

Church Finances\$

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A Semiannual Lecture

Dallas Theological Seminary

A stylized silhouette of a mountain range in shades of teal, located at the bottom right of the slide.

Are Budgets and Reports ...

- ◆ Pretty boring
- ◆ Sexy and exciting
- ◆ A tedious necessity
- ◆ A tool for giving perspective

Class Finance\$

- ◆ Let's do a collection
- ◆ Give it to me to spend!
- ◆ Any problems with this?

Why Diversify Power & Responsibility?

- ◆ Separate Committee Functions
 - Budget
 - Compensation
 - Finance
 - Audit
- ◆ Guard your Funds
 - Check writer has no authority to sign
 - Several people count funds
- ◆ Demand Accurate Reporting
 - Monthly reports
 - Annual audit

Whoa,

You are going too fast ...

Definitions

Terms that describe
your money

Current Assets

Assets you are likely to convert to cash within one year. They include the cash you have on hand, and the money in your checking and savings accounts.

(Quickbooks Pro)



Fixed Assets

Assets you do not expect to convert to cash during one year of normal operations. A fixed asset is usually something that is necessary for the operation of your business like a truck, cash register, or computer.

(Quickbooks Pro)



Liabilities

- ◆ *Accounts Payable*
 - *What your church owes to suppliers and vendors*
- ◆ *Credit Cards*
- ◆ *Loan Payable*

Payroll Liability

Liabilities incurred for payroll taxes and other deductions from employee paychecks. These include federal, state, and local payroll taxes, company contributions such as a company-paid health plan; and the company-paid portion of taxes such as Social Security and Medicare.

(Quickbooks Pro)

While we are here ...

- ◆ Ministers can opt out of Social Security, 15.3% of your salary, but not for financial reasons
- ◆ Since about 1985 you can only ethically opt out of Social Security if you are conscientiously opposed to government assistance as it relates to religious income

Equity

The net worth of a church. If you sold all your assets today, and if you paid off your liabilities with the money received from the sale of your assets, the money you would have left would be equity.

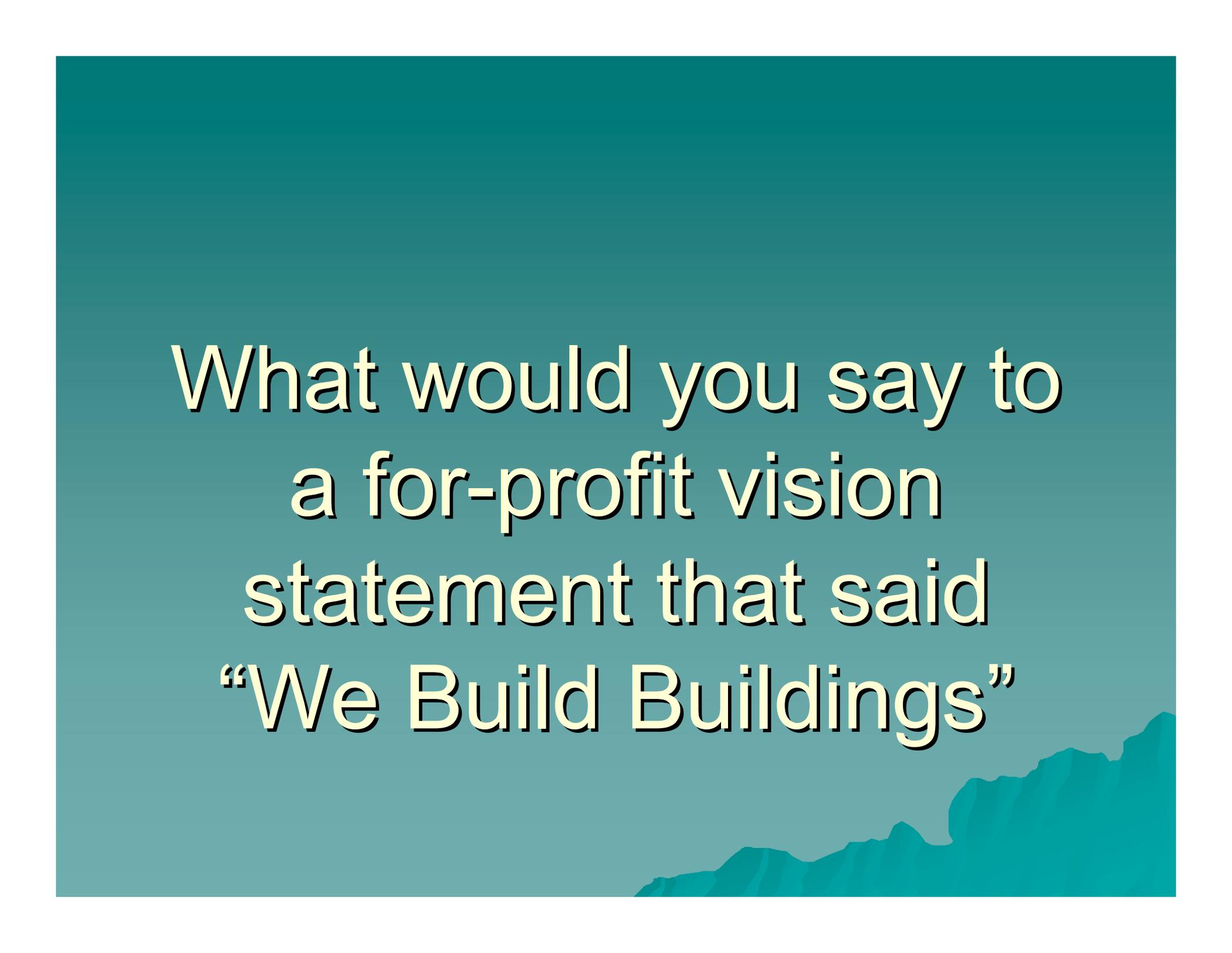
(Quickbooks Pro)

