



The Financially Healthy Church Video Course



Welcome to the Financially Healthy Church Video Course!

Every day at StartCHURCH, we ask how we can solve a problem that's holding a pastor or minister back from doing what God's called them to do. It is our goal to give you the tools you need to not only protect what God has called you to lead but help your church grow for years to come. That's where the Financially Healthy Church video course comes in.

After helping churches across America become financially healthy, we saw a great need to make the information in this course more accessible to pastors, leaders, and church planters everywhere. Through this video course, you will get equipped to lean into the nuances of church financial management so you can steward what God's given you with excellence.

Ultimately, our prayer is that the Financially Healthy Church Video Course takes the burden of financial management off of your shoulders so you can focus on fulfilling the call of God on your life.

If you have any questions for our team at StartCHURCH, please give us a call at (833) 269-0708. We would be honored to serve you in any way possible.

God bless,
Nathan Camp
StartCHURCH CEO





Lesson One: Budgeting to Grow Your Church

Reasons a budget is necessary for your church

1. A budget tells you where _____ and where _____.

2. A budget provides _____ for the _____ of _____.

A budget provides numerical data that the organization is not operating for the private interests of board members, but for the good of the public.

Example: Suppose a pastor receives a salary of \$100,000. Outside the context of a budget, you may question if the church can support such a salary. However, let's say the church has a well-planned budget that clearly indicates an annual income of \$500,000. And the majority of the budget is dedicated to facilities maintenance, children's ministry, and outreaches in the community. Now it's easier to see that the pastor's salary is most likely reasonable.

3. A budget provides _____ for donors.

Donors and members feel more confident giving if they can see how the church is using the funds it receives.

4. A budget identifies _____ areas of _____ administration.

These areas can range from incorrect management of a petty cash fund to extra-budgetary purchases made without the board's approval.

5. A budget helps prepare for _____ and other _____.

Most banks require up to three years of financial statements to secure a loan.

Conclusion

By strategically using your church's finances, you can help _____ your ministry and meet its most _____.

7 Simple Steps to Creating a Church Budget

Step 1: Plan _____, plan _____.

Begin with gathering your current _____.

Step 2: Get a realistic idea of the _____ you expect.

Step 3: Determine your financial _____ and _____.

Determine what your goals are and begin saving, even if it's just a little, so you can reach that goal.

Step 4: Approve the _____.

The budget, along with last year's financial statements, should be reviewed and approved during the first board meeting of the year.

Step 5: Create _____ to the budget.

Step 6: Make a _____ for inner-office management of expenditures.

Create a contingency plan for emergency expenses outside of the budget.

Step 7: Create a financial plan for the _____.

Creating a budget is important for the function and growth of your ministry.



Get 7% Back in Your Budget

All it takes is for you to fill out _____ form—and you can save your church **thousands** of dollars in its annual operating budget.

1. Determine what _____ your state offers.

2. Determine what the _____ are in your state.

Most often, the minimum requirements for applying are including the following documents with your application:

- Articles of _____
- _____
- _____
- _____
- _____ letter

3. Determine if you're _____ to apply for sales tax exemption.

4. Determine what the necessary _____ are with the state.



Understanding your ministry's financial records

Assets, Liabilities, and Net Worth

One of the best ways to get a clear picture of your ministry's financial status is by using what is called a **statement of** _____.

The first component is _____.

The second part of a balance sheet is _____.

The third component of a balance sheet is _____.

Also known as equity, the net worth of a church in financial terms is calculated by the sum of the assets minus the sum of the liabilities.

Example: Notice how the church below has \$73,500 in net assets, while total liabilities are \$6,980. If you do the math ($\$73,500.00 - \$6,980.00$), you realize that the net worth of the church is \$66,520.00.

