
_____	X	1.00	_____
_____	X	0.25	_____
_____	X	0.10	_____
_____	X	0.05	_____
_____	X	0.01	_____
		Sub-Total	_____

TOTAL CASH _____

DISTRIBUTION OF RECEIPTS

GENERAL BUDGET _____

BUILDING FUND _____

GLOBAL MISSIONS _____

CHURCH DEVELOPMENT _____

LEADERSHIP DEVELOP. _____

QUEBEC _____

OTHER _____

TOTAL DISTRIBUTION _____

CHEQUES

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

TOTAL CHEQUES _____

GRAND TOTAL _____

DEPOSIT TO BANK: _____

DATE: _____

COUNTERS SIGNATURES (two required)

APPENDIX D: SAMPLE FINANCIAL REPORT

	Current Month	Year-to-Date	Annual Budget	Year-to-date % of Ann. Budget
Income				
General Budget				
Capital Development				
Global Missions				
Church Development				
Quebec Ministries				
Local Outreach				
Total Income				
Expenses				
Management				
Pastoral Staff Salaries & Wages				
Staff Pension Expenses				
Staff Benefits Expenses				
Staff Travel Expense				
Total Management				
Administration				
Bank Charges				
Payroll Charges				
Office Expenses				
General Conference Expense				
Core				
Total Administration				
Building & Equipment				
Equipment Maintenance				
Repairs and Maintenance				
Telephone, Internet				
Heat				
Electricity				
Insurance				
Total Bldg. & Admin				
Capital Expense				
Capital Equipment				
Nurture Ministries				
Childrens Ministry				
Youth Ministry				
Adult Ministry				
Total Nurture Expense				

	Current Month	Year-to-Date	Annual Budget	Year-to-date % of Ann. Budget
Ministry Expenses				
Special Music, Special Speakers				
Worship & Music Supplies				
Care of Persons				
Pastoral Staff Education, Books				
Network & Ministers' Conference Expense				
Total Ministry Expense				
Giving Streams				
Global Missions				
Church Development				
Leadership Development				
Quebec Ministries				
Child Care				
Total Giving Streams Expense				
Total Expense				
Surplus/(Deficit)				
Average Weekly Requirement				

APPENDIX E:

SAMPLE CHURCH CHART OF ACCOUNTS

CHURCH NAME

		Statement	
		Balance	Income
1000	Assets		
1020	Current Assets	X	
1030	General Checking	X	
1040	Savings Account	X	
1050	Investment Account	X	
1110	HST Receivable	X	
1120	Prepaid Expenses	X	
1130	Accounts Receivable	X	
1200	Fixed Assets	X	
1210	Land	X	
1220	Building	X	
1230	Furniture & Equipment	X	
2000	Liabilities	X	
2020	Current Liabilities	X	
2030	Accounts Payable	X	
2040	Loan	X	
2200	Long-Term Liabilities	X	
2210	Mortgage	X	
2220	Loan	X	
3300	Fund Balances	X	
3320	Restricted Fund Balances	X	
3321	Capital Development	X	
3322	Benevolent/ Love-in-Action Fund	X	
3323	Other Designated Funds	X	
3350	Unrestricted Funds	X	
3351	General Operating Fund	X	
3352	Other	X	
4000	Income		X
4005	General Budget		X
4010	Capital Development		X
4020	Global Missions		X
4030	Church Development		X
4040	Leadership Development		X
4050	Quebec Ministries		X
4060	Local Outreach		X
4070	Benevolent Fund		X
4080	Other Designated Giving		X
5000	Expenses		X
5100	Management		X
5110	Pastoral Staff Salaries/Wages & Housing Allowance		X
5120	Pension Expenses		X
5130	Benefits Expenses		X
5230	Travel Expense		X
5200	Administration		X
5210	Bank Charges		X
5220	Payroll Charges		X

