Pacifica Synod Workshop for Congregational Treasurers & Administrators
October 12, 2019

Welcome

- Opening Prayer
- Introductions
  - Your Name
  - Your Congregation
  - What is your role in your congregation?
    Treasurer, Administrator, Pastor, Council Member or ....
  - What do you hope to get out of your time with us today?

Welcome

- Presenters
  - Tom Pankow
    Pacifica Synod Council Treasurer
  - Terri Robertson
    Pacifica Synod Staff – Accounting & Communications
  - Jennifer Bond, MLIS
    Nancy Bond Insurance Services
  - Gerry Marecek
    Pacifica Synod Council Member
    & Retired Regional HR Manager

Overview of Our Time Together

- Financial Oversight & Responsibilities
- Internal Controls & Policies
- Church Income/Expenses
- Recordkeeping/Records Retention
- Insurance/Risk Management
- Employment in the Church
- Payroll Tax & Other Reporting
- Stewardship & Budgeting
- Financial Reporting & Review
- Online Resources/Social Media & Congregations
- Unrestricted & Designated Gifts
- Mission Support/Synod Funds for Mission

Questions & Areas of Interest

- Accounting Software Suggestions
- Policies & Procedures
- Risk Management
- Reporting
- Records Retention/Archives
- Employment in the Church/Human Resources
- Payroll, Withholding, Reporting
- Employee vs. Independent Contractor
- Best Practices
- Endowment Fund Rules & Regulations
- Handling Church Money
- Sexual Harassment Prevention Training
- Pastors & Finance
- Keeping People Out of Jail! ☺

Financial Oversight & Responsibilities

ELCA Congregational Treasurers' and Bookkeepers' Financial and Accounting Guide

- **See handout in packet*
- Found on ELCA website
- Comprehensive resource
- Updated every couple of years

Responsibilities of the Congregational Treasurer

- Serving as financial officer of the congregation
- Being responsible for payment of all bills, invoices and charges
- Performing or overseeing all of the bookkeeping functions
- Preparing the monthly (or quarterly) financial reports for the church council
- Filing all of the required federal and state tax forms
- Monitoring the cash position of the congregation and investing available funds as directed
- Borrowing funds as directed by the church council
- Providing the congregation with any requested financial information
- Assisting in the preparation of the annual budget for the church council

Separation of Financial Responsibilities

- There should be a separation of duties between those responsible for handling and recording the income of the congregation and those responsible for handling the disbursements of the congregation
- A strong system of internal controls safeguards the assets of the church and protects the character of the individuals handling cash or writing checks
- These suggestions do not reflect a lack of trust, but rather offer protection for the reputation of congregation financial officers.

Separation of Financial Responsibilities

- Written policies and procedures for key responsibilities (not person specific)
- Avoiding conflicts of interest
- Reconciling bank accounts by an individual not directly involved in banking activities
- These same concepts apply to congregational auxiliaries and organizations

Never put just one person in the position of handling cash transactions from beginning to end!

These functions should be the responsibility of someone other than the treasurer (such as financial secretary or stewardship committee):

- Oversee the counting and recording of offerings
  - Train individuals involved in counting the offerings
- Depositing receipts
- Reporting on income/gifts from individuals
  - Report to treasurer on a weekly basis
  - Provide periodic and annual statements to the contributors for tax reporting

Internal Controls & Policies

Internal Controls

- The ELCA Churchwide office has developed guidelines for congregations relating to Internal Control Best Practices *(*See handout in packet)*
- This document describes major financial activities and related best practices in order to assist the congregation in establishing its own system

Procedures governing the following activities should be in place, reviewed and updated on an annual basis:

- · Receipts (Sundays, special offerings and fundraisers)
- · Bank account reconciliation process
- · Authorized bank signers (approve and record in Council minutes)
- · Capital expenditures & loans
- · Disbursements (including reimbursable expenses) (*ELCA Resource – Financial)
- · Payroll & Taxes
- · Data security (*ELCA Resource – Information Technology)
- · Purchasing
- · Endowments
- · Travel expenses
- · Budget process
- · Annual congregational audit or review (*ELCA Resource-Financal)

Handling Congregational Income

Handling of Congregation Funds
General Principles

- Dual custody at all times.
- It is preferred that no cash be stored in the church.
- Several people should be involved on a rotating basis in handling income.
- Log of cash/check activity, including purpose (signed by two persons).
- Copies of deposit slips/reports given to both the treasurer and financial secretary
- It is understood that the recording of income/gifts from individuals of the congregation is a confidential matter.
- Financial reports to the church council and congregation should include all funds, accounts, and investments of the congregation and its auxiliaries and organizations. These should be reviewed and reported on a consistent basis.

