



Converge Church / Ministry Planters Checklist for Financial Development

The Church/Ministry leadership team/board has agreed to make directional decisions and oversee the finances. Now you need to:

_____ Set up a financial team. This team should include: a treasurer (check-signer), secretary or bookkeeper (non check-signer) and at least two more members who should be check-signers. These people should be elders or highly trusted individuals of your church or ministry.

_____ Establish a church/ministry constitution and/or by-laws.

_____ Discuss with the financial team where your assets will go in case of dissolution and create an attachment for your incorporation. Example: If X Church has dissolution, their assets will go to: X at address.

_____ Obtain a federal tax ID number (also known as an Employer Identification Number) through Form SS-4. Do this online at www.irs.gov you will receive your Fed ID immediately. You will need this before you can open your bank accounts.

_____ Become incorporated through the state of Colorado. Do this online at www.sos.state.co.us. Look for the "Articles of Incorporation for Nonprofits." You will need your Fed ID Number, constitution/by-laws and your dissolution designation form.

_____ Apply for the blanket 501(c) 3 through the federal government. Download Form 1024 and the instructions from www.irs.gov. The fee for this depends on your gross receipts. If the receipts are expected to be under \$10,000 for the next four years, the fee is \$400. If the receipts will be over \$10,000 in the next four years, the fee is \$850. You will not have to file any annual tax reports with IRS as long as you are officially recognized as a nonprofit. If you are in the district you can apply to use Converge Worldwide's 501C3. Contact Kris for this.

_____ Open up a bank account. Many banks offer free checking to nonprofits with a 501(c) 3 status to qualify.

_____ Appoint an individual or contract with an external payroll company to perform payroll duties. It is very important to make sure your payroll is done by a qualified individual or company. You will be subject to state and federal taxes and payroll tax reports will need to be done quarterly. Nonprofits with 501(c) 3 status and churches are not subject to state or federal unemployment tax. If your pastors have their exemption from the IRS as clergy, they will not have any taxes withheld; however, they will need to fill out a housing allowance form annually.

_____ Establish an effective annual spending plan/budget showing monthly expenses and anticipated income and a reporting financial system producing financial statements such as a balance sheet, a profit and loss report and a budget vs. actual report. This will help ensure positive cash flow. In the spending plan and budget, you need to determine what the total of six weeks of expenses would be, including the 501(c) 3 fee. Put this amount in a savings account and make sure you have those funds available each month. This will vary depending on the different spending quarters.

_____ Purchase and set up software for general accounting and for donor receipting. Be prepared to issue year-end statements to contributors. There are many software options depending on the size and needs of your Church/Ministry.

Accounting software: The best option is *QuickBooks*. Most of your bookkeepers or financial secretaries in the beginning will be volunteers. This software can be loaded on a laptop and does not need to be connected to a server and most financial teams will at least be familiar with it. QB can also process your payroll. QuickBooks costs around \$199 for a single user. There is an additional fee for payroll which varies depending on how many staff members are paid. You can also start at a lower fee for this and upgrade as needed.

Donation management software: *Church Community Builder* (CCB) is a donor management system is for a larger capacity Churches/Ministries. It can handle donor management, events, mass emails and allows participation from your congregation or members in certain areas of the program. The downside of this software is the price. The basic starts around \$650-\$800 per year.

FileMaker Pro is another option that is less expensive, but will work for your database and donor management. It does not have as many out-of-the-box features as CCB, but it is highly customizable with help from a consultant.

_____ Obtain liability insurance. Brotherhood Mutual works with many nonprofits and is very reasonable, but if you already have a relationship with a different insurance agency just make sure you shop around and get the best value for your coverage.