



Church Planter and Mission Church Financial Procedures August 2016

To the Reader:

This brief manual is presented as a guide to 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> or <404-307-8266>

Thank you,

Fred

FINANCIAL, LEGAL & LOGISTICAL STEPS FOR YOUR MISSION CHURCH

THIS SECTION INCLUDES...

1. What Are My Next Financial, Legal and Logistical Steps?
2. Preparing the Budget for Your Mission Church
3. Various Financial Forms That You Will Need
4. How to Obtain Tax Exempt Status
5. EIN Information and Authorization Form
6. Incorporation of the Church

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!

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 Church Planter Assessment Center.

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

FUNDRAISING PLAN: Develop the fundraising plan for your mission church. Guidelines are provided in the fundraising section of the church planter orientation manual. MNA staff are available for advice, but approval of your fundraising total goal and fundraising plan rests with the sponsoring church or presbytery for all mission churches. *General Assembly*

MNA does not perform the role of approving mission church funding goals or mission church 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 MISSION CHURCH: Determine whether you are best served by General Assembly 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.

YOUR LETTER OF CALL: It is your responsibility to make sure that a formal call is approved by 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: In order to meet IRS requirements, the specific annual dollar amount of your ministerial housing allowance must be included in your letter of call approved by motion by the presbytery. 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 Chapter 5 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](#).

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.

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 BCO and presbytery ordination or transfer procedures.

FORMING THE MISSION CHURCH AS AN ECCLESIASTICAL ENTITY: In order for your church plant to be established as a mission church officially, **the sponsoring presbytery must vote on it and the action must be recorded in the minutes**; that is, your church plant does **not** have mission church status just because the presbytery MNA committee recommends or approves it as 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. The mission church does not have to have an official church name in order to be approved by the presbytery as a mission church, nor does the *Book of Church Order* require that there are any existing members or potential members to enroll.

FORMING THE MISSION CHURCH AS A LEGAL ENTITY: Establish the mission church as a legal entity as soon as possible. In all but a very limited number of states (the Commonwealth of Virginia is an exception) this is accomplished by establishing a non-profit corporation registered with the state. Accomplishing this is a relatively simple, quick and inexpensive process if you employ the services of an attorney who specializes in this service. Under no circumstances should anyone undertake this who is not an experienced attorney. The attorney must be licensed in your state and thoroughly familiar with the applicable laws of your state. Incorporating as a non-profit and seeking 501(c)(3) tax exempt status are often confused. They are not the same. As detailed below, your mission church may incorporate and then use the PCA tax exemption number. Or if circumstances require (rarely a necessity for a young mission church), your mission church may incorporate and seek her own 501(c)(3) exemption. A sample corporation document is available from the PCA Administrative Committee office. However, this sample should be used only as a very general reference. The sample may not satisfy the requirements of your state's laws because the laws vary greatly from state to state. Your documents must be designed for your state.

EIN NUMBER AND TAX EXEMPT STATUS: You should find on the MNA web site 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. Read this article carefully. In brief, you obtain an Employee Identification Number (EIN) for your mission church from the IRS after your mission church is incorporated. The EIN 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. The PCA AC then gives you the PCA tax ID# and authority to use that number in order to make gifts to the church tax exempt. By following this procedure, you can provide tax exemption for donations without going through the procedure of seeking 501(c)(3) tax exempt status as an individual church. A PCA church may use the PCA tax exemption number forever; there is no time limit on its use. Over time, many churches do prefer for various reasons to obtain their own 501(c)(3) exempt status. With the above steps taken, the process of applying for a 501(c)(3) can take place without great haste. Thankfully for those who wish to seek this status, the process is now substantially simpler and less expensive than it was prior to the year 2016.

READY TO DO BUSINESS: 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 once you have fully taken all of the above steps, your mission church has the same legal standing and tax exempt standing as an organized church.

SINGLE SPECIAL EXCEPTION TO THE ABOVE ECCLESIASTICAL, LEGAL AND TAX EXEMPTION STEPS:

If your church plant is a direct ministry of a mother church, and the mother church providing your accounting services, you do not have to take the above steps at the beginning of the life of the mission church. In this case, donations are actually made to the mother church and are exempt on that basis. The mother church receipts the gifts and performs all your accounting services. The mother church cannot delegate or lend out its exempt status. As you move toward organization as a particular church, be sure that you take the above proper ecclesiastical and legal steps well in advance of the organization date.

MISSION CHURCH BANK ACCOUNT:

Open a checking account in the mission 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 of 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 the 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, a large church whose business staff could serve in this capacity.

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 OR USE OF ONLINE SOFTWARE:

Research any options available carefully and obtain opinions from qualified accounting firms and personnel if seeking your own software. That software must meet the appropriate standards and it is important that your records are set up in such a way that they can increase in complexity as your church accounting needs increase over time.

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 recommended you, General Assembly MNA is supervising you financially. *General Assembly MNA does not perform this role; full accountability rests with the presbytery.* We recommend a minimum of quarterly financial reporting to the presbytery through the presbytery MNA committee. If MNA provides Cash Management services for funds raised from donors for your mission church, MNA requires that your financial management be overseen by a presbytery-appointed oversight commission.

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.

FREQUENTLY ASKED QUESTIONS

WHERE SHOULD DONORS FOR MY MISSION CHURCH SEND THEIR GIFTS?

If you are funding through MNA, your donors should mail checks to MNA at PO Box 890233, Charlotte NC 28289-0233. Please ask them to make sure to designate for: John Smith, Any City Mission Church. 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?

Church credit card accounts should be opened and used only for the purposes of the church. 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.