Example Church Balance Sheet

Assets	
Checking Account #1	\$1,200.00
Checking Account #2	\$43,800.00
Total Cash	\$45,000.00
Other Assets	
Church Van	\$12,000.00
Other Church Property	\$16,500.00
Total Other Assets	\$28,500.00
Total Assets	\$73,500.00
Liabilities	
Current Liabilities	
Church Van	\$3,000.00
Credit Card	\$45,000.00
Payroll tax liabilities	\$380.00
Total Liabilities	\$6,980.00
Fund Balances	
General operating fund	- \$600.00
Building fund	\$40,000.00
Mission fund	\$5,600.00
Total fund balance	\$45,000.00
Net worth	\$66,520.00

Where many churches tend to trip up

Using the example above, we see a red line in the statement of financial position that may not have been easily seen under other circumstances.

The fund balances may have included some restricted funds that could not be used for any other purpose because the church had bound itself to use the money for certain projects like the new building and missions work.

Notice how the church's general operating fund is -\$600.00. This figure indicates that the church had to use restricted funds designated for other purposes to operate.

Take note that although the total of the building fund and the mission fund is \$45,600.00 (\$40,000.00 + \$5,600.00), there is only \$45,000.00 in available cash.

In a situation like this, a church has two options.

1. It can continue to dip into the restricted funds
2. It can establish a line of credit against the restricted funds to cover the expenses of the church in the short term, and then rework the budget of the church.

Neither answer is simple or desirable. A good bookkeeping system will warn the church, far in advance, of any potential financial trouble. Even though the giving at the church may seem good, it does not mean that the appropriate departments of the church are receiving the funds they need to operate.

Congratulations! You've completed Lesson 1!

Now that you have an understanding of why budgets matter, how to create them, and have some insight into understanding your ministry's financial records, here are your next steps:

1. Start planning and creating your church's budget.
2. Download your balance sheet template.
3. Find out if you can qualify for state tax exemption or franchise tax exemption. Give us a call at (833) 269-0708 to get started.

Resources: Check your resources page for your Budget Template!



Lesson Two: Do's and Don'ts of Church Donations

Guidelines for Counting Tithes and Offerings

Church Volunteers should be:

1. _____
2. _____
3. _____

Step 1: Select _____ money counters.

Step 2: Have a _____ place for counting.

Step 3: Use a tithes and offerings _____. (See below)

Step 4: All counting should be done on _____ not _____!

The counters should meet at the same time, count together, and a copy of the count sheet should be given to the _____ and the _____.



Step 5: Secure the _____ immediately.

After money has been counted and the _____ prepared, it needs to be placed in the church safe under the supervision of the treasurer.

Step 6: _____ the deposit.

The money must be deposited by the treasurer and a deposit receipt needs to be given to the counters to show the exact amount deposited.

Step 7: Put your tithes and counting policy _____.

Proof of Contributions

Create envelopes for tithes and offerings. This also allows for specific language that gives the church full _____ of the funds donated.

Envelope sample language: "This church is a qualified section 501(c)(3) organization. All tithes, offerings, or donations of any kind are tax-deductible under section 170(c)(2). Using this envelope constitutes your agreement to relinquish control in accordance with IRS regulation."

Furthermore, the envelope should contain the following information:

1. Name of the church
2. Space for donor to write full name, address, and telephone number
3. Spaces indicating the possible funds to which the donor can give

Accepting contributions

Credit cards

We recommend every church accept credit cards as a way for people to purchase from the church or even make contributions.

Online donations

By making online giving an option, church members can set up recurring donations using their credit card. This often results in an increase in donations for churches simply because those on recurring billing are able to give even while absent.



Do you need a church website?

With our StartSITES Service, we will help you build a custom website with tools specifically designed for churches and ministries. You can have your own site up and running with an online giving function in as little as one hour!

[Click here to learn more or call us at \(833\) 269-0708.](#)

Tax deductions and the church's responsibility

Important Key

The Pension Protection Act that was passed in 2006 made several changes to the way donations can be made to a church, and specifically to donations that are under \$250. The Pension Protection Act disallows any deduction for a charitable donation of cash, a check, or any other monetary gift unless the donor has either a bank record or written record (contribution statement) from the charitable organization that received the donation(s).

