

DISBURSEMENTS AND COMPENSATION



PRESENTED BY

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STRENGTHENING CHURCH FINANCIAL OVERSIGHT

*Clear policies and separation of duties
ensure all disbursements are authorized,
documented, and safeguarded from
misuse.*

CHURCH DISBURSEMENTS

- Expense reimbursements, petty cash purchases and church credit card charges require documentation (detailed receipts, business purpose, etc.)
- Online payments should require approval prior to payment
- Purchase and payment requests with authorized approvals should be provided for review by signers and online payment before approving



CHURCH DISBURSEMENTS

- Payroll needs to be reviewed and approved prior to release
- Require checks be signed by two unrelated approved signers or at minimum for payments over a certain amount (typically \$1000 or more)
- Separation of duties for expense approval, check writing/recordkeeping, and bank reconciliation at minimum
- Counters and check preparers should not be signers on bank accounts





MANAGING AND PROTECTING DESIGNATED FUNDS

Churches must establish clear policies for fund creation, use, and dissolution to honor donor intent and maintain accountability.

DESIGNATED FUND MANAGEMENT

- Churches need a policy to originate and manage each designated fund
- Donors may not designate to budget line items or to a designated purpose that has not had a previously approved fund created by the church
- Churches may not spend designated donations for unintended purpose without prior written agreement (UPMIFA legislated)
- Church can adopt new designated fund policies, but it will only impact future donations



DESIGNATED FUND MANAGEMENT

- Churches must maintain list of contributors' donations to designated funds (Benevolence funds require significant additional)
- Designated funds at origination should have:
 1. *defined purpose;*
 2. *assigned team or committee for oversight;*
 3. *predetermined if specific time will be opened/closed or if will remain open/ongoing ;*
 4. *defined process to dissolve the fund*
- Designated funds cannot be borrowed from for other uses than prescribed in church approved policy enacted prior to the donation
- Designated funds should be disbursed according to financial practices and policies of the church (Receipts are required for expenditures)



FAIR COMPENSATION AND BENEFITS FOR STAFF

*Proper classification, competitive pay,
and well-balanced benefit packages help
support and retain church employees and
ministers.*

COMPENSATING CHURCH WORKERS

- Employee or Contractor? Minister or Support Staff?
- All staff must provide government required forms in order to be paid or receive benefits
- Internally process payroll (software) or contract with payroll processing company to pay staff and provide benefits
- Provide tax-free benefits when possible
- Regularly evaluate compensation studies to assure pay is competitive
- Employee expense reimbursements are not part of compensation nor can expense reimbursements be deducted from a lump sum to arrive at remainder to be taxable

BENNEFITS FOR EMPLOYEES

- Typically, a personnel committee will work with Pastor/Executive Pastor annually to review or amend the benefit plan taking into account law changes, market offerings, staff needs and available church budget
- Survey/interview staff to see if benefits are meeting their needs
- Benefits are usually provided by church with some employee shared cost deducted in payroll
- Staff compensation should be reviewed along with benefit plan to determine best balance for current staff and church



BENNEFITS FOR EMPLOYEES

- Most churches attempt to provide assistance with healthcare expenses & retirement
- Some benefits are one size fits all and others allow dissimilar employee classifications a different level benefit
- Benefit packages can improve staff retention and attract good candidates along with market competitive pay



A dark, blue-tinted photograph of a church building with a prominent steeple, serving as the background for the entire slide.

CHURCH  FINANCIAL CONFERENCE

MINIMIZING MINISTER TAXES TO MAXIMIZE PAY AND BENEFITS

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*Strategic tax planning for ministers and
thorough hiring practices help churches
maximize resources and build strong teams.*

MINIMIZING MINISTER TAXES TO MAXIMIZE PAY AND BENEFITS

- Provide tax-free health insurance or other medical expense assisting fringe benefit
- Utilize housing allowance to fullest eligible extent
- \$50k group term life insurance
- Provide retirement benefits
- Supply taxable benefits (SS offset, disability and etc.)
- Reimburse business expenses through an accountable reimbursement plan



BRINGING ON NEW CHURCH STAFF

- Establish search team or committee
- Verify available finances for pay and benefits
- Hiring staff should be a multistep process:
 1. *Know what you want to hire person to do (job description and classification)*
 2. *advertise position*
 3. *conduct interviews more than one interview*
 4. *check references plus some investigative review with prior churches*
 5. *background check*
- New staff should provide W4, G4, I9 and signed minister's housing allowance request prior to beginning (church completes new hire reporting form with information prior to start date and E-verify)

QUESTIONS

CHURCH FINANCIAL SERVICES

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