

FM TREASURER RESPONSIBILITIES & GUIDELINES

The work of the church treasurer is extremely important to the operation of the local church. Accurate finance reports to the local church Board of Administration (BOA) enable wise church business decisions. Keeping records, and providing reports to the church BOA and Society, is the responsibility of the church treasurer according to the Book of Discipline. The Treasurer should seek any necessary training to be able to fulfill this role. Training is often available through the Conference office. A qualified bookkeeper and/or payroll service may be hired by the church, but their work should be reviewed and questions asked if services do not appear to be in alignment with these guidelines.

The following is a listing of all financial/legal compliance issues that should be on the Treasurer's radar; the treasurer should personally accept responsibility for these items. If a church has a finance team, some of these responsibilities may be shared by others, but it should be clearly indicated who is responsible for what area. To protect the church, a treasurer should never assume that the pastor or another person is taking care of any particular area and should be provided with proper documentation.

TREASURER RESPONSIBILITIES

Cash

- The treasurer is to maintain all local church funds in church bank account(s) under the church federal tax identification number and reconcile the bank statement(s) on a monthly basis.
- At least 2 individuals are to count and document all funds received.
- Two signatures are recommended for each bank account. This protects the church and treasurer.

Contributions

- Contribution information is to remain confidential.
- The treasurer is to maintain records of contributions given to the church and is responsible for preparing and distributing annual contribution statements according to IRS regulations (more frequently if requested by the church board of administration). Receipt of contributions given must be cut-off at December 31 each year. Gifts received after year-end must be reported on the next year's giving statement.
 - IRS requires that charitable organizations provide a written disclosure statement to donors no later than January 31 each year
 - for each deductible donation (either money or property) of \$250 or more
 - of a quid pro quo contribution in excess of \$75. A *quid pro quo contribution* is a payment made to a charity by a donor partly as a contribution and partly for goods or services provided to the donor by the charity. For example, if a donor gives a charity \$100 and receives a concert ticket valued at \$40, the donor has made a quid pro quo contribution. In this example, the charitable contribution portion of the payment is \$60. Even though the part of the payment available for deduction does not exceed \$75, a disclosure statement must be filed because the donor's payment exceeds \$75. The required written disclosure statement must follow further guidelines as required by IRS.

Payables

- Faithful and timely payment of church obligations is essential. The treasurer is to see that payment of all local church approved invoices, check requests, and other approved obligations are made in a timely fashion. Each invoice and request is to be approved by someone other than the treasurer.

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- Wabash Conference payments are due on the 10th of each month following the activity of the church. Amounts due to the Conference office are updated each year and provided to each local church. If desired, these amounts may be drafted from the church's bank account electronically.
- All requests for payment are to be given to the treasurer in written format and may NOT be approved by the treasurer, but by the person responsible for given area of the church. The treasurer is to maintain adequate files of all approved payments with documentation of the payment attached.
- Reimbursable expenses must be approved according to IRS guidelines.
- Determine if payment of funds is to an employee or subcontractor under IRS guidelines – see strict IRS definition of employee vs subcontractor.
- Maintain proper W-9 forms on all subcontractors (any individual, LLC, or non-incorporated vendor receiving an annual amount of \$600 or more from the church).
- Maintain valid proof of insurance certificates from every subcontractor used by the church. (Many times this is better maintained by the church secretary or person involved in scheduling service work at the church, but the church treasurer should have knowledge that said person is keeping these certificates up to date.)
- Maintain personnel files for each employee to include proper documents (i.e. employment application, IRS W-4, state withholding form, and I-9 form).
- Reimbursable expenses must qualify under the IRS guidelines. We recommend the IRS accountable plan. In order to be paid, expenses must be substantiated with receipts prior to disbursement of funds. Submission of reimbursement(s) are to be timely (as defined by the church).
- Mileage reimbursements – pay according to local BOA approved policy. The BOA can approve a rate based on the IRS rate. (For example, the church BOA may wish established a policy for committee travel as 20 cents less than the IRS rate, or a set amount and reviewed annually.) Any amount paid above the IRS rate is subject to income tax.