Example: Julian is a faithful tither on a fixed income. He tithes \$75.00 every week for the whole year. One year, his church's computer crashed on January 11, just a few days before the church printed out contribution statements. The church did not have any backups and lost all of its financial information. Unless Julian has bank records to show his donations to the church, then he will not be able to claim a tax deduction on any of his tithes and offerings given to the church.



Record keeping to claim a deduction

Any donation in the form of cash, check, electronic funds transfer, or credit card, in any amount, must be substantiated by a bank record and written receipt.

These statements must also reflect the:

1. Date _____ or posted
2. _____ of the charity
3. _____ of the payment

Giving receipt requirements

While IRS regulations do not require a nonprofit organization to issue giving receipts or contribution statements, it is a best practice to do so to retain your givers.

Relinquish control

IRS regulations tell us that in order for a contribution to be tax-deductible, the giver must _____ control of the funds given.



Donation Tracking Software

Our software is a great way to track tithes, offerings, and other donations that will also allow you to create profiles of all your givers. Plus, Kingdom Steward provides you with giving receipts for each donor profile you create.

[Click here](#) to learn more or call us at (833) 269-0708.

Restricted Offerings Vs. Designated Offerings

A _____ **offering** is any offering or donation in which the giver keeps control over how the offering or donation is used.

A _____ **offering** is any type of donation that is given to a church in which the donor designates the offering for a particular purpose but does not require the church to use it solely for the designation.

7 Rules to Follow for “Tax Deductible” Contributions

1. No _____ received for donation(s)

For a contribution to be deductible, the giver should not receive any services or products from the church in return. However, if the giver contributes more than the actual value of the product, then the amount that is given above the value of the product is deductible.

Example: Church ABC has a fundraiser and sells baked goods. The price of one cake is \$12.00, and the donor contributes \$50.00. The church gives the donor a receipt showing the \$50.00 with subtraction of \$12.00, thus showing \$38.00 as the deductible contribution.

2. Donations for _____

Acknowledge the receipt of property _____.

IRS regulations state that acknowledgement must contain two pieces of information:

1. _____ of the property
2. Whether the property donated will be useful to further the church’s _____ purposes.

3. Obtaining a donated property _____

For donated property estimated at \$500 or more, fill out Form 8283 Section B to claim the deduction. You’ll also need a qualified appraisal that meets the following specifications:

1. The appraisal was not made more than 60 days before the donation
2. The fee charged for the appraisal was not based on a percentage value of items donated
3. The appraisal includes the required information for appraisals
4. The appraisal is made by a qualified appraiser, signed, and dated.



4. How to properly substantiate _____ donations

Handling various tiers of donation amounts

Let's look at how different donation amounts result in different responsibilities between an organization and the donor. The contribution requirements below are derived from Treasury Regulation §1.170A-133 and section 170(f)(8).

Donations of \$0 - \$249.99

Organization responsibilities

The organization must provide a contemporaneous, written acknowledgment to the donor that contains the following information:

- The name of the charitable organization
- The date and location of the charitable contribution
- A reasonably detailed description of the property

Donor responsibilities

The donor must retain the following for his/her own records:

- The contemporaneous, written acknowledgment given from the organization, the fair market value of the item and how the value was determined
- Basis of the property if depreciable
- The amount that was claimed as a deduction
- Any stipulation attached to the donation.

Donations of \$250 - \$499.99

Organization responsibilities

- All of the required responsibilities from donations of \$0 - \$249.99, plus:
- A statement that no goods or services were provided in exchange for the contribution other than intangible, religious benefits. If any goods or services were provided, then the organization must include a description containing a good faith estimate of the value of any goods or services.
- The written acknowledgment must be contemporaneous, meaning the individual receives written acknowledgment either before he/she files a tax return for the year the contribution was given, or before the due date, including extensions, for filing that tax return.

Donor responsibilities

No additional requirements are needed other than the ones listed above for donations with a value of \$0 - \$249.99. The donor must be sure to have the written acknowledgment before filing his or her return.

Donations of \$500 - \$4,999.99

Organization responsibilities

No additional requirements are needed other than the requirements for donations with a value of \$250 - \$499.99.