Reporting

Structures that describe
your money

Financial reports tell the implementation, or lack thereof, of a church vision statement

What would you say to
a for-profit vision
statement that said
“We Build Buildings”



Yet ... their financial reports look like this?



What would you say to a church that has a vision for overseas missions, yet spends no money and sends no people?

Give me ten minutes with
your income statement
and I will tell you the
implementation of your vision
... for better or worse

Balance Sheet

A report that summarizes the financial position of a business. A balance sheet shows the value of your company's assets, liabilities, and equity as of a particular day. It is called a balance sheet because the value of the assets is always exactly equal to the combined value of the liabilities and equity.

(Quickbooks Pro)

Profit & Loss Report

This report summarizes your income and expenses for the month, so you can tell whether you're operating at a profit or a loss. The report shows subtotals for each income or expense account in your chart of accounts. The last line shows your net income (**or loss**) for the month. This type of report is also known as an income statement.

(Quickbooks Pro)

Fund Accounting (Classes)

Classes give you a way to classify your transactions. You can use classes to classify your income and expenses by department, business office or location, separate properties you own, or any other meaningful breakdown of the business you do.

(Quickbooks Pro)

Designated (Restricted) Accounts

- ◆ *Gifts designated gifts by an individual, foundation or estate*
 - *IRS allows designated gifts to an account or project*
 - *IRS calls as illegal tax-free designated gifts to a person*

Aspects of Compensation

“Ah, what I have been
waiting for ...”

Constituent Parts

- ◆ Base salary
- ◆ Health & dental insurance
- ◆ Vacation
- ◆ Bonuses
- ◆ Defined Benefit Plan or Defined Compensation Plan
- ◆ 403 (B)
- ◆ Section 125 Medical Savings Account

Major Salary Surveys

www.xpastor.org/compensation

- ◆ [Pulpit and Pew, Winter 2003: How Much Should We Pay the Pastor?: A Fresh Look at Clergy Salaries in the 21st Century](#)
- ◆ [Leadership Network 2001 Salary Survey](#) one of the best studies for large churches and it's free!
- ◆ [National Association of Church Business Administrators: A Salary Survey](#)
- ◆ [Staff Management: Compensating Your Church Staff](#) *By Ken Godevenos*
- ◆ [Connecticut Conference of the United Church of Christ](#) with salary guides based on size of congregation, booklet in pdf format
- ◆ More on the website