Finances

- Keep the local church BOA informed of church's financial position. An accurate and detailed monthly (or in some cases quarterly) financial statement is to be given to the finance committee and the local board of administration. This financial statement should include both monthly and year-to-date actual vs. budget income and expenses. The finance reports should include notation of any obligations that are unpaid (either as a payable in the report or as a footnote).
- In cooperation with the pastor, the treasurer is to prepare and/or assist appropriate person with local church's annual budget for BOA and society approval. The board should care for the approval of the pastor's housing allowance for the next year prior to the calendar year-end as required by IRS. This must specifically be noted in the church BOA minutes, and may be part of the budget process if done PRIOR to December 31.
- All documents are the property of the local church, not the treasurer's.
- Finance records are to be maintained for 7 years.
- Make sure that the local church has proper property, liability, sexual molestation and workman compensation insurance coverage and that coverage remains in effect. FMCUSA and Wabash Conference must be listed as an additional insured. *See FMCUSA Suggested Church Insurance Guidelines (on the last page of this packet).* Note: worker's compensation insurance is required in the state of Indiana and Illinois even if the only employee is the pastor. If you do not have these coverages, please contact your insurance agent.
- Bonding of treasurer – We recommend the church include this coverage in their insurance policy

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Tax Filings and Other Reporting so that the church's NFP status can be maintained

- Each local church's 501(c)3 Not-For-Profit status is covered the under FM denomination (FMCUSA) and must be requested from FMCUSA. In order to acquire this, the church must be in "good standing" (i.e. all of the following must be valid and active).
- Each local church is responsible for its **federal ID number**
- Each local church is responsible for all **payroll tax withholding account numbers**-if applicable
- Prepare **state's Nonprofit Organization's Annual Report** (Indiana-Form NP-20; Illinois-Form C-54.) Forms mailed to address of record on the 15th of the fifth month after the accounting year end each year. (This would be May 15 of each year if the church's accounting year is a calendar year).
- Each local church is responsible for maintaining its state **sales tax exemption** (IN NP20A or IL)
- Each local church is responsible for maintaining its **exemption from utility sales taxes** (Indiana form ST200 and 3-year request of refund on form GA-110L or IL form #). Note, that the exemption from utility sales tax is different than sales tax. Unfortunately, there is no federal utility tax exemption for churches.
- **Church Articles of Incorporation** and **By-Laws** should be maintained and periodically updated with the State of Incorporation. (See attached *Policy & Business Procedures for the Formation of New Churches* – at the end of this packet.)
- Prepare **state property tax forms** and **exemption applications** as required by the state that your church property is in.
 - Indiana state property tax requirements are governed by each township. Contact your Township Assessor to see if they require annual filing. Exemption Applications are NOT automatic and may be required every leap year or sooner if changes occur with the church property. Exemptions are handled by the County
 - Illinois state law requires yearly renewal of property tax exemptions each spring. This is done by requesting and signing the proper form from the church's county assessor's office.
- Each local church is responsible for the annual filing of the **Secretary of State Entity Report**.
- **Payment and filing of all state & federal payroll taxes** to include monthly, quarterly & annual filings (W-2s, 1099s, & related tax forms). The treasurer is responsible for these, **not** the pastor.
 - W-2s (for employees and all pastors) and 1099 (for self-employed individuals, subcontractors, LLC corporations, and vendors not incorporated who received \$600 or more in given calendar year.) Forms are to be issued to the recipient no later than January 31. The IRS and state transmittal forms are also due January 31 each year. In order to avoid notices, these should be prepared and reconciled at the same time that you are preparing the W-2s and 1099s.
 - Contact appropriate government offices/websites for tax forms and requirements.
- Determine if any income received by the church is subject to **Unrelated Business Income filing**. (The most common church funds subject to income tax are proceeds from fundraisers or rental income.)
- Provide Pastor with financial information needed for the **FMCUSA annual report**.
 - This request is sent by the FM denomination to your senior pastor and is normally due Jan. 31 each year. You can find more information about this on the Finance page of our website.
- File **unclaimed property report** (even if you don't have any) according to the guidelines of your state government agency. The most common example of unclaimed property for a church is outstanding checks. You must attempt to reach the owner first.
- Perform other responsibilities as defined by the local board of administration.
- Contact the appropriate government agency or our office for further information.

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OTHER GUIDELINES

Keep abreast of communications from the Wabash Conference office, FM denomination, and government offices.

An **annual audit(/review) or financial review** should be conducted by a qualified person or firm as determined by the local board of administration. If approved by the local BOA, this can be done by church volunteers under guidelines approved by the church. This should be completed no later than five months after the close of the fiscal year. A copy of the report is to be made available to the local Board of Administration and the Society. If there are questions, please contact Wabash Conference.