Donor responsibilities

All of the required responsibilities for donations with a value of \$250 - \$499.99, plus:

- A description of how the donor first received the property
- The approximate date the donor first received it
- Basis of the property, regardless of whether or not it is depreciable
- The completion of Section A of IRS Form 8283

Donations of \$5,000 - \$499,999.99

Organization responsibilities

- All of the requirements for donations with a value of \$500 - \$4,999.99, plus:
- The completion of Part IV of IRS Form 8283.

Donor responsibilities

All of the requirements for donations with a value of \$500 - \$4,999.99, plus:

- The completion of Section B of Form 8283 (instead of Section A)
- A qualified, written appraisal of the donated property from a qualified appraiser



Donations of \$500,000 and up

Organization responsibilities

All of the requirements for donations with a value of \$500 - \$499,999.99.

Donor responsibilities

- All of the requirements for donations with a value of \$500 - \$499,999.99, plus:
- Attach the qualified, written appraisal to the tax return of the donor.

5. Donation of _____

Under the IRS code, this is NOT allowed, as you cannot deduct the value of time or services.

6. _____ donations

Some landlords give the church a reduced rate on rent and, in return, expect a contribution statement for a tax deduction on the amount of the rent reduction; this is also NOT allowed.

To maximize a donation, it would be best if the landlord charged full and fair rental value and then made a donation to the church for the amount that would have been discounted.

7. _____ donations

Taxpayers who itemize their deductions may be able to claim a charitable contribution for the cars they donate to charity; however, the deduction may not exceed the fair market value of the car.



6 Steps to Donate a Vehicle

1. Issue Form 1098-C for vehicles valued over \$500.

No matter the final decision of how to use a donated vehicle, your church must issue a contemporaneous, written acknowledgment to the donor if the vehicle donated is valued at more than \$500. Copy B of Form 1098-C may be used as the contemporaneous, written acknowledgment to the donor. Furthermore, your church must file Form 1098-C with the IRS for each vehicle contribution with a claimed value of more than \$500.

Form 1098-C collects all of the necessary information in order for the donor to claim a tax deduction for the donated vehicle on their tax return. Information on this form includes details such as

- The donor's name and taxpayer identification number (TIN)
- The vehicle identification number
- The date of the contribution
- If any goods or services were exchanged for the contribution of the vehicle

Form 1098-C may be used as the contemporaneous, written acknowledgment to the donor for vehicles with a claimed value of \$500 or less. However, do not file Form 1098-C with the IRS for vehicles with a claimed value of \$500 or less.

Keep in mind that it is the donor's responsibility to determine the fair market value by finding similar vehicles with the same conditions, features, and operation. The donor should be certain to consider mechanical troubles, high mileage, and excessive wear and tear when finding comparable vehicles to determine the value.

2. Ensure that the vehicle's title is clear and have it transferred to the nonprofit.

Your organization needs to get assurance from the donor that the title is free and clear of any liens or encumbrances. One way to know is to look at the title and see if a lienholder is listed on the title. If there is a lienholder listed, ask the donor also to give you a lien release letter. Otherwise, you can go to the department of motor vehicles and show the title, and they will let you know if there is a lien on the title.

3. Get the vehicle registered in the name of the church.

In order to register the vehicle in the name of the organization, the donor of the vehicle must sign over the title. The rules vary in each state on how to handle the transfer of title for donated vehicles. However, for most states, the title transfer process involves the donor filing a form with the state's department of motor vehicles (DMV). Transferring title is not only important for state requirements, but it also helps limit potential issues with the future use, donation, or sale of the vehicle by your organization.

4. Find a ministry use for the vehicle and establish the proper policies.

When a ministry chooses to use a donated vehicle for its tax-exempt purpose, it is called significant intervening use. IRS Publication 4302 tells us that for a vehicle to qualify as significant intervening use, your church "must actually use the vehicle to substantially further its regularly conducted activities, and the use must be considerable." In addition, the use of a donated vehicle qualifies as significant intervening use dependent upon "its nature, extent, frequency, and duration."

