

# THE CHURCH, ITS MONEY AND HOW WE REPORT

## Alabama South District Church of the Nazarene

Questions often arise of why we would pay monies to the district and denomination. This material should assist you in better understanding the work of the Lord through the giving of faithful churches like yours.

### I. Church Money is about Stewardship.

- A. The giving of money is a part of our stewardship under God.
- B. How that money is handled from the time it is taken out of the offering plate until it pays a bill is a part of our stewardship.
- C. If the church is seen as "*entirely spiritual*" and money is seen as "*entirely worldly*", we cannot think clearly as God's stewards. Good business practice is stewardship too.

### II. The Duties of the Treasurer of the Church Board

The following is from the Manual (2005-09), page 87

- A. To receive all moneys not otherwise provided for, and disburse the same only on order of the church board.
- B. To make monthly remittances of all district funds to the district treasurer, and of all general funds to the general treasurer, except as otherwise provided.
- C. To keep a correct book record of all funds received and disbursed.
- D. To present a detailed monthly financial report for distribution to the church board.
- E. To present an annual financial report to the annual church meeting.
- F. To deliver to the church board the complete treasurer's records at such time as the treasurer shall cease to hold the office.

### III. The Importance of Money Counters

- A. Manual Requirement:  
*"To provide a committee, no fewer than two members of which shall count and account for all money received by the church. 129.22 (Manual 2005-09)*
- B. The Method
  1. Counter must understand and respect fund distinctions.
  2. This starts with the envelope and "*for*" on the check.
- C. The Form
  - A counter form should be designed to meet local church needs.
- D. Funds Security.
  - Money should be kept in a safe place until the count is complete and the deposit is made. The person who is known to keep large amounts of cash is very vulnerable in our high-crime day.
- E. It is ideal if the counters, and not the treasurer, make the deposit (night depository may be used).
- F. There needs to be good consistent communication between counters and the treasurer.

### IV. The Necessity of Confidentiality for Contributors

It is very important for counters, all treasurers, bookkeepers, secretaries, and Pastor to keep confidential the amounts given to the church and its ministries. Privacy is a big issue today in our society and culture. Confidence shattered is not easily restored. Its loss is more costly than money.

## V. The Importance of Accurate Records and Reporting

- A. For Accountability purposes.
  - Manual: calls for "*careful accounting*" regular monthly reports. 129.21 (Manual 2005-09)
- B. For Accurate Contribution receipts
  - People expect their contribution receipt to be thorough and accurate.
  - Thank you letters from the pastor are appropriate, especially for "*outside*" contributors.
- C. For I.R.S. purpose
  - Local treasurers must now issue church employees a W-2 form.
  - If you handle funds contrary to federal law, then you as a Treasurer become liable. Tax laws are becoming more stringent on non-profit organizations.
  - Our Department of Pensions in Kansas City mails helpful information from time to time. These should be thoroughly read, kept on file or in your treasurer's notebook.

## VI. The Problem of Ownership, Power, Influence and Control

- A. Stewardship answers the question of ownership. The funds do not belong to the Treasurer, Pastor or Brother or Sister Charter Member. They are given to God, for His work. We should be prayerfully open to how He wants the funds spent.
- B. Accountability answers the question of power. The Church treasurer must seek to carry out the actions and decisions of the church board. If this is not possible, then he/she should go back to the board for clarification of action. Never should the Church Board's actions be subverted because the Church Treasurer "disagrees" with the action taken.

*True Example: The Church Board voted to pay off the budgets with the balance in the treasure. Everyone thought it had been done until assembly. What they found was that the Church Treasurer decided to pay off the organ instead, though they were current and had quite a number of months before it had to be paid off. The treasurer's own philosophy and agenda quite intentionally circumvented the decision of the majority.*

- C. The person who writes the checks has a great deal of influence, sometimes aware and sometimes unaware, of how funds are to be spent. Most of this happens in a natural way because no one wants the "*treasurer to be under pressure*" because the bills can't be paid. So they look his or her way to see if there is "*pressure*" which always evolves into a look for his or her "*approval*". A treasurer cannot change the ever-present reality of this, it is just there, but the decision must be made not to abuse it or use it.
- D. Our Manual gives control to the Church Board. These decisions are to be spelled out in the minutes. Good Board minutes that are clear concise and indisputable as to what they mean are important in all matters, but especially so in financial matters. They set precedent, shape policy and future decisions.