Safeguarding Offerings & Deposits
Suggested Steps

- Immediately following the service, two persons carry the contents of the offering plates to a room for counting or placing in an adequate safe for counting the following day. Church funds/offerings should never be taken to a private home for counting.
- The envelopes are immediately opened by at least two persons. Envelopes are marked as to intent and purpose if for other than undesignated offerings.
- Balances between envelope totals and cash/check totals are reconciled.
- A summary report outlining the various accounts income is to be credited to is prepared and initialed by at least two persons.
- A deposit slip is prepared and at least two persons bring the deposit directly to the bank.
- Copies of the summary report and deposit slip are given to treasurer and financial secretary.

Safeguarding Offerings & Deposits
Other Reminders

- Persons involved in handling income should not be involved in handling of expenditures. It is recommended that the treasurer/financial secretary NOT be involved in handling income.
- Funds collected from other activities (fundraisers, special events, etc.) should be directed to those responsible for recording and making bank deposits of these funds. Copies of the deposit slip and summary report are given to the treasurer and financial secretary.
- Congregations should provide quarterly giving reports to their donors.

Recordkeeping & IRS Substantiation Rules

Since January 1, 2007, the IRS requires that all taxpayers who itemize deductions substantiate their contributions by ONE of the following:

- Bank record – such as a cancelled check.
- Written communication from the charity – such as a receipt, statement, or letter - for all cash contributions.

A taxpayer who makes a charitable contribution online should print and retain a receipt of the transaction and not merely rely on the credit card statement

Single contributions of $250 or more

- The IRS requires that contributions, including property, of $250 or more must be substantiated by a written receipt.
- Congregations have the same requirement to acknowledge cash gifts from identified donors by providing a quarterly (optional) or annual (mandatory) statement of giving.
- The statement should include the church name, date, and amount of each contribution.

For single contributions of $250 or more, the statement must:

- Be in writing
- Identify the donor by name
- Describe donations of property but not state a value of the property
- Show separately each individual contribution of $250 or more
- State whether or not the charitable organization provided any goods or services to the donor in exchange for the donation, and if so, include an estimate of the value of those goods and services
- Contain a statement to the effect that "No goods or services were provided to you by the church in connection with any contribution, or their value was insignificant or consisted entirely of intangible religious benefits", if applicable.
- Provide the receipt to the donor on or before the date the donor files a tax return claiming the deduction (no later than January 31)

Quid Pro Quo Contributions

- Quid pro quo contributions are those made by a donor in exchange for goods or services.
- A church or religious organization must provide a written statement to a donor for any payments over $75 when the payment is partly a contribution and partly in exchange for goods and services.
- Inform donors that the amount of the contribution that is deductible is limited to the excess of the contribution over the value of goods or services provided. Provide donor with a good-faith estimate of that value.

Acknowledging In-Kind Gifts

There is no question that individual donors should be thanked for their contributions, but thanking a donor is technically separate from providing that person with a receipt for income tax purposes

**See handout in packet*

- Value to congregation - Value to donor
- Donor's responsibility to determine value
- Property contributions over $5,000 (Forms 8283, 8282)
- Gifts of service
- Other property gift considerations

Good Samaritan Funds

- ELCA provides guidelines on Good Samaritan/Helping Hands Fund Policy development. *(*See link on resource page)*
- A committee should be the decision-making body in determining recipients.
- It is important that all decisions be made totally independently of donors' suggestions and on the basis of need and other objective criteria. If funds are raised on a case-by-case basis with specific recipients in mind, it is likely that any donations made will not be tax deductible.

Online Giving

- Ensure that two people have login information.
- It is encouraged that donors have ability to set up donation on their own.
- Review and record online giving monthly, providing report copies to the financial secretary for recording to donor's giving record.
- Record donation on the date it was initiated by the donor, NOT when it is posted to the church's account.

Handling Church Expenditures

Handling Church Expenditures
Suggested Steps

- Bills and obligations should be approved for payment. A purchase/approval form may be used to approve payments and identify the accounts to be charged. Expenditures should be supported by invoices and/or receipts.
- For online bill payment, an approval process should be developed/maintained.
- Check is prepared someone other than the person approving the expenditure.
- Check is signed by persons authorized under the bank account agreement. Dual signatures are recommended. The pastor should not be an authorized signer.