FMCUSA Pension Participation

Employees and Pastors are to be enrolled in the FM Defined Benefit Plan if they are:

- receiving compensation – **AND** –
- an ordained, appointed Pastor to a local church or church plant, a Superintendent of an Annual Conference, or a Conference Ministerial Candidate appointed as a Senior Pastor to a local church or church plant. – **OR** –
- A person who is employed at least 25 hours a week, or who has worked full time at least five months out of each year, and Is employed as part of an Annual Conference staff and who receives compensation from an approved Annual Conference budget (all income generated by conference activities including allocations); Is an eligible employee of the World Ministries Center; or If such election is approved, any person employed directly by an organization or institution which elects coverage for its employees.
- If an employee is serving a church in a part-time supportive position (such as a Music Director, Youth Pastor, Visitation Pastor) and the local church has elected not to extend benefits to the position, this person should not be appointed by the conference (the individual should not be listed on the conference appointment sheet). A contribution is payable on behalf of an employee only if that employee is appointed by the Annual Conference and receives a cash salary and/or housing compensation.

Pension premium cost is 13.5% of salary, self-employment tax, deferred compensation, HSA withholdings or Section 125 funds, and housing allowance or fair rental value of the parsonage (including utilities). In December of each year, or no later than January 5, and any time that there is a change the pastor's salary (or during the year as well as a change in the pastor serving the church) this information is to be updated for pension purposes. The form to make these updates is available through our office or at <http://fmcusa.org/hr/pension-change-of-status-form/> and is the basis for the church's pension cost.

Self Employment tax (sometimes referred to as Social Security tax) is currently 15.3% and calculated on salary and housing allowance or fair rental value of the parsonage (including utilities). See IRS regulations for more information.

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CHURCH GOVERNMENT FILINGS **

All nonprofit organizations are required to file these reports every year in order to maintain their non-profit/exempt status...

Nonprofit Organization's Annual Report

- INDIANA – due on the 15th day of the 5th month following the end of the tax year (form NP-20) <http://www.in.gov/dor/3506.htm>
- ILLINOIS – due prior to the first day of the corporation's anniversary month each year http://www.cyberdriveillinois.com/publications/business_services/nfp.html

State Property Tax Forms and Exemption Applications

- INDIANA – normally due annually by May 15. Some townships require a 103/104 form annually even if there are no changes, or if you have been approved as exempt. Check with your local government agency so that you don't risk this exemption! Forms are at www.in.gov/dlgf
- ILLINOIS – complete Form CDF-7, Commercial Distribution

Fee Sales Tax Exemption Certification – to be renewed every 5 years
(search sales tax exemptions on your state's web site)

Secretary of State Business Entity Report

- INDIANA – due annually the month in which the corporation was formed <http://www.in.gov/sos/business/2427.htm>
- ILLINOIS – due by the 1st of the anniversary month in which the corporation was formed each year (Domestic/Foreign Corporation Annual Report – form C54) http://www.cyberdriveillinois.com/departments/business_services/business_not-for-profit/home.html

*** While every attempt has been made to ensure the accuracy of the information presented here, no guarantee is given. Be sure to seek the advice and assistance of a qualified tax preparer for your needs.*

FREE METHODIST FINANCE RELATED DISCIPLINARY REQUIREMENTS

Paragraph 6250 J - The society shall elect a treasurer who shall be an adult member of that society. He/she shall keep a record of all money received and expended by the church and report to the society.

Paragraph 6250 K - A financial review or audit(/review) shall be performed annually. (The following rotation is recommended: review for 2 years, then audit(/review) for 1 year.)

Paragraph 6300 G - The treasurer of the society shall keep a record of all monies raised and of the manner in which they are expended. The treasurer shall provide a detailed monthly financial statement in writing to the finance committee and the local board of administration, with a full report to the annual society meeting.

Paragraph 6300 H - To safeguard the treasurer, it is recommended that the board elect tellers who shall count each offering and provide the necessary documentation for the financial review or audit(/review).

Paragraph 6300 I - A financial secretary may be elected if the size of the congregation and amount of funds handled make it advisable. Duties of the financial secretary shall be defined by the local board of administration.

Paragraph 6300 J - It is recommended that the local board of administration elect from the members a finance board. The pastor and the treasurer shall be ex-officio members. The finance board shall report regularly to the local board of administration.

Paragraph 6300 K - Upon the joint request of the pastor and the finance board, the financial books shall be made available for examination.

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Policy & Business Procedures for the Formation of New Churches (Financial portion related to treasurer responsibilities from the FMCUSA Book of Discipline)

Step 1: Church-Planting Projects ¶6810

A church planting project is the first phase in the formation of most new churches.