## VII. Understanding the Nazarene Accounting System

- A. It is based on the Pastor's Report to the District Assembly
  - 1. Understanding the Form
    - i. The Pastor's Annual Report Form
    - ii. The District Journal Financial sheets numbers correspond identically to the Pastor's Annual Report Form
  - 2. Understanding the "*Allocated Budget System*"

- i. Start with the Finance Committee Report of the current District Journal.
- ii. How Budgets are figured: The sum of lines 3 to 8 (or Line 9 minus 1a, 1b, 1c and 2). If you include in these lines amounts that belong somewhere else, you will affect your WEF and the portion the District pays to TNU and Pensions, etc.
  - ❑ **True Example: Church budgets nearly doubled for one church because the treasurer gave an inaccurate breakdown of how the money was spent locally. The thought was "just so it is somewhere in 'local'" it is okay. Wrong!**
  - ❑ **Proper reporting help minimize budgets for the church and the district.**

B. The Uniform Church Accounting System

- 1. Hand Ledgers
- 2. Computer System
  - i. Consult "*Master Buying Guide*" from Nazarene Publishing House.
  - ii. Address of "Nazarene Church Treasury System" is  
David Watson  
3916 Ashbury Lane  
Bedford, Tx 76021  
817-318-0303  
[www.ntssoftware.com](http://www.ntssoftware.com)
  - iii. There are a number of computer systems that work well. The person who sets it up and operates it needs to understand the Nazarene System with its lines and numbers.

### VIII. The Annual Audit

- A. Manual Requirements:  
*"To appoint an auditing committee which shall audit, at least annually, the financial records of the treasurer of the church, the Nazarene Youth International, the Sunday School Ministries Board, Nazarene day-care/preschool/weekday schools, and any other financial records of the church." 129.23 (Manual 2005-09)*
- B. It does not have to be a C.P.A. It can be two or three persons who understand basic accounting to check records, verify balances, etc.
- C. Reason and "*Conflict of Interest*" says that the auditors should not all be "*kin*" to the treasurer.
- D. There are not to be hidden or unaudited accounts. There have been accounts that no one but a treasurer knew about. These might go undiscovered for years.
- E. An audit protects the treasurer. Books that are never audited could raise unfounded and unnecessary questions. Besides an audit is just good business.
- F. It is appropriate for the auditing committee to suggest to the treasurer and/or church board ways to improve the local system.

### IX. Studying and Improving Ministerial and Staff Compensation

- A. Ministerial compensation is all a part of the local church developing a budget for expected income and expenditures.
- B. **The "*Psychology of Compensation*" becomes a key factor in how pastors are paid.** All the components of this come into play when compensation is discussed. This emotional baggage will affect the process and its outcomes.

- C. **The ethical starting point should be to make sure that ministry expenses are covered.** The biggest item is automobile expense. Giving a gas allowance is not adequate. There are tires, maintenance, repairs, insurance and finally replacement of the vehicle itself when it is worn out. The IRS mileage re-imbusement rate is the best way. Some churches furnish a car instead. If a minister only receives gas allowance the other expenses for driving the car for the church has to be paid out of the minister's own pocket. Then there are professional expenses like books, magazines and professional journals, etc. The "*minister's package*" should always have an amount in it equal to the auto and professional expenses. This is the only way the church can realistically understand what the salary and benefits package really is.
- D. The Church Treasurer and/or the Church Secretary need to take initiative in the periodic review of what their pastor is being paid. In many churches this is the responsibility of the Finance Committee. **By Manual this is to be done at least annually.** Some churches do it at the beginning of the calendar year, some at the beginning of the church year and some at the time of the pastor's anniversary. Whatever the time, it should never be neglected.
- E. Every 3 to 5 years there should be a comprehensive study of the pastor's salary and benefits that should include the following questions:
1. How is he doing in comparison to his or her peers? The District Journal may help here.
  2. How are we doing based on our ability?
  3. How are we doing based on his or her training and experience?
  4. How does his or her salary and benefits compare with other working members of the Church Board? This can be done with a confidential survey of all working board members. One must be careful to compare apples to apples. This can be done but one must be careful to disclose on the confidential survey "*hidden*" benefits that do not show on the check stub, such as the one half of Social Security paid by the employer, profit sharing, life insurance, etc.
  5. What kind of retirement will he have based on what he will receive from the church and what we are contributing to his or her retirement?
- F. District recommendations on "**Pastoral Care Guidelines**"
- There is always a portion of the Finance Committee report that deals with this (see the current District Journal). Some churches adopt and use portions of this for their own church policy such as mileage rate, meal away from home when traveling for the church, etc.
- G. Arranged the pastor's package to minimize pastor's taxes. This is working within the framework of laws that congress has passed. It is just good practical business sense.

