

# A Day Apart

*October 4, 2023*

**Vox**  
C H U R C H

# Agenda

- Introduction
- Finance Assessment
- Accounting Process Flow
  - Accounting/Reporting/Close
  - Budgeting
  - Technology
  - Staffing
  - Governance & Best Practices
- Pastoral Taxation
- Q & A

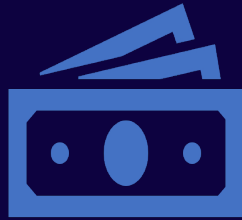




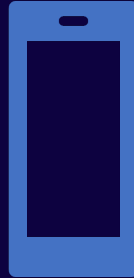
# Key Areas for Growth in your Finance Department



Accounting/Reporting



Budgeting



Technology



Staffing



Governance & Best Practices

*Healthy accounting systems help churches grow!*



# Vox Church Financial Health Assessment

Don't panic, there's still hope!	Under 40
You're on the right track!	40-70
Good job, keep it up! Financially healthy churches grow!	70+



# **Accounting Process Flow**



# Accounting / Reporting / Close

## Daily

### Cash Balances

- Multiple Bank Accounts
  - Operating
  - Savings
  - Reserve
  - Real Estate

## Weekly

### Accounts Payable

- Audit Points & Controls
  - Duplicate Payments
  - Late & Misc. Fees
  - Random Increases
  - Taxes
- Analysis & Trending

### Contributions

- Counting Ministry
- Booking/Batching
- Analysis & Reporting

### Bank Reconciliation

### Expensify

- Defined Policies

### Bi-weekly Payroll Processing

## Monthly

### Balance Sheet Reconciliations

- Prepaid, Fixed Assets

### Bank Reconciliations

- Cash Contributions & Other Receipts
- Cash Disbursements

### Credit Card Reconciliation

### Expensify Submission & Approvals

- Deadline Driven

### Communication with Budget Owners

### Journal Entries for General Ledger Integrity

### Budget Refresh Process

# Accounting / Reporting / Close

## Monthly Reporting

### Internal Statement of Activities (P&L)

- Dimensional Accounting

### Working Capital

- 24 - 36 Month Projections
- Scenario Capabilities

### Financial Ratios

### Employee Payroll

### Forecasting & Tiers Model

### Venue Management

### Vendor Management

### Donor Reconciliation

- Donor Database (Rock) to Sage Intacct System

## Quarterly

### Soft Close

- Reconciliation & Review of Balance Sheet & Income Statement Accounts
- Perform MoM, YoY Analysis

### Compliance/Deadlines

### Meetings with Budget Owners

- CT FMLA
- Sales & Use Tax

## Yearly

### Audit

### Hard Close

- Detailed Checklist
- Reconcile & Review the Balance Sheet & Income Statement Accounts
- Perform MoM, YoY Analysis