- Blank checks should never be signed in advance under any circumstance. Secure blank checks at the church.
- A copy of the check or the check stub should be filed with the original documentation.
- It is recommended that at least three persons should be involved in the above steps – approval, preparation and signature.
- Savings and/or Investment Accounts - if the financial secretary and/or treasurer is authorized to initiate fund transfers to/from these accounts by phone or online, it is suggested that an signed approval form be used indicating the date, amount, and purpose of the transfer. This form is to be retained in the files of these accounts.

Accountable Reimbursement Policies

Accountable Reimbursement Policies are simply a method for reimbursing business expenses on an actual-cost basis rather than providing an expense allowance. No reporting of W-2 income is required under a reimbursable plan.

The congregation retains ownership of all purchases.

The ELCA provides a number of different resources to help understand and establish an accountable reimbursement policy.

(Resources – Financial – Congregations)

Petty Cash Accounts

- Petty Cash accounts should be reflected on the Balance Sheet or Statement of Financial Position.
- The cash should be counted by two people monthly and receipts for disbursements given to the treasurer/bookkeeper to record.
- Petty Cash accounts should be reconciled monthly.
- Cash should be kept in a secure location.

Congregation Credit Cards
Best Practices

- Determine whether a credit card is needed.
- Determine who will have custody of the card and be responsible for accounting for all charges.
  - All credit card statements should be reconciled by another responsible person – and all original receipts submitted by cardholder.
- Establish a written policy for the use of the card.
- Determine which credit card is best and which organization will issue it.
- Monitor the activity to ensure that the established procedures are being followed.

ELCA Records Retention

- ELCA Records Retention Schedule

*(*See handout in packet)*

  - Parish Register
  - Legal & Vital Records
  - Financial Records
  - Congregation Statistics
  - Information on Persons
  - Pastoral Care
  - Correspondence
  - Programmatic Materials
  - Sermons
  - Resource Materials

Break

Insurance and Risk Management for Congregations

Jennifer Bond, MLIS
Nancy Bond Insurance Services

Lunch

Employment in the Church

Gerry Marecek

Synod Council Member
Retired Regional HR Manager

EMPLOYMENT AND THE CHURCH

Pacifica Synod
October 12, 2019

Presenter: Gerry Marecek

- Retired HR Professional
- Current Synod Council Member
- Master of Science in HR from Chapman University
- Regional HR Manager for Fortune 200 Company
  - Supported manufacturing plants in Virginia, Tennessee, Kentucky, Illinois, Indiana, Arizona, Nevada, and California
  - Located in facility in Los Angeles as home base

Outline

- Harassment and California Training Requirement
- Investigations and Confidentiality
- Congregation Documentation
  - Constitutions
  - Employment Handbooks
  - Job Descriptions
- Ministerial Exception
- Potpourri

State Training Requirement

By January 1, 2021, an ***employer having five or more employees*** shall provide at least two hours of classroom or other effective interactive training and education regarding sexual harassment to all supervisory employees and at least one hour of classroom or other effective interactive training and education regarding sexual harassment to all nonsupervisory employees in California within six months of their assumption of a position. This training must be provided once every two years.

Supervisor Defined (California)

A supervisor is anyone with authority to hire, fire, assign, transfer, discipline, or reward other employees. A supervisor is also anyone with the authority to effectively recommend (but not necessarily take) these actions if exercising that authority requires the use of independent judgment.

Qualified Trainers

- Attorneys who have been members of the bar of any state for at least two years and whose practice includes employment law under the Fair Employment and Housing Act or Title VII of the federal Civil Rights Act of 1964;
- Human resource professionals or harassment prevention consultants with at least two years of practical experience in:
  - Designing or conducting training on discrimination, retaliation, and sexual harassment prevention;
  - Responding to sexual harassment or other discrimination complaints;
  - Investigating sexual harassment complaints; or
  - Advising employers or employees about discrimination, retaliation, and sexual harassment prevention.
- Law school, college, or university instructors with a post-graduate degree or California teaching credential and either 20 hours of instruction about employment law under the FEHA or Title VII.