**HYPOTHETICAL CHURCH OF THE NAZARENE  
PASTOR'S  
SALARY AND BENEFIT PACKAGE**

*Salary (200 wk)	\$10,400 (W-2) {Income Tax & SS Taxable}
*Christmas Gift	300 (W-2) {Income Tax & SS Taxable}
*Social Security Tax reimbursement (324 mo.)	3,888 (W-2) {Income Tax & SS Taxable}
*Housing Allowance or Rental Value (700 mo.)	8,400 (Only SS Taxable)
*Utility Allowance (200 mo.)	2,400 (Only SS Taxable)
TSA (Tax Sheltered Annuity for retirement) (200 mo.) (1,200 benefit and 1,200 salary reduction)	2,400 (Tax Free)
Life Insurance (\$50,000 tax free)	400 *(200 W-2)
Health Insurance (649 x 12)	7,788 (Tax Free)
Health Reimbursement Arrangement (HRA) <i>Or Flexible Spending Accounts (FSA)</i>	1,200 (Tax Free)
<b>Total Salary and Benefits</b>	<b>\$37,176 (W-2 = \$14,788)</b>

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**Ministry and Professional Expense Reimbursements**

Auto and Professional Expenses (100 wk)	5,200
<b>Total Package</b>	<b>\$42,376</b>

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Monthly Check is \$1,224 (324 + 700 + 200)  
Weekly Check is \$300 (200 + 100)

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- Other Ministry Expenses Covered by the church may be:**
- Cell Phone or Beeper
  - Way Paid to Minister's and Mates Retreat
  - Way Paid for Pastor's Wife to District Women's Retreat
  - All expenses to district camp meeting
  - Mileage for out of town trips for church @ IRS rate.
  - Seminar/education expense allowance (annual) \$1,000
  - General Assembly Expense Allowance of \$1,000

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\*Indicates items on which Social Security must be paid.  
You arrive at Social Security amount by multiplying .1806375 times all items except Social Security itself. Then if you multiply .153 times all Social Security taxable items you come up with the same amount.

# ALABAMA SOUTH DISTRICT CHURCH OF THE NAZARENE

## Sixteen Percent Plan of Fair Share Giving

### SOME THOUGHTS AND CLARITY ON 16%

- ❑ It is about mission. Budget payments are important and are simply ways of financing our joint mission.
- ❑ It goes for District Administration, District Camp, District Home Mission, District NYI, District NMI, District Sunday School, TNU, and Ministers' Pensions
- ❑ Someone said, "*Why can't it be 10% and not 16%?*" The reason is that this will not fund the level of benefits or mission, which we have chosen together for ourselves.
- ❑ Churches can spend all of their money on themselves and their causes just like individuals can. The Church of the Nazarene is a team effort. The Lord does not bless us when "it is all about us".
- ❑ Why should other people pay for what we all benefit from? Maturity helps us understand that there are no free lunches. It is about responsibility. It is the way for each church to do its fair share.
- ❑ 16% works "*as good as*" or "*better than*" any system any district now has in place.
- ❑ Paying in full gives extra scholarship funds for Alabama South students at Trevecca.
- ❑ It gives extra benefit in insurance and retirement for all of our pastors when we pay it in full.
- ❑ Every pastor and church board must have a strategy and plan to get the job done. It does not happen automatically or by wishful thinking.
- ❑ Local churches do better when its members pay their tithe and offerings on a weekly or monthly basis. What church could survive if everyone waited until December 30 to pay his or her tithe for the year? Districts do better when each of its churches pay their fair share on a weekly or monthly basis.