Examples of significant intervening uses are:

- Using a vehicle to pick up people for church services
- Delivering meals to the homeless
- Church trips in a donated van or bus
- Operating an after school program and using the vehicle to shuttle children to field trips
- Traveling for evangelism campaigns.





Furthermore, according to Publication 4302, if your church intends to make significant intervening use of the vehicle(s), the contemporaneous, written acknowledgment to the donor must include the following:

- A statement certifying that the charity intends to make significant intervening use of the donated vehicle
- A detailed statement of the use of the vehicle
- A detailed statement of the duration of the use
- A certificate that the vehicle will not be sold before completion of use

If your charity plans to make material improvements to the vehicle, you will also need to state that in the contemporaneous, written acknowledgment, including a description of the improvements and that the vehicle will not be sold until improvements are made.

5. Create a vehicle program for those in need.

Vehicles donated to your organization may also be either donated to individuals who need a vehicle for daily life or sold to individuals at a price significantly below fair market value. Again, if this is your plan for donated vehicles, the donor's contemporaneous, the written acknowledgment should state the vehicle's intended purpose. It should also state that the gift or sale of the vehicle is in direct furtherance of your church's plan to relieve the poor and distressed who need transportation.

6. Sell them!

Your church may also sell donated vehicles and use the profit for its tax-exempt purpose. If the vehicle sells for more than \$500, your church must give the donor a letter stating the date of sale, proceeds, that the vehicle was sold at arm's length between two unrelated parties, and that the donor's deduction may not exceed the gross proceeds from the sale.

If your church receives a donated vehicle valued at \$5,000 or more, and sells, exchanges, or disposes of the vehicle within three years of receiving it, then your church will be required to file Form 8282 with the IRS.

This form gathers the necessary information to ensure that the donated vehicle was intended to further the organization's tax-exempt purpose and to determine the vehicle's fair market value. Form 8282 must be submitted within 125 days after the donated property's disposal, exchange, or sale. Like many forms issued by the IRS, failure to file Form 8282 will result in a \$50 penalty fee per form.

Form 8282 helps the IRS to ensure that items, such as vehicles donated to an organization, are useful, rather than an individual contributing a useless item only to receive a tax deduction for the donation. If the IRS questions the charitable contribution of an item on Form 8282, the donee's tax return may be reviewed. However, your church will have done its due diligence in submitting the form to the IRS for review.

Congratulations! You've completed Lesson 2!

You have learned how to build a strong accounting system and manage donations, tithes, and offerings. Now, let's explore your next steps:

1. Customize a Tithes and Offerings Counting Policy. Download example on video course portal.
2. Download your Tithes and Offerings Count Sheet.
3. Setup your church's website with our StartSITES website builder to receive online donations.
4. To manage your tithes, donations, and offerings in one place, check out our [Kingdom Steward Software](#).

Resources: Check your resources page for your Tithes & Offerings Counting Policy, Tithes & Offerings Count Sheet and Donations Receipt!



Lesson Three: How to Pay Your Pastor and Church Staff

How Income is Defined

Income may be referred to as _____, _____, _____, and/or _____.

Salary can be defined as _____ paid regularly for services rendered by an individual or entity such as a business or nonprofit organization.

Congress defines gross income as: "...all income from whatever source derived."

An example of a specific exemption from gross income is in IRC section 102(a): "Gross income does not include the value of property acquired by gift, bequest, devise, or inheritance."

Furthermore, IRC section 102(c)(1) states:

"Subsection (a) shall not exclude from gross income any amount transferred by or for an employer to, or for the benefit of, an employee."

- An exception to this rule is any amount transferred from an employer to the employee.
- This type of payment is never a gift and is always subject to tax.

Federal Income Tax

Federal Income Tax is a tax imposed by the IRS on the _____ of individuals and corporations

Individuals are taxed on their _____ income.

Cash _____ or _____ ministers receive are also considered taxable income.

Ministerial Compensation

Defining “Minister”

IRS Publication 517 currently defines ministers as: “Individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. Ministers have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination.”

It goes on to say that, “If a church or denomination ordains some ministers, and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.”