Training Options

- Find on-line site ($$)
- Find professional (paid) classroom trainer
- Use information downloaded from Department of Fair Employment and Housing (DFEH) site – assuming you can find a qualified trainer in your congregation or conference

Additional Preparation for Training

- Have harassment statement in the church employee handbook
- Publish documentation on how to report incidents
- Have investigative process outlined
- Have cadre of qualified investigators available
  - Recommend a two-investigator team
  - Recommend one be "like" complainant (e.g., at least one woman if female complainant)

Incident Reporting Documentation

- Have and post a statement on how to report policy and legal non-compliance (general "Open Door" statement should suffice)
- Include a commitment to respond to the complainant within 24 hours
  - Set up a time to interview
  - Commit to a timely investigation
  - Commit to closing the loop at the end of the investigation

Investigations

- Should be fair, prompt, thorough
- Should be led by a trained or experienced investigator
- Could be best with a two-person investigative team
  - Improved credibility
  - Heightened ability to "read" those being interviewed
  - Ability to have a designated scribe improves questioner's focus
  - Increased ability to pick up on threads and omissions

Confidentiality

- Best to share investigation results only with those holding management (in the direct chain of command of the complainant or alleged perpetrator) or "board" positions in the congregation
- One can promise only limited confidentiality (see above). And people talk.
- One can share with the congregation only at official meetings with only members present (avoid patio discussions!)

Confidentiality in Discussions

- Exercise caution when an employee or congregant asks, "Can I speak to you confidentially?"
- Recommend encouraging conversation and stating that a legal or safety or moral concern creates an obligation for you to take it further

Congregation Constitution

- Good practice: Require all staff members and governing board members to read the congregation constitution at the start of their terms and annually thereafter. This helps in clarifying roles and tasks within the congregation.
- If your constitution is out of date, the ELCA provides a model constitution
  - https://www.elca.org/About/Churchwide/Office-of-the-Secretary/Constitutions?_ga=2.171815970.321033670.1569346865-1148032450.1569346865

Employee Handbook

- Handbooks allow employees to understand what is expected of them and what they can expect as employees of the ministry.
- Handbooks clarify legal and other obligations that both the congregation and the employees need to honor
- Handbooks help communicate benefits, process and expectations of employees.
- Handbooks should contain statements of belief, ministry mission statements, and bible references

Employee Handbooks

- The ELCA has a Personnel Policies handbook that may be interesting as a resource (recognize that California is always different: https://download.elca.org/ELCA%20Resource%20Repository/Personnel_Policies.PDF
- Insurance companies and brokers are great resources in securing model handbooks or in having your handbook reviewed for effectiveness

Job Descriptions

- A good job description should
  - Connect the church's vision with expectations of the individual
  - Reduce responsibility overlap and support
- Consider job descriptions for volunteers as well as paid employees volunteer leaders
- Job descriptions can and should include references to how the position relates to the church's ministry
- Clergy job descriptions should be written

Ministerial Exception Creation

- Not created in the FLSA; created judicially and legislatively (Title VII, Civil Rights Act of 1964).
- Recognized as constitutional under the First Amendment
- This category relates primarily to labor law
- A "ministerial exemption" carries tax implications beyond wage (e.g., social security offset) for ordained ministers only

Ministerial Exception Factors

Supreme Court found four factors ***EEOC v. Hosanna-Tabor Evangelical Lutheran Church:***

- Employee was formally commissioned or ordained as a Lutheran "minister"
- She did perform "important religious functions" in addition to her teaching of lay subjects in the classroom
- The fact that lay people taught the same classes she did was not "dispositive" in the decision
- Her non-religious duties, however extensive, did not make a difference. Chief Justice Roberts noted that the Court was unsure whether any church employee would ever exclusively perform religious duties

ELCA on Ministerial Exception

- "Churchwide employees, whether they are ordained, lay rostered or lay staff, whose duties are deemed primarily ministerial in nature are not covered by employment discrimination laws or related regulations."
- "To the extent a minister functions as a supervisor of other employees, he or she is expected to follow the guidelines of the Personnel Policies relating to supervision."

Ministerial Exception Practice

- ***Job descriptions*** should recognize the key factors and note the position as exempt
- ***Actual job duties*** must be consistent with the job description and correlate to the key factors identified by the Supreme Court
- Wage doesn't have to meet the exempt level

A Few Odds and Ends

- Lactation Accommodation
  - "The employer shall make reasonable efforts to provide the employee with the use of a room or other location, other than a toilet stall, in close proximity to the employee's work area, for the employee to express milk in private."
  - Baby Bonding: 20-49 employees (2019 New Parent Leave Act)
    - 12-week unpaid parental (both parents) leave required for organizations
    - 12-week unpaid leave required for Pregnancy Disability
    - Eligibility requirements exist

Labor Law Concerns

- Rest periods (breaks) are paid and can be subject to some employer restrictions
- Meal periods (lunches) are unpaid and subject to minimal restriction
- Employer must ensure employees are given opportunity to take rest and meal periods. Employers are not obligated to ensure employees take them (within limits)
- Use time cards or other documents signed by employees