### Work sheet for 16% to help you get it on the right line

The **amount** we sent in on 16% was \_\_\_\_\_ Multiply **this amount** by the following percentages to get the right amount for each line. (These formulas come from page 58 of the Alabama South District 2004 Journal)

Line 10	District Unified	43%	_____
Line 11a	Home Missions	10%	_____
Line 13b	District Sunday school Departmental	3%	_____
Line 13c	District NYI Departmental	3%	_____
Line 13d	District NMI Departmental	3%	_____
Line 16	Trevecca/Education budget	24%	_____
Line 22	Pensions and Benefits budget	14%	_____

## ACCOUNTING FOR NMI FUNDS

Disbursing funds to the right place is important. NMI fund designation is difficult for most treasurers and officers to keep straight. See if the following will help.

### SEND TO THE GENERAL TREASURER'S OFFICE<sup>1</sup>

\*World Evangelism Fund (WEF) (Line 20)

- \*Easter
- \*Thanksgiving
- \*Prayer and Fasting
- \*WEF Faith-Promise

\*Approved Specials (Line 21)

- \*Alabaster
- \*World Evangelism Broadcast
- \*Local Church Sponsored Work and Witness
- \*Deputation offerings for Missionaries doing deputation services for the General Church (May be given to missionary).
- \*Duty Money for Missionaries
- \*Distinguished Service Award (DSA)
- \*Memorial Roll
- \*Medical Plan Offerings (Gifts from the Heart)
- \*Compassionate Ministries (Child Sponsorship, Disaster, AIDS orphans, etc.)
- \*VBS Special Project (Can designate for other purposes)
- \*NMI International Student Scholarship Fund

### SEND TO DISTRICT NMI TREASURER

\*District-sponsored Work and Witness project money

\*LINKS

\*District Children's Project Money

The district NMI treasurer will then send appropriate funds to the General Treasurer's Office.

### SEND TO DISTRICT NYI TREASURER

\*NYI Youth Mission Trips

### 10% HOME MISSION FUNDS SENT TO THE DISTRICT OR GIVEN DIRECTLY TO THE NEW CHURCH PLANT

\*District Church Plant (Home Mission Church Start) (Line 11b)

### REMITTANCES TO THE GENERAL TREASURER:

Forms for remitting funds to general interests are provided by the General Treasurer's Office. A set of these forms is included with each receipt issued by the General Treasurer's Office in what is referred to as a data mailer. Information must correspond with new General Treasurer's Office forms.

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<sup>1</sup> \*All stated items count on ten percent giving.

## TEN PERCENT CREDIT FORMULA

**Ten percent giving is figured on the money paid for all purposes by the church (Line 25),** less the amount paid on World Evangelism Fund (WEF) (Line 20) and Approved Specials (Line 21), equals the base for calculating Ten Percent Giving. A church is a Ten percent Church if it has paid 10 percent of the base figure.

After the financial part of the pastor's report is complete, you can arrive at the exact percentage by dividing 10 percent of base into the amount actually sent in for WEF and Approved Specials.

### **Example:**

A local church paid out for all purposes \$37,430 (Line 25)  
They gave \$ 500 to District Church plant (11b)  
They gave \$3,512 to for WEF (20)  
They gave \$ 432 on Approved Special (21)  
Total 10% \$4,444

Base is \$37,430 less \$4,444 equals \$32,986.

Ten Percent of \$32,986 is \$3,298.60 or rounded \$3,299. If they paid at least this amount then they are a ten percent church. The actually percentage is figured by dividing \$4,444 by \$3,299. So this would mean that the church gave 13.47% for missions.

**Someone will say to me, "We way overpaid our WEF but we are not a 10% church, why?"** The answer is that the church did not pay 10% of what it had spent for all purposes.

# RAISING MONEY

## TITHE

Some churches finance the program of their church in what has been called an “*annual stewardship drive*”. In it members pledge what they will give for the next 12 months to meet the church’s budget. This has not been the way that Nazarenes have raised money in the past. We challenge our people to tithe and sometimes even get them to sign a tithing commitment in a stewardship drive. It takes time to train new people to tithe, but we believe that this is the way God has chosen to finance His work.

## FAITH PROMISE

Faith-Promise is a way for raising all the funds necessary for WEF, Approved Specials, NMI District Allocations, and local NMI expenses. A total budget is arrived at. Then there is usually a Faith-Promise weekend or Sunday services where these funds are prayerfully promised by the members of the congregation for the coming year to underwrite the mission’s budget. Funds are given in a systematic weekly or monthly giving. The idea is that we will give more to missions this way than making a big push twice a year at Thanksgiving and Easter. This plan works for small churches as well as churches that have to raise lots of money for missions.