### IRS filings

- 1099
- W2

### Budget Creation

### Revenue Forecasting

### Tiers Model

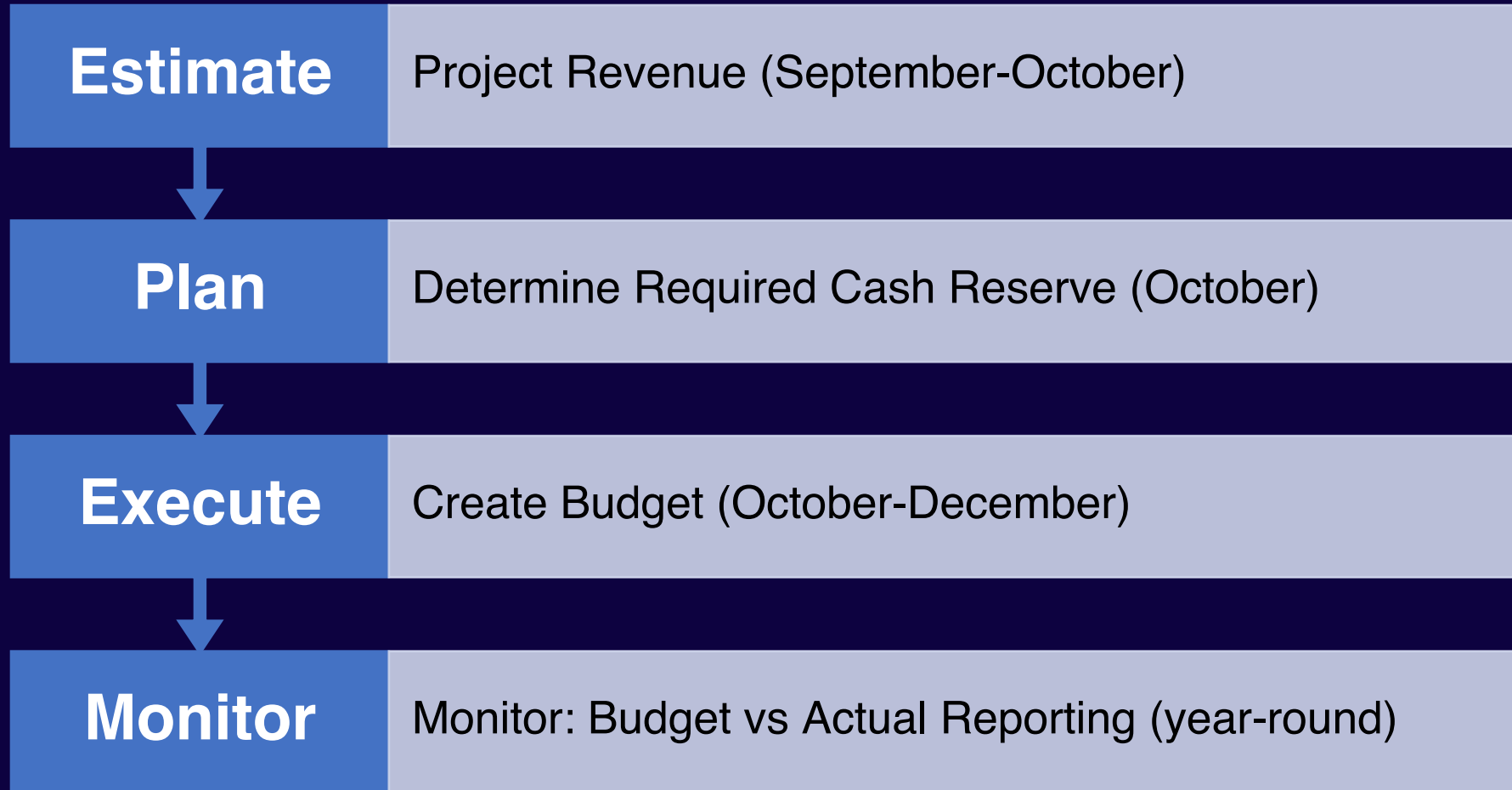


# Accounting Calendar Rhythms

Q1	Q2	Q3	Q4
<b>January</b> <ul style="list-style-type: none"> <li>1099s</li> <li>W2s</li> <li>Year End Audit Prep</li> <li>Closing Books</li> <li>Contribution Statements</li> <li>Quarterly Filings (CT FMLA, Sales &amp; Use Tax)</li> </ul>	<b>April</b> <ul style="list-style-type: none"> <li>BoD Meeting Late in Month (Year End &amp; Q1 Review)</li> <li>Quarterly Reporting &amp; Filings (CT FMLA, Sales &amp; Use Tax)</li> </ul>	<b>July</b> <ul style="list-style-type: none"> <li>Quarter Close</li> <li>Quarterly Reporting &amp; Filings (CT FMLA, Sales &amp; Use Tax)</li> </ul>	<b>October</b> <ul style="list-style-type: none"> <li>Budget Review &amp; Analysis</li> <li>Quarterly Close</li> <li>Quarterly Reporting &amp; Filings (CT FMLA, Sales &amp; Use Tax)</li> </ul>
<b>February</b> <ul style="list-style-type: none"> <li>Year End Audit</li> </ul>	<b>May</b> <ul style="list-style-type: none"> <li>Preferred Vacation Month</li> </ul>	<b>August</b> <ul style="list-style-type: none"> <li>Preferred Vacation Month</li> <li>BoD Meeting</li> </ul>	<b>November</b> <ul style="list-style-type: none"> <li>Budget Finalized</li> <li>Audit Prep - Interim Audit</li> <li>BoD Meeting</li> </ul>
<b>March</b> <ul style="list-style-type: none"> <li>Publishing Annual Report including Audited Statements</li> </ul>	<b>June</b> <ul style="list-style-type: none"> <li>Half Year Budget Re-forecast</li> </ul>	<b>September</b> <ul style="list-style-type: none"> <li>Forecasting Topline</li> <li>Revenue &amp; Payroll Forecast is Locked</li> <li>Budget Kick Off</li> </ul>	<b>December</b> <ul style="list-style-type: none"> <li>BoD Meeting Staffing Review</li> <li>Audit Prep</li> <li>Year End Prep</li> </ul>



# Annual Budget Cycle



# Annual Budget Cycle

## Estimate

Project Revenue (September - October)

- What is a conservative estimate for contributions this year?