Other Work Time Concerns

- Recent case law indicates there's no "de minimus" time for work done by non-exempt employees
- Ensure non-exempt employees report **all** work time are paid for it
- This includes work at home
- This includes all work done at church within the course and scope of employee's normal job responsibilities

Resources

- Department of Fair Employment and Housing (DFEH) and Employment Development Department (EDD)
- Industrial Welfare Commission Wage Orders
- Brotherhood Mutual (for their customers)
  - **What steps should we take before letting an employee go?**
  - **Paying Church Employees**
  - **Can An Employee Sue A Ministry For Decisions Based On Religious Beliefs?**
  - **Employment Practices Checklist**
- ChurchWest Insurance
- Your insurance broker

Questions?

- If you need to follow-up on any topics, feel free to reach out to me

  gerry.marecek@gmail.com

Payroll Tax Obligations

Every congregation must report the income paid to each employee to the IRS. The recommended steps are:

- Determine if an employee or self-employed.
- Employees complete IRS Form W-4 and independent contractors complete IRS Form W-9. Also, state I-9 Form stating eligibility for employment (citizenship). (**See handout in packet)*
- Compute each employee's taxable wages. Taxable wages also include:
  - Cash gifts or bonuses given to employees
  - Social security offset paid
  - Personal use of a business vehicle
  - Business expense reimbursements given under a non-accountable arrangement (allowances)
  - Forgiven debts

- Determine the amount of federal and state income tax to withhold from non-clergy employee's wages.
- Withhold FICA taxes from non-clergy employee's wages. This amount is currently 7.65%.
- Deposit withheld taxes & employer's share of FICA according to IRS schedule.
- File IRS Form 941 quarterly (Employer's Payroll Tax Return)
- At year-end, file Form W-2 for all employees and Form 1099-MISC for self-employed workers. These forms are due to the employee by January 31 and the reporting forms are due to the IRS by February 28.

- For clergy W-2's, the housing allowance is always excluded from federal income. Exclude this value from Box 1 of the W-2. It may be included in Box 14 of the W-2, which is merely an information box. *(*See handout in packet)*
- Churches aren't <u>required</u> to withhold/pay State Disability and Unemployment.

Clergy Considerations

Ordained ministers have "dual status treatment" under the provisions of the IRS Code:

- Ordained ministers are generally treated as employees for income tax purposes, but the IRS exempts ordained ministers from mandatory federal income tax withholding (Code Section 3401a)
- Ordained ministers are treated as self employed for Social Security reporting purposes.

Clergy - W-2 or 1099?

- IRS Publication 517 (*see link on resource page) states that in most cases, ordained clergy are considered to be employees of the congregation and advises that they are issued a W-2 at the end of the calendar year.
- A couple of factors strongly suggest that pastors are indeed employees of the congregation:
  - Employer-paid pension or medical benefits
  - Worker's Compensation Insurance coverage

Clergy Housing Allowance

- Established annually before the beginning of the tax year
- Approved by the Congregation Council (recorded in meeting minutes)
- Excluded from wages listed on W-2
- Listed on W-2 in Box 14 (informational item)
- Applies to ordained, commissioned or licensed; administers sacraments and conducts worship
- Calculation and determination of the amount is solely the responsibility of the pastor

Independent Contractors vs. Employee

The basic difference is that employers generally control when, where and how the work gets done by their employees, while contractors, in their arrangements, have more autonomy and control over when, where and how the work gets done for their clients.

Certain attributes tend to make an arrangement look a certain way.

The IRS has developed a list of 20 factors that are to be used as guidance in determining whether an individual is an employee under the common law rules. (Revenue Ruling 87-41.) *(*See handout in packet)*

Independent Contractors

- No employment tax consequences
- Contractor should complete IRS Form W-9 at start of contract in order to secure their Social Security number
- Receives an IRS Form 1099-MISC at year-end if paid $600 or more in a calendar year
- Corporations are NOT issued a 1099-MISC
- The congregation should obtain a Certificate of Insurance from contractor naming the congregation as "Additional Insured" on the contractor's insurance policy.

Portico Benefits Services

- Oct. 1 - 25: On behalf of your organization, you'll need to designate your 2020 ELCA-Primary health benefit selection on EmployerLink.
- Oct. 29 - Nov. 13: Your plan members will make their benefit selections.
- EmployerLink users, can download and share your organization's Custom Comparison Report and Spreadsheet with those who make benefit and budget decisions.
- Remember that these files contain personal information about your sponsored plan members, so it's important to store copies in a secure location.