- The church plant needs to apply for an Employer Identification Number (EIN) as soon as they have broken away financially from the sponsoring agency (i.e., taking offerings, paying their pastor, keeping financial records, issues contribution statements, etc.) To apply for an EIN, please visit this following link to IRS website: https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online?_ga=1.53747498.363132186.1474911608
- Once the EIN is acquired, contact the Wabash Conference office for a 501(c) (3) letter (Federal Tax Exempt Status) for church plant.
- The church plant should also incorporate at this time. This protects church leadership from liability issues. Each state (Indiana and Illinois) has different guidelines for incorporation. Visit the Secretary of State web site for your state to determine proper procedures.
- The church plant must register the church with the Secretary of State. Procedures for this process can also be found on the Secretary of State's web site. There may be an annual entity fee.
- After the 2nd year of formation, the church plant will share in the financial support of denominational ministries (FMCUSA Home Ministry Fair Share/EPP-Equal Participation Plan). Currently, this is 3.2% of a church's annual income less allowable deductions (reported on the Annual Report).
- After the 2nd year of formation, the church plant will share in the financial support of the Wabash Conference. Our current Conference Apportionment is currently 6.8% of a church's annual income less allowable deductions
- Participation in the Free Methodist Church Pension Plan as defined by the plan.

Step 2: Fellowship Status ¶6820

Fellowship status is the second phase in the formation of most new churches. The Wabash Conference Board of Administration will serve as the fellowship's sponsoring agency.

- A fellowship shall hold and disburse its own funds but the sponsoring agency shall retain authority to audit(/review).
- Any real property acquired by a fellowship prior to recognition as a society shall be in the name of Wabash Conference or the Free Methodist Church - USA, rather than in the name of the fellowship.
- In the case of dissolution of a fellowship, the accumulated assets become the property of the sponsoring agency.
- A fellowship is encouraged to give a tithe of church income to conference and denominational ministries as the first step towards full participation in these financial responsibilities.
Conference Notes-The Book of Discipline uses the term "audit" loosely and we believe that "review" is intended:
 - The fellowship will share in the financial support of denominational ministries (FMCUSA Equal Participation Plan). Currently, EPP is 3.2% of a church's annual income less allowable deductions (reported on the Annual Report).
 - The fellowship will share in the financial support of the Wabash Conference. Our current Conference Apportionment is 6.8% of a church's annual income less allowable deductions.

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Free Methodist Church of North America Suggested Church Insurance Guidelines

All church liability insurance policies, except for workers compensation, must name the Free Methodist Church of North America and the associated conference (*Wabash Conference, P.O. Box 40, Mooresville, IN 46158*) as an “**additional insured.**” Policies must be written on a **PRIMARY AND NON-CONTRIBUTORY basis with any other insurance.** Additionally, a “**waiver of subrogation**” in favor of the Free Methodist of North America should be included in all policies.

Policies must be written by an insurance company with an acceptable **A- or better AM Best Rating** and satisfactory to Free Methodist Church of North America.

Certificates of Insurance

Mail or fax (864-239-2435) certificates to the following address:

Free Methodist World Ministries Center
Department of Administration
770 N. High School Road
Indianapolis, IN 46214

Liability

General Liability

\$1,000,000 each occurrence; **\$2,000,000** aggregate

Automobile Liability

\$1,000,000 each accident

Including owned, non-owned and hired vehicles (If there are no owned vehicles, non-owned and hired coverage can be added to the General Liability policy.)

Professional Liability:

Sexual Misconduct & Pastoral Counseling -

- **\$1,000,000** each occurrence & aggregate (*if applicable as determined by the Free Methodist*)

Directors & Officers Liability -

- **\$1,000,000** each occurrence & aggregate (*Especially if there is a camp or school operation*)

Workers Compensation and Employers Liability

Statutory required coverage for State in which the church is located and operated.

Property

- Coverage should be written on a Special Form Including Theft (*All Risk*)
- Replacement Cost
- Ordinance or Law Endorsement (CP 04 05) 15% of the building value or \$100,000 minimum
- Insure for full replacement cost value of the building, equipment, furniture, signs and fixtures and actual cash value on the glass
- Crime coverage for money & securities and employee dishonesty. Minimal coverage limit \$20,000
- Building should be appropriately valued (a recent appraisal)
- Wind coverage must be included
- Flood coverage is required for property located in flood zones

Umbrella/Excess Liability

- **\$3,000,000** each occurrence & aggregate (*if applicable as determined by the Free Methodist*)