

# Mission to North America

## Church Planter Financial Procedures

October 2008

To the Reader:

This brief manual is presented as a guide for church planters in the basic financial and logistical steps necessary to begin the operation of the mission church.

Please review it carefully for your own use. If you have recommendations for improvement in the content, please send to Fred Marsh: [fmarsh@pcanet.org](mailto:fmarsh@pcanet.org) 404.307.8266.

Thank you,

*Fred*

# Financial Procedures for Your Church Plant

This section includes...

- What Are My Next Financial and Logistical Steps?
- Preparing the Budget for Your Church Plant
- Various Financial Forms That You Will Need
- EIN Information and Authorization Form
- Incorporation of the Church: An Option Not Required

Please read this section carefully and implement all procedures. If there is anything you do not understand, please seek clarification. While much of what is in this section is not exciting to most church planters, it is essential for keeping you out of trouble ethically and out of trouble with the IRS – both of which are highly desirable objectives!

Must-have resource...

- [Church and Clergy Tax Guide](#), by Richard Hammar

Get a better understanding of U.S. tax laws as they relate to pastors and churches; learn how tax laws apply to you, how to correctly report your federal income taxes and social security taxes, understand relevant exemptions, and reduce your tax liability as much as possible. You'll also find easy-to-understand charts and real-life illustrations. This book is designed to be a resource for ministers and also church treasurers, board members, bookkeepers, attorneys, CPA's and tax practitioners throughout the year. (Click on title above, or refer to document following this Financial Procedures Section, for more information regarding this resource, ordering, pricing, etc.)

# What Are My Next Financial and Logistical Steps After Assessment?

All of these do not necessarily have to happen in chronological order, but all must happen at some time. You may already have completed some of them by the time you participate in the MNA Assessment Center.

**The presbytery calling you to lead the mission church is responsible for your call and for all aspects of your oversight and accountability. General Assembly MNA's role in the issues addressed in this paper is purely advisory and carries no authority. Your sponsoring church, presbytery or church planting network may provide some or all of these services. *Regardless of the extent of the assistance provided to you, you must be sure that all of these areas are adequately and correctly addressed.***

Placement: determine where you will serve as a church planter.

Budget: Develop the budget for your church plant, including your salary and benefits. Guidelines for determining salary are provided later in this section. MNA staff is available for advice, but approval rests with the sponsoring church or presbytery for all church plant budgets, including the salary and benefits for the church planter. *General Assembly MNA does not perform the role of approving church plant budgets or church planter salaries.*

Fundraising Plan: Develop the fundraising plan for your church plant. Guidelines are provided in the fundraising section of the church planter orientation manual. MNA staff is available for advice, but approval of your fundraising total goal and fundraising plan rests with the sponsoring church or presbytery for all church plants. *General Assembly MNA does not perform the role of approving church plant funding goals or church plant fundraising plans.* In your fundraising, you may present yourself as an MNA approved church planter if you were qualified by an MNA Assessment Center or if you are an experienced church planter approved by the MNA Committee.

Cash Flow Management for Your Church Plant: Determine whether you are best served by MNA or by your sponsoring church or presbytery; be sure you understand what services are offered by MNA. In either case,

establish your account and procedures with MNA or other sponsoring party as early as possible so that you can direct donations appropriately beginning with the earliest gifts.

Agreement between Presbytery and General Assembly MNA must be signed, if you are using General Assembly MNA cash flow management services.

Your Letter of Call: It is your responsibility to make sure that a formal call is written by your sponsoring church or presbytery, and that it is in proper form. Do not assume that someone else will handle this procedure for you. Be sure it is arranged well in advance of presbytery deadlines. Be sure the letter of call is in proper form; *Book of Church Order* 20-6 presents the required wording.

Ministerial Housing Allowance: The specific annual dollar amount of your ministerial housing allowance must be included in your letter of call approved by motion by the presbytery, in order to meet IRS requirements. Should you need to change your housing allowance in the future, your presbytery must approve each change. Changes in housing allowance are not retroactive, but take effect when approved. If in doubt about the amount of allowance you need to claim, overestimate it and have the presbytery approve the highest level you could possibly need and be entitled to, per IRS rules. You may then declare the unused portion as income when you file your return, but you cannot claim additional amounts if not approved in advance. For additional information on housing allowances, refer to [www.irs.gov](http://www.irs.gov) Chapter 6 of [Publication 17](#), *Your Federal Income Tax* or [Publication 517](#), *Social Security and Other Information for the Members of the Clergy and Religious Workers*. For information on earnings for clergy, refer to [Tax Topic 417](#). **References:** [Publication 17](#), *Your Federal Income Tax*; [Tax Topic 417](#), *Earnings for Clergy*

Ordination or Transfer of Ministerial Credentials: As soon as you know where you will be serving, thoroughly review all procedures for ordination or transfer with the presbytery who will be receiving you, and make a plan that covers all requirements. Do not depend on someone else to look after this for you.