Portico Benefits Services

Portico Customer Care Center

Phone: 800.352.2876

Email: mail@porticobenefits.org

Regional Representative

Andrea Arey

Phone: 949.338.9573

Email: Aarey@porticobenefits.org

Other Reporting

Property Tax Religious/Welfare Exemption

- Religious/Welfare Exemption available only to property which is owned by a church and used for religious worship by a church or school.
- For-profit or other non-religious entities using your property can put your exemption at risk.
- Leased real property is not eligible for the Religious/Welfare Exemption unless the owner of the leased property is also a religious organization and conducts religious worship activities on the property, in which case both the owner and operator must file for the Religious/Welfare Exemption.

Property Tax Religious/Welfare Exemption

- Annual Reporting – A Claim for Welfare Exemption form (BOE-267A) is completed annually to state that the property will continue being used exclusively for religious purposes in the coming fiscal year.
- In addition, a Welfare Exemption Supplemental Affidavit (BOE-267O) must also be filed to report organizations and persons using organization's real property. *(*See handouts in packet)*

Business Property Statement

- Businesses are required by law to file an annual Business Property Statement if their aggregate cost of business personal property exceeds $100,000, or if the Assessor requests the information.
- Statements are due April 1.
- A 10% penalty will be applied if a statement is received after May 7 (the due date is the next business day when date is on a weekend or legal holiday)
- Filed online – report value of office equipment (owned or leased), furniture, computers/mainframes, buildings, land.
- Contact your County Assessor's office for info.

Secretary of State Statement of Information

- Form SI-100 - Biennial Reporting based on your year of incorporation.
- Report Officers – President, Secretary, and Treasurer
- Confirm address, identify Agent for Service of Process
- Submit with $20 filing fee
- Can submit changes between filings for free
- Failure to submit can result in suspension of corporate status
- Don't know your status? Search by corporation name or number online (*see link on resource page)

ELCA Congregational Report (Parochial Report)

- Letters/forms sent to congregations, with instructions, Congregational ID and password in December.
- Online reporting opens in early January (www.elca.org/congregationreport)
- You can also fill the form out by hand and send to synod office
- All reports due February 15
- Form A – Membership/Financial Information (these questions stay the same each year)
- Form C – Ministry Information (these questions often change each year)
- Form B – Congregation Leadership Directory – (www.elca.org/cld)

Legal Checklist for Congregations

- ELCA Checklist covering the following areas:
  - Corporate/Governance
  - Tax
  - Property
  - Insurance
  - Employment
  - Abuse Prevention

*(*See handout in packet)*

Stewardship, Budgeting & Financial Reporting

Stewardship Resources

Many free resources found on the ELCA webpage, including:

- Materials to grow leaders
- Stewardship activities
- Sermon starters
- Stewardship of Creation
- Lifestyle Resources
- Spiritual Gifts
- Annual Report Covers
- StewardNet Newsletter

Stewardship Resources

In addition, the Pacifica Synod has a "Preaching Stewardship" Ministry to share the greater gifts of stewardship proclamation with each other.

This ministry encourages congregations to engage a visiting minister who will preach a sermon as part of a stewardship emphasis in your congregation.

For more information, visit the "Preaching Stewardship" Ministry page on our website at: http://www.pacificasynod.org/about/ministry-teams/preaching-stewardship-ministry/ or contact Pacifica's Director for Evangelical Mission, Pastor Tom Goellrich at 714.478.2753 or by email at tomgoellrich@pacificasynod.org.

Setting Financial Goals The Budget

- Establishes financial goals and overall objectives
- Plan for revenue and expenditures to support activities congregation has decided to undertake
- Constitutes good internal control
- Once established, it is Treasurer's responsibility to report on a consistent basis. Significant deviations should be highlighted and investigated.
- Please help the synod plan by submitting your Mission Support amount/percentage
  - Mission Support Intent *(*See handout in packet)*

The Budget Process

- Appoint a budget committee
- Committees determine an estimate of their budget needs for the coming year
- Financial secretary develops estimate of income
- Budget committee compares budgets submitted with anticipated income, creates draft budget and presents to Church Council
- Council reviews budget, makes any adjustments and presents to congregation for approval
- If not approved by congregation, goes back to committee and steps are repeated
- Open forums or budget hearings prior to presentation to congregation may be helpful

Effective Budgets

- The congregation should have clear objectives and goals stated in dollar amounts
- The budget must be well thought out and approved by the Church Council and congregation
- The budget needs to be owned by every member of the congregation. Participation in the process by as many people as possible is critical for support
- Financial statements prepared on a timely basis and comparison made to the budget