### Metrics to consider:

- Average giving per household
- Attendance growth estimates
- Impact of engagement on average giving per household
  - For example, do people who serve or attend community groups give more on average?
- Average giving per week over the last 12 months then adjust for any known risks



# Annual Budget Cycle

## Plan

Determine Required Cash Reserve (October)

- **How much I want to save for cash reserves and/or investment in expansion?**
  - **For example: enough reserve to cover payroll and fixed/non-discretionary operating costs for “x” number of months**
- **Estimated contributions (-) required cash reserves = total operating and outreach budget**
- **Determine allocation between church operations and outreach.**
- **Vox Philosophy:**
  - **Operating budget serves our church membership**
  - **Local outreach budget as funds set aside to serve those outside our church in the cities where we’re located**
  - **Global outreach represents funds set aside to serve and support the global church**



# Annual Budget Cycle

## Execute

### Create Budget (October - December)

- Determine needs for budget owners to operate effectively
- Align responsibility to achieve budget targets to accountable parties
- Vox's Approach:
  - Step 1: Non-discretionary Costs
    - Total facility expense (parking, utilities, repairs and maintenance, etc.)
    - Total payroll expense including planned hires (base salary, housing allowance, benefits, payroll taxes, etc.)
  - Step 2: Discretionary Spend
    - Average Sunday service cost (extended out for the year)
    - Ministries including curriculum and resources (kids, youth, men, women)
    - Worship and production (what new or replacement equipment is needed?)
    - What events are we planning? Retreats, volunteer/leader appreciation, trainings, etc.



# Annual Budget Cycle

## Monitor

**Monitor: Budget vs Actual Reporting (year-round)**

- Chart of Accounts: to code budget and actual expenditure
- General Ledger Account: nature of the expense
- Department: area of budget ownership (for example: worship, production, kids, etc.)
- Location: campus incurring the expense
- Project: a specific initiative and/or event (Christmas, Easter, retreats, mission trips, etc.)

Close oversight of expenses is critical

- Performing a detailed review of every transaction to ensure compliance
- Coded appropriately (matches the respective budget owner and event/initiative if applicable)
- A periodic review cadence should be established.



## Vox Church Ops BvA (YTD 2022)

Location Name	Dept	Project name	GL Account
North Haven, CT	+ 1020 -- Executive Pastor		
	+ 2010 -- Discipleship		
	- 2020 -- Vox Kids		
		+ Easter	
		+ Thrive	
		+ Sprouts	
		+ Community Development	
		+ Fall Campaign	
		+ Baptisms	
		+ Roots	
		- Christmas	+ 5675 -- Supplies - Other
			+ 5670 -- Supplies - Food & Drinks
			+ 5130 -- Curriculum & Resources
			+ 5605 -- Supplies - Merchandise
		+ Special Events (G&A)	
		+ Family Events	
		+ Staff Development & Appreciation	
		+ VBS	
		+ Vol Development & Appreciation	
		+ No Project	
	2020 -- Vox Kids Total		
	+ 2030 -- Vox YTH		
	+ 2040 -- Men's		
	+ 2050 -- Women's		
	+ 2060 -- Hospitality & Lobby Operations		
	+ 2070 -- Servant Teams (G&A)		
	+ 2080 -- Spiritual Life		
	+ 2090 -- Marriage & Family		
	+ 3010 -- Admin, Finance & Accounting		
	+ 4010 -- Facility Ops (G&A)		
	+ 5020 -- Member Services (G&A)		
	+ 7010 -- Production G&A		
	+ 8010 -- Creative		
	+ 8520 -- Information Technology		
	+ 9010 -- Worship (G&A)		
North Haven, CT Total			
Grand Total			

Project name	Dept
- Easter	+ 2020 -- Vox Kids
	+ 2060 -- Hospitality & Lobby Operations
	+ 5020 -- Member Services (G&A)

GL Account	Dept
- 5240 -- Meals	+ 1020 -- Executive Pastor
	+ 2010 -- Discipleship
	+ 2020 -- Vox Kids
	+ 2030 -- Vox YTH
	+ 2070 -- Servant Teams (G&A)
	+ 5020 -- Member Services (G&A)
	+ 7010 -- Production G&A
	+ 9010 -- Worship (G&A)