Mission Church Status: In order for your church plant to be a mission church officially, the sponsoring presbytery must vote on it and the action be recorded in the minutes; that is, your church plant does not have mission church status just because the presbytery MNA committee calls it

a mission church. You should arrange for your church plant to be approved as a mission church by motion of presbytery at the time you transfer into the presbytery and begin work, or prior to that time if possible.

Move to the Field: Be sure all procedures are well planned in advance for the moving of your household goods. Please pay close attention to the MNA Moving Policy and note that IRS reimbursement rules for moving expenses are not the same as for business travel expense reimbursements. Please be sure also that your move is timed in accordance with presbytery ordination or transfer procedures.

Tax Exempt Status: Establish tax exempt status for your church plant in one of three ways. *Only one of these three is required, but one of the three must be specifically selected.* MNA recommends that (1) be used by most church plants, unless there are unusual circumstances requiring either (2) or (3).

(1) The presbytery votes that your church plant is a mission church. According to *Book of Church Order*, 5-7: “It is the intention of the Presbyterian Church in America that mission churches enjoy the same status as particular churches in relation to civil government.” *This means that a mission church may use the PCA’s tax exemption as its own, just as particular churches are permitted to do; however, even as a mission church, you still must take certain further steps to obtain the exemption. These steps are outlined below.*

(2) Your church plant is a direct ministry of a mother church, with the mother church providing your accounting services. In this case, donations are actually made to the mother church and are exempt on that basis. The mother church receipts the gifts. The mother church cannot delegate or lend out its exempt status.

(3) Incorporate and seek non profit 501(c)3 status with the IRS. This is a time consuming process and is rarely necessary for a mission church, at least in the initial stages. See the section below on incorporation of a church.

Incorporation: To Incorporate or Not to Incorporate? You should find attached an article entitled *INCORPORATION OF PCA CHURCHES: An Option Not Required*. If it is not attached, you may obtain it from: Office of the Stated Clerk—Administrative Committee; Phone 678-825-1000; Fax 678-825-1001; Email: [ac@pcanet.org](mailto:ac@pcanet.org). Read this article carefully. In most cases, there is no need for a mission church to incorporate at the very beginning of your church plant. Note that the sample incorporation papers provided below by the PCA Administrative Committee include the pastor

as president of the corporation. It is likely that most PCA pastors would not want to be a trustee of the corporation, for the same reason the pastor is not directly involved with the financial management of the church.

EIN Number and Tax Exempt Status: You should find attached an article entitled *EIN INFORMATION and AUTHORIZATION FORM*. If it is not attached, you may obtain it from: Office of the Stated Clerk—Administrative Committee; Phone 678-825-1000; Fax 678-825-1001; Email: [ac@pcanet.org](mailto:ac@pcanet.org). Read this article carefully. In brief, you obtain a number for your church that performs a similar function to the individual social security number. Supplied with this number, you then apply to the PCA's Administrative Committee for your tax exemption status. By following this procedure, you can provide tax exemption for donations without going through the procedure of incorporating.

Mission Church Bank Account: Open a checking account in the church name. Under no circumstances should the account for the church be opened in the name of the church planter. It is preferable that the account has 2 signers. Church planters or members of his family should not have the financial responsibility as a treasurer or financial secretary. If these positions are not available from the church plant, they should be appointed by the mother church or presbytery. If the church planter has gone to field without a launch team and the mother church or presbytery is unable to be a signer, then the account may be opened with only one signer. Due to the need to maintain financial integrity, this is not preferable.

Mission Church Financial Management Leadership: As your launch team forms, look for those who have the ability to serve in a financial management role so that you can remove yourself from this role as much as possible.

Accounting: Whatever the actual method of accounting, it is mandatory that the quality of the financial accounting for your church plant be established at a level where (1) accuracy, and (2) integrity, are absolutely assured. Complete records must be kept for all expenses (include copies of receipts), receivables (include copies of checks received and donor receipts sent), copies of bank statements and church credit account or card statements. All IRS requirements related to tax exempt donations must be met. Church planter payroll and benefits functions must be arranged for and supervised in such a manner that there is complete accountability and in accordance with all IRS reporting requirements.