Connecticut Pastors in the United Church of Christ

Membership #	Low	Average	Median	High
Under 100 (3)	17800	26385	23354	38000
101-200 (29)	22000	37551	35788	60424
201-350 (50)	25946	43013	40887	103104
351-500 (29)	28329	52394	51773	72800
501-650 (25)	32445	52704	50626	79050
651-800 (10)	49005	61447	57477	77027
801-1000 (6)	52975	61266	61774	67894
1000+ (14)	41450	76287	79407	114000

Associate Pastors

Membership #	Low	Average	Median	High
Under 100 None	--	--	--	--
101-200 (1)	--	--	50675	--
201-350 (5)	31800	43320	36194	73608
351-500 (6)	33000	38803	35941	51000
501-650 (9)	24915	35769	34059	53040
651-800 (5)	36000	43200	39000	56550
801-1000 (6)	38124	39456	38250	42561
1000+ (18)	30985	48187	44968	78045

Asking about Compensation

- ◆ Gently ask, only with a relationship
 - “May I ask about compensation?”
 - “Do you have a salary guide?”
 - SG=a range of salaries for various positions
 - “Do you survey other regional or national churches?”
 - “What is the salary range for this position?”

Housing Allowance

- ◆ A Housing Allowance is generally a self-determined part of compensation, designated for federal income tax purposes.
- ◆ You do not have to pay Federal Income Tax on your Housing Allowance, up to the Fair Rental Value plus utilities

Fair Rental Value

- ◆ Historically this is 1% of the value of your home, so a \$100,000 home would have a fair rental value of \$1,000 per month.
- ◆ Your maximum housing expenses would be \$12,000 annually, plus utilities, let say \$2,000.
- ◆ With a \$40,000 annual church salary, only \$26,000 is reported as income and \$14,000 as housing allowance.

More on Taxes

- ◆ If you don't use all your \$14,000 Housing Allowance, you must claim the remainder as "Other Income," on line 21 of Form 1040
- ◆ You must pay Social Security tax on your total salary, including your housing allowance, but minus any unreimbursed church expenses
- ◆ You pay 15.3% on the \$40,000 less \$1,200 in expenses you did not have the church pay.

Case Studies

4 Churches want
to hire you

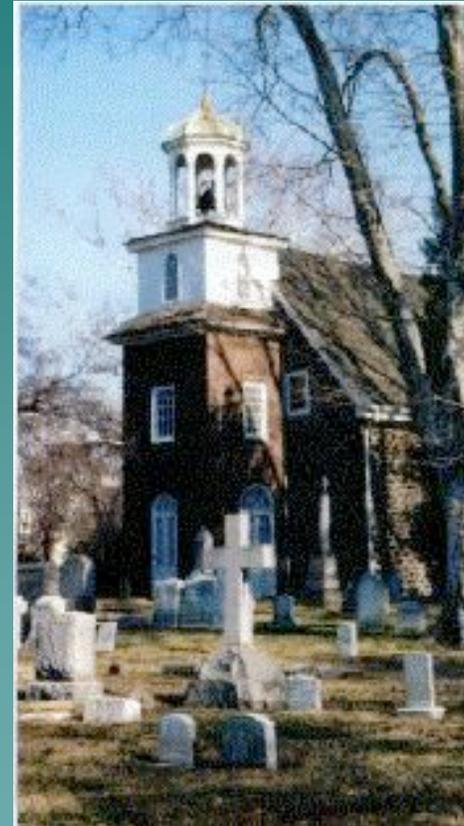
Bayview Community

- ◆ 100 families
- ◆ 7 year old church
- ◆ Founding pastor is retiring
- ◆ Stable town but not growing
- ◆ *"Be our Senior Pastor"*



Watergate Bible

- ◆ 100 families
- ◆ 7 year old church
- ◆ Founding pastor left two years ago
- ◆ *"You are the best preacher, ever. Be our Senior Pastor. Start a radio ministry. Write books."*



Eureka New Life Ecclesia



- ◆ 1500 families
- ◆ 7 year old church
- ◆ 2 worship services in the new sanctuary
- ◆ *"Be our Associate Pastor"*

Big Hope Gathering

- ◆ 750 people
- ◆ 7 year old church
- ◆ Explosive growth in the city
- ◆ *"Be our Associate Pastor"*