It is not uncommon for people who began to pray about what God would have them to give to give some amazing sacrificial amounts. When people are not challenged then these funds are not tapped.

## BUILDING PROJECTS

Many churches have sacrificial stewardship campaigns, either done by themselves or outsiders to raise significant amounts of money for building projects. These are merely ways of challenging the people for sacrificial giving. General Stewardship in Kansas City now has such a plan that local churches can use for major building projects. It is important to study how you can raise money successfully. It is costly not to reach your giving potential.

## DIFFERENT POCKETS FOR DIFFERENT GIVING PROJECTS

Remember, people give to different projects from different pockets. They will find a pocket with money in it for a project that they feel challenged to and will even give surprising sacrificially amounts toward it. Everyone will not give to the same project, but everyone has things they will be moved toward.

## THE NECESSITY OF RESERVES

Most families live from paycheck to paycheck. Individual families are urged by those in financial planning to have cash reserves in an Emergency Fund of 6 to 12 months. This is the only way for a family to not live from crisis to crisis. A private business must have a similar plan.

### Why the District Reserve Funds are there?

- ❑ Emergency and reserve funds for its own operation.
- ❑ Some of the funds are reserve funds that have been designated.
- ❑ Reserves are necessary if the bank allows the district to co-sign church loans. These become a part of our “balance sheet”.
- ❑ Reserve funds are necessary if the churches default on these loans.
- ❑ Reserve funds are used for emergency church grants because of disaster and unusually hardship.
- ❑ Some are marked for present and future home mission projects.
- ❑ Some are set-aside for the General Assembly Delegates.
- ❑ It is used to some degree nearly every year to pay Pensions Budget and Trevecca Budget to 100% where local churches failed to come through. This meant an actual cash amount into pastor’s retirement funds of \$30,000, and guaranteed scholarships for all Alabama South Students attending Trevecca (Everything above 90% payment is divided equally as scholarships to our Alabama South Students).
- ❑ Reserves must be maintained because of the above reasons. The main reserve is in the operational account (which dropped last year from \$62,178 to this years balance of \$54,278).

### The Stewards Final Report

Lord I crossed all my T’s and dotted all my eyes on my reports.  
He said, *“That is good my child, but did you win souls for Me”?*

Lord, we paid all of our budgets for the support of your work,  
He said, *“That is good my child, but did you find my lost sheep?”*

Lord, we gave to compassionate ministries and to the disaster fund.  
He said, *“Did you have love and compassion for all the suffering in your own neighborhood”?*

# Fair Share Giving and World Evangelism Fund

## World Evangelism Fund

- Outreach ministry in 151 world areas
- Approximately 788 missionaries and 196 missionaries' children
- Monthly pensions for 320\* retired missionary units; ("units" consist of couples and single missionaries)
- 40 Bible and theological colleges, 11 liberal arts universities, and 5 vocational and training schools—with 40,801 students enrolled
- 2 hospitals, as well as community-based health care/medical clinics
- Literature in 67 languages
- Casa Robles (Nazarene Missionary Retirement Center)
- The facilitation of Nazarene Compassionate Ministries, Work & Witness, Alabaster, and World Mission Broadcast
- Administrative costs to facilitate ministries and services to 14,567 churches and 4,123 church-type missions around the world
- Total amount raised for World Evangelism Fund in 2006 was US\$48 million.

## Fair Share Giving (16%)

1. These funds provide for the district office, administrative assistant and district superintendent
  - a. Enables him to visit churches
  - b. Assist churches with problems
  - c. Fill churches
  - d. Oversee district properties
  - e. Attend support meetings
2. Pensions and Benefits
  - a. Assists pastors in their retirement
3. TNU
  - a. Supported 14 students in 2007
  - b. Supports an independent Christian college in the Church of the Nazarene
4. District camp
  - a. Supports the ongoing work
  - b. Youth and children gatherings
  - c. Various meetings
  - d. Camp meetings
5. Home Missions
  - a. New Starts
  - b. Assisting pastors with needs and needy churches
6. District NYI
  - a. TNT
  - b. Camps, etc.
7. District Sunday School
  - a. Support the ongoing work of Sunday School and promote
8. District NMI
  - a. Alert (Alabama South Emergency Response Taskforce)
  - b. District Missions

*Developed by H. Lamar Smith for the Alabama South District Church of the Nazarene*