Professional Accounting Services: The ideal procedure is to employ, or identify on a volunteer basis, an outside professional bookkeeping service that will be responsible for handling your mission church accounting and checking account, as well as payroll and other financial management functions. Options include a CPA who is willing to volunteer or donate services, a volunteer skilled in accounting, and a large church whose business staff could serve in this capacity.

Tax exemption for Core Group Giving:

- Donations cannot be rendered exempt retroactively. Be sure that the tax number is obtained prior to receiving any donations from individuals into the mission church account.
- The mission church must furnish a year-end donations statement to each core group member who gives. Whereas other non-profits must furnish an individual receipt for each gift over \$250, churches have a special exception: one statement may be furnished to each core group member (or other donor) one time only at year-end, provided each gift throughout the year from that donor is listed separately by date received and amount of gift.

Administration of Church Planter Salary and Benefits: Because of the need to meet IRS standards, and because of the integrity and accountability issues involved, church planter salary and benefits, in particular, should be administered by a party who is knowledgeable and qualified, and who does not have any conflict of interest.

Purchase of Accounting Software: Many nonprofits are using QuickBooks; however, it does not really meet the needs of most nonprofits, such as tracking contributions/donors and tracking restricted fund balances. It appears that Nonprofit Books performs both of these functions. The website is [nonprofitbooks.com](http://nonprofitbooks.com). This software integrates with QuickBooks; therefore an extra cost is incurred, but it still can provide the necessary information for relatively little expense, and is a great deal less expensive than other software packages such as Shelby or ACS, which many larger churches use.

Online Accounting Software: QuickBooks On-line, a somewhat new version of QuickBooks, is completely browser-based, giving access to the entry, reporting, etc. from any internet ready computer, subject to security levels set by the administrative user. This gives various users complete access to the records, or read-only access, at all times. It has complete

tracking, so an audit trail is left showing everything that has been done by any of the users. One person can enter donations and prepare receipts, another enter expenses, another write checks and still another prepare reports – all from different computers and different locations, as needed. Powerchurch.com is another source used by some PCA churches for church accounting software, also offering the option of multiple users at multiple locations.

Accountability in Financial Matters Rests with the Presbytery: Prior to or as soon as you arrive on the field, establish an accountability structure with your sponsoring presbytery. Some presbyteries are indifferent to this need and simply trust the church planter. Even if your presbytery is content with this, you must insist on proper accountability, for your own protection. Some presbyteries assume that because General Assembly MNA has qualified you, that General Assembly MNA is supervising you financially. *General Assembly MNA does not perform this role; full accountability rests with the presbytery.* If General Assembly MNA is providing your cash flow services, the Agreement signed by your Presbytery MNA details the required accountability. If the presbytery or a church is providing these services, General Assembly MNA recommends that you follow the same accountability standards.

Health Insurance: Selection of a health insurance plan is your responsibility. Check with PCA Retirement and Benefits (RBI) about the availability of coverage through a PCA plan. *At the time of this writing, no health insurance coverage was available to the denomination.* You may have to secure coverage independently, or there may be group coverage available through your sponsoring church or presbytery. ***Be sure that you review all options and take all steps necessary as early as possible to avoid lapses in coverage that will terminate coverage of preexisting conditions. This responsibility rests solely with you.***

Church Planter Benefits: All benefits which the church planter normally receives are available through PCA Retirement and Benefits Incorporated (RBI). Other administrators of benefits may be used, depending on the policies of your sponsoring church or presbytery. While benefits should be administered by another party, per preceding recommendations, it is the responsibility of the church planter to make sure he is receiving the benefits to which his call entitles him. Contact RBI at: (678) 825-1260 or toll free: 1-800-789-8765. They may also be reached by email: [rbi@pcanet.org](mailto:rbi@pcanet.org).

## **Frequently Asked Questions**

### **Where should donors for my church plant send their gifts?**

If you are funding through MNA, your donors should mail checks to MNA at 1700 N. Brown Road, Suite 101, Lawrenceville GA 30043. Please ask them to make sure to designate for: John Smith, Any City Church Plant. If you are not funding through MNA, then your donors should mail checks to your sponsoring church or presbytery.

### **I have not opened a checking account yet. May I deposit the monies into my personal checking account?**

Under no circumstances should donor money or other mission church funds be deposited into your personal checking account.

### **May I open a credit card account for my church?**

It is strongly recommended that you not use a credit card account for your church unless it is a store account (i.e. Office Depot for supplies, etc). This account should be opened and used only for the purposes of the church. If you do use a credit card for church transactions, the charges must be tracked monthly on a spreadsheet and a copy of all receipts, the tracking spreadsheet and monthly statements must be submitted to the presbytery or mother church.