# Vox Church 2024 Budget Allocation

as of 9/25/23

Row Labels	Sum of NPV	Sum of Venues	Sum of Payroll	Sum of Debt Service	Sum of Total
Central Office					
1010 -- Lead Pastor					
1020 -- Executive Pastor					
1040 -- Ministries Pastor					
1050 -- Vox Board					
2010 -- Discipleship					
2020 -- Vox Kids					
2030 -- Vox YTH					
2040 -- Men's					
2050 -- Women's					
2060 -- Hospitality & Lobby Operations					
2070 -- Servant Teams (G&A)					
2080 -- Spiritual Life					
2090 -- Marriage & Family					
2120 -- Vox Institute					
2510 -- Local					
3010 -- Admin, Finance & Accounting					
3015 -- Advertisements (Corporate)					
3020 -- Human Resources					
3040 -- Operations					
4010 -- Facility Ops (G&A)					
5010 -- Stewardship					
5020 -- Member Services (G&A)					
5040 -- Perspectives Team					
7010 -- Production G&A					
8010 -- Creative					
8020 -- Communications					
8030 -- Design					
8050 -- Video					
8520 -- Information Technology					
9010 -- Worship (G&A)					
Branford, CT					
Bridgeport, CT					
Hartford, CT					
Mid-State, CT					
New Haven, CT					
North Haven, CT					
Springfield, MA					
Stamford, CT					
Worcester, MA					
Clinton, CT					
New Britain, CT					
C2C - Hartford, CT					
C2C - Springfield, MA					
Launch 5 - Tier 1					
Grand Total					

- Example of 2024 budget allocation by:
  - NPV – Operation costs ex. payroll and venues
  - Venues
  - Payroll
  - Debt Service





# Technology



Lots of paper? Data manipulation in Excel?



Proper Accounting & Expense Reporting System



Integration with People Database



Timely Reporting

# Systems

Sage Intacct – Dimensional Accounting System (allows for better analysis)

Excel – Modeling/Analysis

Online Giving – Giving Software

The Rock – People/Member Management

Expensify – Expense Tracking (integrates with Sage Intacct)

Power BI – Dashboards/Reporting

Microsoft Access

Microsoft SQL Server

Mortar stone – Stewardship Platform

Go method – Missions Tracking



# Staffing



- **Diverse Skillsets**
  - Business Instincts
  - Ability to Multitask
  - Analytical
  - Self-Motivated
  - Excel Experience
  - Attention to Detail
  - Trustworthy
  - Compliance Knowledge
  - Leadership Ability
  - Communication Skills
  - Confidentiality
  - Team Player



# Governance & Best Practices

## Strong Chart of Accounts

- Concise
- Highly relatable to ministry activities

## Strong Procedural Policies

- Conflict of interest, approval process, gifts, meals, mileage reimbursement, travel, restricted giving, credit card, IT

## Adhere to GAAP Principles

- Fixed Asset Policy

## Strong Internal Controls

- Payroll, Cash Receipts/Contributions, Cash disbursements
  - Paying our employees correctly
  - Avoiding duplicate payments
  - Donor reporting

## Church Governance

- Well documented minutes of church governing bodies

## Implement IRS Non-profit Standards

- Approval of Housing Allowance Worksheet
- Pastoral Compensation

## Well documented (SOP's)

## Pioneer of Automation

- Leverage technology whenever possible
- On the look out for better technologies

**Constantly Learning and  
Developing Skills**



# Practical Takeaways

- Provide tax exemption forms to vendors
  - On \$20K spend you save \$1.3K on sales taxes
- Make the monthly bank reconciliations a priority
  - Monitor daily cash requirements
- Review your insurance coverage
- Encourage donors to become recurring partners
- Create and stick to a budget review schedule
- Create a cadence to monitor spend/how we stay on target
  - Budget vs. Actuals
- Consider setting up an operating reserve
- Create a schedule for weekly, monthly, quarterly and yearly tasks
- Create an organized filing system
- Communicate policy with staff



# Next Steps



Follow Up Zoom Call  
November



15 Steps to Success



Professional  
Recommendations



# For More Information

To reach Tom or Jessica with follow up questions or requests,  
please contact:

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# FAQ's





# **Pastoral Taxation**



# Tax Aspects of the Minister/Pastor



Income taxes has two components: Federal Income Tax and Payroll Tax



Payroll Tax (Social Security and Medicare) – 15.3%



FICA or SECA



Pay as you go system



# Minister/Pastor Compensation

- Non-Housing Salary and Housing Allowance
- Church must designate the portion of salary as housing allowance before it is paid
- Housing allowance should be approved by Elder Board annually
- Housing allowance excluded from federal tax and state but not from payroll tax
- Housing allowance cannot exceed the annual fair market rental for the property



# Pastor Compensation Example

- Pastor total compensation package is \$60,000 annually
- \$40,000 cash salary and \$20,000 approved housing allowance
- Only \$40,000 is subject to federal tax rate and the state income tax
- Entire \$60,000 is subject to payroll tax



# Federal Tax and Social Security Withholdings

- FICA employees must withhold 7.65% of total compensation
- The church matches 7.65% of payroll taxes of FICA employees
- Churches are not required by law to withhold ministers' taxes from ministers pay
- By law, Church cannot withhold FICA taxes for Social Security for a Pastor
- Social Security Allowance Payment