Generally, the _____ meets all of the requirements, but there may be other church staff members who receive the same tax benefits.

Three functions the IRS is looking for tax purposes:

1. Perform _____
2. Conduct _____
3. And to _____ and _____ religious organizations, boards, societies, and other agencies that are under the authority of a church or denomination



Do you need a Compensation Package?

If you would like help creating a compliant compensation package, we would be honored to serve you! Under your direction, we will help you prepare a compensation package, including all of the minutes and resolutions needed to properly implement your agreement with ease.

[Click here](#) to learn more or call us at (833) 269-0708.



Can a minister set their own salary?

It is _____ for a pastor to set their own salary.

The following is true about minister's compensation under IRS regulations (code 4958):

- A pastor can _____ in discussions involving salary.
- A pastor may give their _____ in salary discussions.
- The pastor must be excused from _____ on their salary or any form of compensation.

What happens if a pastor does set their own salary?

A pastor who sets their own salary has automatically exercised an _____ transaction.

This imposes an excise tax of _____ of the entire transaction.

How much is too much?

The IRS and the U.S. courts have not indicated actual amounts or percentages to follow when determining the right amount of salary for a minister.

Presumption of reasonableness

Protects the church, its board, and the individual receiving the benefits, of the _____ that the benefit was one of reasonableness.

Treasury Regulation 53.4958-6

Essentially, this regulation states that the benefit will be considered reasonable if a board, with a majority of unrelated and non-compensated individuals, uses comparable salaries, documents those comparable salaries, and records everything in board meeting minutes approving the salary, and it does all of this before making any payments. [Learn more here.](#)

Handling Payroll

Who will handle your payroll?

Payroll in house: Calculate how much _____ to withhold.

Hire a professional payroll company: We recommend you choose one with experience working with payroll for _____.

Church leadership should consider two types of employees the church intends to hire when setting up payroll.

The two types of church employees

1. _____ Employees (ordained)
2. _____ Employees (NOT ordained)

Ordained Ministers: _____ have taxes withheld from their paychecks.

Non-ordained Employees: Non-ordained employees _____ have taxes withheld.



Overtime Regulations

Who is protected by overtime regulations?

Generally, hourly employees, otherwise known as “_____ Workers” are protected by overtime regulations.

Who is not protected?

Generally, those who earn more than the regulated income threshold, otherwise known as “_____ Workers,” and are considered to be “executive, administrative, and professional employees” are not protected.

3 Ways Your Church Can Address the New Overtime Regulations

1. Limit all employees to _____ hours a week.
2. Raise your employee’s salaries to above the new salary _____.
3. Pay time-and-a-half for _____ work.

Congratulations! You’ve completed Lesson 3.

Now that you’ve explored how the IRS defines income, ministerial compensation, setting your own salary, and managing payroll, here are some next steps to consider:

1. Reach out to our compensation experts to create a customized, generous compensation package by giving us a call at (833) 269-0708.
2. Or, check out our [**Compensation Suite Software**](#).

Resources: Check your resources page for your Sample Employment Contract!



Lesson Four: Leveraging the Power of Credit

Having good credit can _____ your church's ability to _____ and _____ the facilities, equipment, and services you need to grow.

Growth in church membership often means an increase in _____ and _____.

"The wicked borrow and do not repay..." - Psalm 37:21 (NIV):

The problem is not in the _____, it is in failing to _____.

How to Build Your Church's Credit

1. Register your ministry with _____

One way to begin building credit is to register your church with a credit bureau for business

Here is a list of several credit bureaus: Dun & Bradstreet, Experian Business, Equifax Business, and TransUnion



2. Apply for a Church _____

- Apply for a credit card.
- Use it _____.
- Don't miss a _____.
- Don't _____ the credit card.

What is the _____ rule?

Try not to exceed 25% of the total available credit during any given billing cycle (monthly).

