

Basic Church Finances

This material is a revised version of the North American Mission Board's Chapter 15 of the Church Planting Basic Training Manual. Our thanks to the NAMB church Planting Group and to Joe Hernandez for permission to revise this material and make it available for this manual and on the CNBC website (10/04/07)

Visit the NAMB Church Planting Village site for more information:
<http://www.churchplantingvillage.net>

**"But let all things be done properly and in an orderly manner."
(1 Cor. 14:40 NASB).**

Opening a Checking Account

Whether handled by the partner entity or the new church, it is wise for the new church to have a checking account in its own name. Funds should not be handled through the partner's accounts or, worse, the church planter's personal account. Prior to opening a checking account in its name and issuing cheques, the new church needs a Business Number from Canada Revenue Agency (CRA). In most instances the new church will use the partner church's business number. CRA recommends that the new church use the partner church's business number with a different suffix (e.g. -02, -03)

Locating a Treasurer

In the early core group gathering phase of a church plant, two members of a partner church may serve as treasurer and cosigner on the new church's checks. As soon as competent, reliable people are identified in the new church, those responsibilities should be transferred to the new church. Sound guidelines for handling finances need to be developed early in the church's life to protect those involved in handling funds from temptation and to maintain financial integrity.

Developing a ministry budget

Even a new church needs a ministry budget. The budget needs to reflect its vision and mission statement. It is advisable that the church look at the following percentages as a rule of thumb in budgeting local receipts.

World missions (through the Cooperative Program)	10%
Personnel expenses (salaries and housing allowances)	35%
Education, outreach, local ministries expenses*	20%
Building (rental, purchase, utilities, insurance, etc.)	35%

*Ministry-related expenses need to be separated on paper and in the minds of members. These reimbursements should be considered as the "costs of doing business" and not salary.

The CRA has stringent guidelines related to the handling of reimbursable ministry-related expenses and clergy residence allowances. The CNBC makes an effort to keep up with these guidelines and is available to assist in these matters. Please check the CRA site for updated forms: www.cra.gc.ca

Insurance issues

Liability insurance

Can the new church operate under the partner entity's coverage with a special rider, or does it need its own policy for its location and its pastor? This issue needs to be explored and verified in writing. Do not take anyone's "think so" or verbal verification. If a church is using rental property (school, theater, restaurant, etc.), an insurance binder often will be required as a condition of the rental agreement. It is also advisable to have this when meeting in a private home to relieve the homeowner's liability.

The new church must be covered by liability insurance. Contact the CNBC for insurance carrier recommendations.

Federal tax issues

Tax-exempt status

In Canada, a church registers with the Canadian Revenue Agency for charitable status. A charity is exempt from tax on its income. Individuals and corporations receive tax relief, within limits, for gifts to a charity.

See the CRA website for the most recent registration information: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/bfr/typ/chrts-eng.html>

Contribution records

The new church must keep accurate records on gifts to the church. A gift is defined as a voluntary transfer of property (usually money) to a charity for which the donor receives no benefit in return. The donation of services is not a transfer of property and therefore is not a gift.

Gifts other than cash are referred to as gifts-in-kind. These may be accepted by a charity and an official receipt may be issued. To establish the value of the gift-in-kind where the amount would be over \$1,000, the gift must be appraised and a written statement of the value supplied by the appraiser before the tax receipt could be issued.

Tax Receipts

CRA has very specific guidelines for issuing official tax receipts. Official tax receipts are issued to individuals and/or corporations making gifts to the church. Official tax receipts should not be issued in order to acknowledge gifts from other registered charities.

For the most recent information on Charitable Contribution Receipts, see the CRA website: <http://www.cra-arc.gc.ca/tx/chrts/pbs/rcpts-eng.html>