Budget Types

- Zero-based Budget – Starts at zero, every item must be justified as to its need and benefit
- Same as last year – Starts with last year's budget, adds increases or makes minor adjustments
- Unified Budget – Incorporates all groups budgets into one budget
- Program Budget – Puts all expenditures into various program categories. Salaries may be prorated
- Line-item Budget – Groups individual items under categories and further lists each item
- Narrative Budget – Tells a story and gives a vision of ministry for presenting the budget

Creating Meaningful Reports

- At a minimum, the financial statements should consist of a Balance Sheet (Statement of Financial Position) and Statement of Revenue and Expense (also called a Statement of Activity). A Statement of Changes in Cash Position is also very desirable.
- The financial statements should be designed to meet the needs of the user.
- Financial reports should be prepared on a timely basis.
- The format should be simple and easily understood.
- The reports should have a point of comparison, such as comparison to budget or comparison to last year.
- Reports should provide the needed detail for decision making.
- The treasurer should include a verbal or written report which points out critical items and areas.

Congregational Financial Review

What is an Audit/Review?

Generally an audit (also called a financial compliance review) is comprised of a number of tests of the various transactions that occurred during the year.

These tests, along with questions and inquiries made by the auditor(s), lead to an opinion about the appropriateness of the financial statements.

Why Have an Audit?

- To obtain independent assurance that all financial records fairly represent the financial condition of the church;
- To insure that the year's financial activity has been properly recorded in accordance with generally accepted accounting principals;
- To insure adherence with the policies and procedures established by the congregation;
- To maintain confidence in the integrity of the congregation's financial system and the persons responsible for handling the finances.

Why Have an Audit?

Conducting an audit is NOT a symbol of distrust. It is a mark of responsibility.

It is good stewardship demonstrated for all to see.

It is a message to congregation donors that you care about their gifts.

ELCA Recommendations Regarding Congregational Audits

- The ELCA does not require that its congregations have an audit every year, but it highly recommends the practice.
- An audit may be performed by an outside audit firm, the congregation's audit committee or individual congregant(s) with a financial background appointed by the church council.
- At the very least, individual congregants working under the direction of the audit committee should review the church's financial records each year.

The Audit Committee

- Appointed by the church council.
- Comprised of at least three voting members of the congregation, excluding the treasurer and the financial secretary.
- It is preferable that they are individuals with some training in accounting procedures.
- The committee, with approval, may secure outside help on a fee basis from an independent, professional accountant.

ELCA Congregational Audit Guide

- Important information about the purpose and function of an audit
- Frequently asked questions
- Step-by-step Congregational Audit Program
- Sample Confirmation Letters
- Sample Audit Report

Data Security, Social Media & Online Resources

Data Security

- People are the best security
- Ensure adequate IT security for internet, email and network (including virus scans and firewalls)
- Provide security for portable media devices (flash drives, CD, laptops, cell phones, etc.)
- Ensure confidential paper files are kept in a locked, limited access location
- Be aware of Personal Identity Information (PII)
  - Names, addresses, Social Security numbers, credit card information, documents with financial information
- Ensure access to data is commensurate with duties; review user access regularly.

Social Media Best Practices for Congregations

- Elements of a Social Media Strategy
- Developing a Social Media Policy
- Social Media Guidelines
- Social Media Procedures
- Sample Resources

*(*See handout in packet)*

ELCA Online Resources

www.elca.org – "Resources" Tab

- Financial → Congregations
  - Financial & Accounting Guide, Internal Controls, Best Practices, Human Resources
- Information Technology → Documents
  - Information Security, Computer & Internet Safety, Preferred Vendors/Technology Discounts
- Legal → Employees/Volunteers
  - Employment/Volunteer Applications, Hiring, Background Check Questions, Reference Checks, Handling Terminations, Employee vs. Independent Contractor, Security Procedures in the Workplace
- Legal → Financial
  - Ethics Policies, Confidentiality, Good Samaritan Funds, Cell Towers, Fraud, Accepting Restricted Gifts

ELCA Online Resources

- Legal → Property
  - Building Use Agreement, Cell Tower
- Legal → Tax
  - IRS Group Ruling, Tax Info for Donors & Clergy, Taxation on Rental Property, Political Activity & Tax Status
- Legal – Miscellaneous
  - Legal Checklist, Copyright, Parliamentary Procedure
- Office of the Secretary → Congregations
  - Records Retention, Model Constitution, Parish Registers
- Risk Management
  - Active Shooter, Emergency Preparedness, Embezzlement, Property Loss
- Stewardship

Mission Support & Designated Gifts

Benevolence To/Through the Synod

- Pacifica Synod & ELCA Churchwide operate on a February 1 to January 31 fiscal year.
- Congregation contribution reports are distributed several times a year and shortly after the fiscal year-end.
- Congregation contributions are categorized as Mission Support (undesignated gifts) or Restricted/Designated Gifts (those to ELCA, Lutheran, or local organizations.)
- All contributions are distributed monthly to the recipient organizations.