Best Practices for opening a church credit card

Implement a credit card policy that meets 3 criteria:

1. How the card may be used.
2. Applied _____ limits.
3. Strict _____ requirements.

3. Obtain a Small Installment Loan

- Typical installment loans range from 2,000-\$5,000.
- Loan terms usually last between 12-36 months.
- These loans usually have lower interest rates.
- They also provide an easy means for showing consistent, timely payments.

Note: Loan amounts and terms may vary.



Pro tips:

- Inquire with the bank that the church is already doing business with for a small installment loan or credit card.
- If you don't intend to use the money, allow a loan to go full term or at least half of the term to have positive feedback on your credit history.
- Make payments on time every month.

Congratulations! You've completed Lesson 4.

You've completed lesson 4! We hope that you gained valuable information that may help your ministry build credit. Here are the next steps to consider taking:

1. Review the best practices we mentioned when it comes to wisely stewarding credit.
2. Create a Credit Card Policy for your church using our template below.

Resources: Check your resources page for your Debit & Credit Card Policy template!



Lesson Five: Understanding Reimbursements

Defining Reimbursements

The IRS defines reimbursements as “a system or plan that an employer uses to pay, substantiate, and recover the expenses, advances, reimbursements, and amounts charged to the employer for employee business expenses.”

Simply put: reimbursements are a way for staff members to recover personal expenses made on behalf of their employer’s business.

How the IRS defines reimbursements

- The expense reimbursed must be _____.
- There must be proof the expense was _____.

What do reimbursable expenses look like?

- _____ expenses
- _____ supplies
- Or even certain _____

Conditions the IRS needs to validate your plan

1. The reason for the reimbursement involves the business of furthering the _____ of the church
2. The reimbursement has to be _____
3. Any amount reimbursed that _____ the actual cost must be returned within a _____ time of the actual expense incurred
4. Any advanced reimbursement must be made using a _____ base for calculating the anticipated expense

The accountable reimbursement plan is a great way for the church to pay for expenses that otherwise have to come out of the minister's pocket (from taxable income).

Example: Tom is pastor of Church ABC, which has determined that it can pay him a cash salary of \$55,000. Pastor Tom calculates that his travel, study, supplies, and other ministry-related expenses cost him \$9,000.00 the previous year. Without a properly adopted accountable reimbursement plan, Pastor Tom has to report the \$9,000.00 as taxable income. The church then decides to adopt an accountable reimbursement plan so that in the future, money reimbursed to Pastor Tom will not be taxable.

Steps to establish an accountable reimbursement plan

1. Write down a list of all possible expenses that the pastor may incur during the normal course of ministry.
2. Create a reimbursement form and prepare a reimbursement policy.
3. Have a board meeting to discuss the implementation of the accountable reimbursement plan.



Types of reimbursements the IRS recognizes

1. _____
2. _____

Neither one has a _____ advantage over the other.

Standard reimbursement

A pastor or church employee incurs the expense and submits a _____ form with receipts.

Advance Reimbursement

The church _____ the expense and forwards the money in _____.

What CAN be reimbursed?

Legitimate _____ expenses for the sake of operating your organization.

Clearly communicate to the staff: Only expenses made according to the _____ will be reimbursed.

What CANNOT be reimbursed?

Business expenses that are claimed as a _____ on a tax return.

Important Note: Every reimbursed expense must be _____.

Congratulations! You've completed Lesson 5.

Now that you've finished lesson 5, you're almost finished! During this session, you learned how the IRS defines reimbursements, the different types of reimbursements, and how to properly document and handle them. Now, here are your next steps:

1. Download your copy of a reimbursement form template.
2. Download your copy of a reimbursement policy.
3. Meet with your board for approval of the new reimbursement policy.

Resources: Check your resources page for your Reimbursement Form and Reimbursement policy template!



Lesson Six: Creating a Generous Benevolence Program

Defining Benevolence

So then, while we have opportunity, let us do good to all people, and especially to those who are of the household of the faith. Galatians 6:10

The IRS defines benevolence, under section 102, as a gift given from “detached and disinterested generosity,” and also out of “charity or like impulses.”

In order to meet section 4958 requirements, **benevolence needs to be purely an** _____.

Benevolence, when properly defined, is a _____.