### **May I set up vendor accounts for the church?**

Yes. Sometimes it will be necessary to set up vendor accounts to handle some of the business of the church (i.e. printers, mail house, etc). Remember the account should only be used for the purposes of the church. The transactions must be tracked monthly on a spreadsheet and a copy of all invoices should accompany the spreadsheet and be submitted to the presbytery or mother church.

# Preparing the Budget for Your Church Plant

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**FOR FORMS and SPREADSHEETS THAT WILL ASSIST YOU IN BUDGET PREPARATION, GO TO THE WEB SITE OR TO THE CHURCH PLANTER ORIENTATION CD.**

## **PRINCIPLES OF BUDGET DEVELOPMENT**

**Having the right perspective on fundraising:** Not only is it an overall positive, practical benefit but it serves as an affirming and confirming experience of God's call and provision.

- (1) Tom Clegg and CRM: there is an inverse relationship to the success of a church plant and the amount of money provided up front vs. what must be raised.
- (2) You really aren't "raising money" but building a financial support team of those you are inviting to participate in what God has called you to do (and has been affirmed by the church itself): that of planting a biblically healthy church that will have a significant Kingdom impact in people's lives and in your community.
- (3) The primary focus of your initial prayer team.

### **Key Factors in calculating your budget:**

- (1) MNA will work with you to advise and consult but only your presbytery or overseeing body can officially approve your budget
  - the necessity of proper oversight and accountability
- (2) The key element of your budget will be the salary package (see Guidelines on p. 7-8)
- (3) The other key element will be to calculate core group giving which will depend on the size, commitment, and capacity of the core group or whether it is a scratch start. The general rules of thumb for each situation are:
  - With a core group/contacts: roughly 25% of the first year's budget, then 50%, then 75% the third year
  - No core group/contacts: 10%, 25%, 50%, and 75%
  - The "Five Year Plan": 10%, 20%, 40%, 60%, and 80%

(4) Including funds for training and coaching

(5) Budgeting for the staff team

**Some Issues and Guidelines for Your Budget:** *“If I can raise it can I have it?”*

(1) The higher the budget the longer and harder it is to raise

(2) The higher the budget the longer and harder it is for the new congregation to assume it

(3) The higher the budget the more discouraged some potential donors become

(4) Putting together your minimal “Plan B” budget

(5) The necessity of receipting

(6) Receiving regular reports

(7) Having a local account and treasurer

# Salary Package Formation Guidelines

## Criteria 1

Look at the salary package for a high school teacher in the target area, including benefits.

- With the same number of years' experience
- Equivalent degree (Masters' level)

## Criteria 2

Average housing cost

- Determine mortgage payment required and what the qualifying income is for that mortgage (roughly 25-33% of salary and housing allowance)

## Criteria 3

Average household income in target community

- Factor in wife's income potential - or not. Do most families in target communities rely on two wage earners to reach that average household income? Is it normative in the launch team (if any) for spouses to work outside the home?

## Other issues:

**If the church planter can successfully fundraise, can he set his salary at whatever level he wants?**

MNA's counsel would be "no", for two reasons. The higher the salary, the longer it's going to take for the work to reach financial self-sufficiency. Also, can the growing church plant match that kind of salary within one to three years? How does it compare to the average salary of the families involved in the plant?

**Can a core or a volunteer consortium raise funds for a down payment for a house for the church planting family?**

Yes, but it must be understood that it is not an open ended loan with no payback expected. Instead, an acceptable alternative would be for a consortium to share in the equity of the house over time in equal proportion to the money contributed. None of the funds can be channeled through the church budget – it must remain a separate transaction or agreement between the consortium and the church planter. A sum of money used for a down payment on a house should not be included in the church planter's salary package. It also must be considered taxable income to the church planter, and must be designated by the donor as a gift for housing down payment and treated separately from the project fundraising goal. *(See Richard Hammar's Church and Clergy Tax Guide for restrictions on amount given to the church planter and the tax deductibility of such donations.)*

**What is included in a church planter's salary "package"?**

This often causes confusion for those in the business world, or at least for those not familiar with traditional church nomenclature, especially when it comes to a separate housing allowance that is not part of "salary". Separating the two is a beneficial function related to IRS regulations that apply to ordained clergy (which don't apply to the businessmen often formulating salary packages in a new church plant). *(Remember that the housing allowance must be approved in advance by the presbytery.)*

*The components to be considered are these:*

**Salary** This is subdivided into salary and housing allowance.

The housing allowance must be determined on a case-by-case basis, and is directly tied to housing costs in the target area.