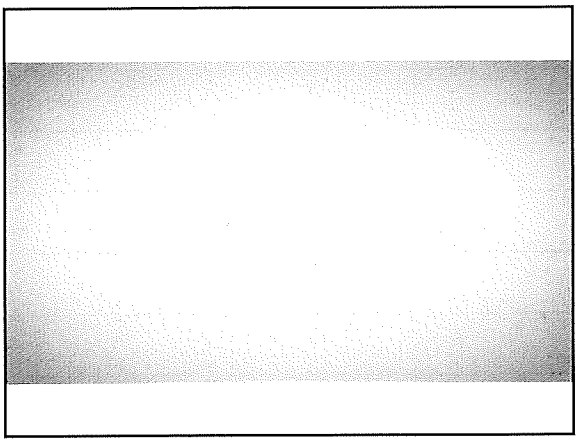
ELCA Churchwide Benevolence

- Currently, 51% of Mission Support (undesignated gifts) received by Pacifica Synod is sent to the Churchwide organization to support the work of the church.
- Restricted/designated gifts received from congregations for ELCA ministries (World Hunger, Lutheran World Relief, Malaria Campaign, Global Mission, missionary support, etc.) are distributed monthly via a ACH transfer to the ELCA.
- *See the ELCA "Where Does My Offering Go?" insert in your packet*

Treasurer's Remittance Statement

- Crucial to the accurate processing and reporting of congregational gifts.
- Available to download from Pacifica Synod website *(*See handout in packet)*
- Please provide complete names and addresses of any new organizations that you are contributing to!
- Clearly (print!) name and contact number of person completing this form.

Mission Support & Synod Funds for Mission



PACIFICA SYNOD

Importance of Congregation Mission Support to ELCA

Tom Pankow

Pacifica Synod Council Treasurer

PACIFICA SYNOD

Major responsibilities of the Synod:

- **Developing leaders for ministry**
- **Equipping congregations for mission work**
- **Supporting domestic and global partners in mission**

DISTRIBUTION OF CONGREGATION MISSION SUPPORT

Each year the Synod Assembly approves the distribution of congregation mission support:

- 51% as Direct Support to ELCA
- 8.2% as Grants to Institutions & Agencies
- 40.8% retained for Synod activities

CONGREGATION MISSION SUPPORT TO ELCA & SYNOD GRANT SUPPORT

	2019/2020 Spend Plan	2020/2021 Budget
Congregational Mission Support	$1,439,354	$1,460,945
Mission Support to ELCA 51%	$734,071	$745,082
Synod Grants 8.2%	$118,027	$119,797
Retained at Synod	$587,256	$596,066

SYNOD DISTRIBUTES 8.2% OF CONGREGATIONAL MISSION SUPPORT TO AFFILIATED AGENCIES

- San Diego State University Campus Ministry
- Pacific Lutheran Theological Seminary
- Lutheran Planned Giving Partnership
- Central City Lutheran Mission
- Lutheran Retreats, Camps & Conferences
- Lutheran Social Services of Southern California
- California Lutheran University
- 6 Other Organizations

2019-2020 FUNDING OF 16 MISSION CONGREGATIONS IN PACIFICA SYNOD

Total Support	**$851,611**
Sources of Funding	
Synod support	$401,130
Congregation support	$360,481
ELCA support	$90,000

Synod office also administers designated grants to congregations

Pacifica Synod Funds for Mission

Pacifica Synod Website – www.pacificasynod.org

"For Congregations" Tab – Funds for Mission

- Latino Ministry Endowment Fund Partnership Support Grants
- Murray & Rhoda Finck Global Engagement Mission Fund Grants
- C. Wright/Stephen Ministry Training Scholarships
- Warner Trust Fund Grants
- Matthew 25 Fund Grants
- Pacifica Mission Fund

*(*See handout in packet)*

Wrap Up

- Questions?
- Suggestions?
- Resource Page/Website Page
- Online Evaluation
- Closing Prayer

Thank you for being here today!

Blessings to you in your ministry!

Safe travels home!