Is Benevolence ever considered _____?

When the Church helps truly needy individuals, according to a properly and objectively implemented _____, it is treated as benevolence, which is never _____ to the recipient.

Why is establishing a benevolence policy crucial?

Knowing the _____ behind your benevolence and what you will provide through your church’s program is key.

6 Things Your Benevolence Policy Needs to Include

1. Who will be served?

The benevolence fund is to provide for the _____.

2. Why will benevolence be provided?

Benevolence will be provided to help alleviate the _____ of those truly facing need.

3. What assistance will be provided?

Generally, _____ and _____ assistance will be provided to those in need as the church has the resources available.

4. How will assistance be provided?

Assistance will be provided through the _____, which is supported through _____ from church members and the general public.

5. When will the assistance be provided?

Be sure to include that assistance will be provided through _____ made by the means established by the board of directors and/or the benevolence committee.

6. Circumstances of ending the program.

Sometimes, due to circumstances beyond the church's control, the benevolence fund may need to be _____ temporarily or indefinitely.





Who Qualifies for Benevolence?

“Persons who are financially unable to care for themselves as a result of sudden and severe or overwhelming financial burdens arising from events beyond their control are proper objects of charity because they are considered to be ‘distressed.’”

In addition, tax regulations define “needy” as a “person who lacks the necessities of life, involving physical, mental, or emotional well-being, as a result of poverty or temporary distress.”

Who does NOT Qualify?

Disqualified persons are those who have _____ in your church, along with their family members, are disqualified from receiving benefits from the organization. This includes board members and their direct family members.

When a disqualified person receives benevolence from your church, it is known as an _____.

4 Steps to create a benevolence program

1. Create a benevolence _____.

This _____ is responsible for crafting a _____ and benevolence policy.

2. Determine how your church will _____.

3. Establish and adopt a benevolence _____.

4. Create a benevolence _____ form.

6 steps to run a benevolence program

According to Revenue Ruling 56-304, a church benevolence must document the following:

1. Show that distributions are made on a truly charitable basis to further the purposes of the church or ministry

2. Provide case histories to show the name and address of each recipient of aid.

Note: Keep _____ records!

3. Document the amount distributed to each recipient and the purpose for which the aid was given;

4. Show the manner in which the recipient was selected;

5. Define the relationship, if any, between the recipient and the church or ministry and all of its directors, members, and givers who make substantial contributions to the benevolence fund; and

6. Provide information necessary to substantiate all distributions made to individuals, upon request by the IRS.

Benevolence Bookkeeping

You should keep records for approximately _____ years.



Congratulations! You've completed Lesson 6!

During this session, you learned how the IRS defines benevolence, who does and does not qualify for benevolence, and how to start creating your own compliant benevolence policy. Now, here are the following steps to consider:

1. Start creating your benevolence program! If you would like a step-by-step guide with customizable policies, check out our **Called to Care Suite!**
2. Download a customizable template of a benevolence request form and Benevolence Application.
3. Consider creating a designated benevolence committee that reports to your board of directors.

Resources: Check your resources page for your Benevolence Request Form and Benevolence Policy template.

CONGRATULATIONS!

Congratulations on completing the Financially Healthy Church video course!

At StartCHURCH, we want you to have financial confidence as you lead your church. We understand the unique challenges church and ministry leaders face when it comes to financial management. We created this video course because we believe every pastor should be equipped with the knowledge they need to steward the resources God has given them.

It's our goal to help you fulfill God's calling on your life. We know you have a busy schedule, and taking care of finances in a compliant manner isn't always easy. We created our Bookkeeping Service because we saw a great need to lift the burden of handling finances off of the shoulders of pastors like you.

If you need help with your bookkeeping needs, we would be honored to serve you. Please don't hesitate to give us a call at (833) 269-0708 to learn more about our Bookkeeping Service and how we can help you reach your financial goals.

We are praying abundant blessings over you as you move forward in your mission for God's kingdom.

Blessings,
Raul and Genel Rivera
Founders of StartCHURCH





www.StartCHURCH.com
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