To determine a housing allowance amount, consider these types of expenses, which are allowable by IRS code:

mortgage payments (principal and interest) real estate taxes, personal property taxes, special assessments, improvements to property, homeowners insurance, utilities, local telephone charges, cable TV, maintenance, repairs, furniture, fixtures, cleaning supplies, yard care equipment.

**Pension** (normally paid directly to a retirement fund) 10% of salary including housing allowance is the benchmark.

**Health Insurance** (normally paid directly to an insurance company). This can be a PCA group policy or an individual policy negotiated by the church planter with a local agency.

**Term Life Insurance and Long Term Disability** These are relatively inexpensive items to insure against events that can be financially catastrophic to families.

**SECA** If the church planter has opted out of Social Security/Medicare. An additional amount beyond pension that should be invested by the church planter for future retirement or health needs past retirement. Paid directly to the church planter and is additional taxable compensation.

If the church planter remains in Social Security/Medicare, adding an amount to the church budget to help defray some of his tax in this area is optional. This is also additional taxable compensation.

Other ministry expenses to include in a church plant budget but not part of a church planter's salary package:

Books, educational expense

- for ongoing self-education and for conferences. Receipts must be submitted for reimbursement

Ministry expense (networking)

- meeting with people in community. Receipts must be submitted for reimbursement.

Car allowance

- reimbursed on a per mile basis. Accounting must be submitted for reimbursement.

*Car allowance can alternatively be handled as a set amount in salary package to cover some portion of car costs. This amount would be additional taxable compensation and the church planter would record his use of the funds as a miscellaneous itemized deduction on Schedule A of his tax return.*

Workmen's Compensation Insurance

- necessary for all employees of church plant



## PLEDGE CARDS



If you will be funding with MNA, Pledge Cards should be sent to MNA either with or without the donor's first check. This will get your donor into the habit of mailing his support to us rather than to you, and you will not have to forward it to us. It will also inform us of their giving to your project, how much and for how long so that we can record their giving. Your donor will receive an acknowledgement of the pledge, as well as a receipt of their gift along with a tear-off remittance and an envelope for their next contribution. Your donors will also receive a reminder card which offers them the opportunity to enroll in one of MNA's plans which allows pledge payments by monthly electronic transfers or monthly credit card charges. While you are raising support, MNA will keep you informed of the pledges and giving with a monthly Gift Detail Report and copies of all pledge cards received. In addition, MNA will provide a Donee/Donor report, which will list each donor and their giving. With these listings you will be able to keep informed of your financial status and thank your supporters in a timely fashion.

Churches, presbyteries, and corporations are not required to submit pledges on cards but may send a pledge letter written on the organization's official stationery. The pledge letter however, must include the same information as required on the pledge card. Email pledges from donors are not accepted.

**FOR THE PLEDGE CARD REQUIRED WORDING, GO TO THE WEB SITE OR REQUEST A COPY FROM MNA. Use only the wording prescribed by MNA.**



## MNA MOVING POLICY

(Revised 6/24/2011)

MNA will reimburse all moving expenses from the church planter's account (as stated in budget) related to a church planter's move:

- 1) Cost of moving household goods and personal effects (either a professional moving company or a rental truck and gasoline);
- 2) Travel expenses (including lodging and meals (taxable - see below) for one trip by the employee and each member of the household. Mileage will be reimbursed at either the IRS approved rates for moving of 23.5 cents per mile (not taxable) or at the full rate (51 cents for January - June 2011; 55.5 cents July – December 2011). If reimbursed at the full rate, the amount over the 23.5 cents per mile is taxable (see below);
- 3) One house-hunting trip (taxable – see below).

### Reporting Expenses / Reimbursements for IRS purposes (based on IRS Publication 521):

The following are **non-taxable** moving expenses:

- Cost of moving household goods and personal effects (either a professional moving company or a rental truck and gasoline).
- Travel expenses (including lodging but **not** meals) for one trip by the employee and each member of the household. Standard mileage rate is 23.5 cents per mile.

*If paid to a third party – excluded from income, not reported on W-2.*

*If paid to employee – excluded from income, reported on W-2, Box 12, with a code P.*

The following are examples of **taxable** moving expenses (this list is not all inclusive).

- Mileage reimbursed over the standard 23.5 cents per mile.
- Meal expenses
- House-hunting expenses
- Expenses of buying or selling a home
- Temporary living expenses

*If paid to either third party or employee – included in income reported on W-2, box 1.*

For further information or if you have questions, please contact Heather Smith at (678) 825-1237 or [hsmith@pcanet.org](mailto:hsmith@pcanet.org).

**RECEIPTS MUST BE SUBMITTED TO MNA WITHIN 60 DAYS AFTER  
EXPENSE IS INCURRED.**