	5230	Office Expenses	X
	5240	General Conference Expense	X
5300		Building & Equipment	X
	5310	Equipment Maintenance	X
	5320	Repairs and Maintenance	X
	5330	Telephone, Internet	X
	5340	Heat	X
	5350	Electricity	X
	5360	Insurance	X
	5370	Small Office Equipment Purchase (non capital)	X
5400		Capital Depreciation Expense	X
	5410	Capital Depreciation Expense	X
5500		Nurture Ministries	X
	5510	Childrens Ministry	X
	5520	Youth Ministry	X
	5530	Adult Ministry	X
5600		Ministry Expenses	X
	5610	Special Music, Special Speakers	X
	5620	Worship & Music Supplies	X
	5630	Care of Persons	X
	5640	Pastoral Staff Education, Books	X
	5650	Network & Ministers' Conference Expense	X
5700		Giving beyond Church	X
	5710	CORE	X
	5720	Giving Streams	X
	5721	Global Missions	X
	5722	Church Development	X
	5723	Leadership Development	X
	5724	Quebec Ministries	X
	5725	Child Care	X
	5730	Community Outreach/Giving	X
	5731	Benevolent (Love-in-Action) Fund	X
	5732	Community Food Bank	X
	5733	Other	X
	5740	World Relief	X
	5750	Evangelical Fellowship of Canada	X

APPENDIX F: FMCIC REMITTANCE FORM

THE FREE METHODIST CHURCH IN CANADA
REMITTANCE FORM - 2010

CHURCH NAME: _____



FMCC OPERATIONS (CORE)	1-43-3345	
GLOBAL MISSIONS GENERAL	1-91-3585	
MISSIONS - Personalized		
Deborah Hogeboom	1-91-4268	
Linda Stryker	1-91-4280	
Dan Sheffield	1-91-4277	
David & Jennifer Wright	1-91-4274	
Sok & Savy Em	1-91-4281	
Gateway Cities	1-91-3560	
Sri Lanka Donations	1-91-3420	
Ghana Donations	1-91-3561	
Niger Donations	1-91-3562	
Other Mission Projects (Please specify)		
1.	1-70-3380	
2.		
3.		
4.		
CHURCH DEVELOPMENT		
McDuff Fund	1-70-3490	
LEADERSHIP DEVELOPMENT		
QUEBEC MINISTRIES	1-67-4040	
INVOICES (please state invoice no.)		
1	1-01-0080	
2	1-01-0080	
OTHER PAYMENTS (courses, manuals/directories): please specify		
1 Manuals, directories:	1-43-3840	
2 Course registrations:	1-61-4160	
3		
LOAN PAYMENTS:		
1		
2		
MORTGAGE PAYMENTS:		
1		
2		
TOTAL REMITTANCE (cheque enclosed)		

PLEASE MAIL IN YOUR FORMS & CHEQUES TO:
The Free Methodist Church in Canada
Mississauga, ON, L4Z 1S2

PLEASE SEND INTERNATIONAL CHILD CARE PAYMENTS UNDER A SEPARATE CHEQUE.

TREASURER'S NAME: _____
DAYTIME TEL. NUMBER: _____
DATE: _____

January 1, 2010

If receipts exceed the support needs for any particular project or missionary, the FMCIC reserves the right to reallocate as necessary within that giving stream.

APPENDIX H: RECORDS AND REQUIRED LENGTH OF RETENTION CHART

Type of Record	Retention Period
Governing Documents (Letters Patent, Certificate of Incorporation, Bylaws)	Permanent
Official Receipts for Income Tax Purposes	3 years*
Official Receipts for Income Tax Purposes (Perpetual Endowment Gifts)	Permanent
Official Receipts for Income Tax Purposes (10 year gifts)	Permanent
Minutes of Directors' Meetings	Permanent
Minutes of Executive Committee Meetings	Permanent
Minutes of Members' Meetings	Permanent
Payroll Records, T4's	7 years
"Personnel Information: sick leave, time sheets, attendance, discipline, vacation	Permanent
Record of Employment (ROE's)	7 years
T-4 Summaries	Permanent
Monthly Trial Balance	7 years
Bank Reconciliations	7 years
Approved Budgets	7 years
Year End Financial Statements	Permanent
Bank Statements/Cancelled Cheques	7 years
Invoices/Receipts of payment	7 years
Inventory Records	7 years
Donation Records	3 years
Church Envelope Records	3 years
Insurance Policies	Permanent
Employment Applications	Permanent
Performance Reviews	Permanent
Volunteer Application Forms	Permanent
Confidential Record of Reference Checks	Permanent
Suspected Child Abuse Report	Permanent
Authorization and Consent for Minors	Permanent

* 2 years after the end of the tax year to which they apply) rounded up to the next year (e.g., 3 years).