

Importance of Understanding

Leadership & Finance 2011

Leader

The Leader's Function

- ❑ Leadership in most dictionaries is simply the "capacity or ability to lead."
- ❑ Some organizations persist and prosper and some blow up or wither away. Those that prosper are characterized by having a leader, someone who functions in two ways.
- ❑ The leader helps the group meet the needs of the individuals.
- ❑ No two Staff members join for exactly the same reason. The leader helps knit the individuals into a cooperating group. The leader helps them all to see a common reason, a common goal that is mutually desired, and he delegates responsibilities among the individuals so they can see how their efforts will lead toward reaching the goal.
- ❑ The leader helps the group realize the purpose for which it was created. **The leader helps the group:**
 - ❑ Define the purposes for which it exists.
 - ❑ Keep its activity within the defined purposes and goals.
 - ❑ Find alternative ways of attaining their goals.
 - ❑ Grow to a more progressive organization in its own eyes.
 - ❑ Clarify the responsibilities of its officers and staff members to carry out the program.
 - ❑ Evaluate itself--why it exists, where it is headed, how much progress it is making.



Leader's Key Functions

The leader accepts three key functions in his role:

- ❑ **Authority:** the right to make decisions.
- ❑ **Responsibility:** assignment for achieving a goal.
- ❑ **Accountability:** acceptance of success or failure.

You may at times be asked to accept a leadership position but are granted only two of these three responsibilities. If this happens, watch out. When you do not possess any one of the three functions, just imagine you are sitting on a three-legged stool--and you've just had one of the legs broken off from under you. You know what's going to happen next.



What the Leader Must Know

What must you, as the leader, know to be able to help the staff? You must know:

- ❑ The members and be interested in their welfare. (Personal Relationship, understand who you have working for the organization)
- ❑ Their hopes, ambitions, abilities, limitations and prejudices.
- ❑ The things the staff want to learn, or at least where and how to get the knowledge, such as leadership and public speaking skills. (Continued Development and Education)
- ❑ How to motivate staff to want to learn new skills and gain new attitudes. Without motivation no learning takes place and without learning the staff stagnates and consequently finds no satisfaction from being a part of the group.
- ❑ How to establish communication between the staff members of the organization.
- ❑ How to conduct or supervise meetings, discussions, and informal activities. (Structure, task list and assignments)
- ❑ How to assess his own effectiveness, how to get the organization to evaluate itself, its goals and its progress toward them. This in turn becomes a powerful motivating force for further learning. (Debrief after event)s



Creating a Team

- ❑ A organization is successful when staff members believe preserving the integrity of the organization has an overriding importance to each of them and they desire to stay and work together. They may not hold strong affection for every staff in the group, in fact they might dislike the work style of a member or two, but the group is more important than any individual differences.
- ❑ Ensure all team members have the following:
 - ❑ **Chemistry**
 - ❑ **Competency**
 - ❑ **Character**
 - ❑ **Culture (new)**
- ❑ Ensure you have the right people on the bus and don't be afraid to make changes/ shifts as the organization grows.

Website Resource (www.PastorFinder.com)



Organizational Structure



Leader

As you support your Pastor, keep in mind he sets the vision and you create the strategy (details):

The boss drives group members; the leader coaches them.

The boss depends upon authority; the leader on good will.

The boss says "I"; the leader says "we."

The boss assigns the task, the leader sets the pace.

The boss says, "Get there on time"; the leader gets there ahead of time.

The boss fixes the blame for the breakdown; the leader fixes the breakdown.

The boss knows how it is done; the leader shows how.

The boss says, "Go"; the leader says, "Let's go."



Myths (Religious Organization)

- ❑ Unprofessional Environment
- ❑ Lack of structure
- ❑ Poor Leadership (Staff)
- ❑ Insufficient Staff
- ❑ Decisions are made singularly
- ❑ Staff relationships are underdeveloped
- ❑ Mismanagement of Funds

Scripture:

Wise leaders understand the importance of their mind to the future of their organization. Read [Proverbs 23:7-19](#).

Quotes:

"A leader is one who influences a specific group of people to move in a God-given direction."— **J. Robert Clinton**

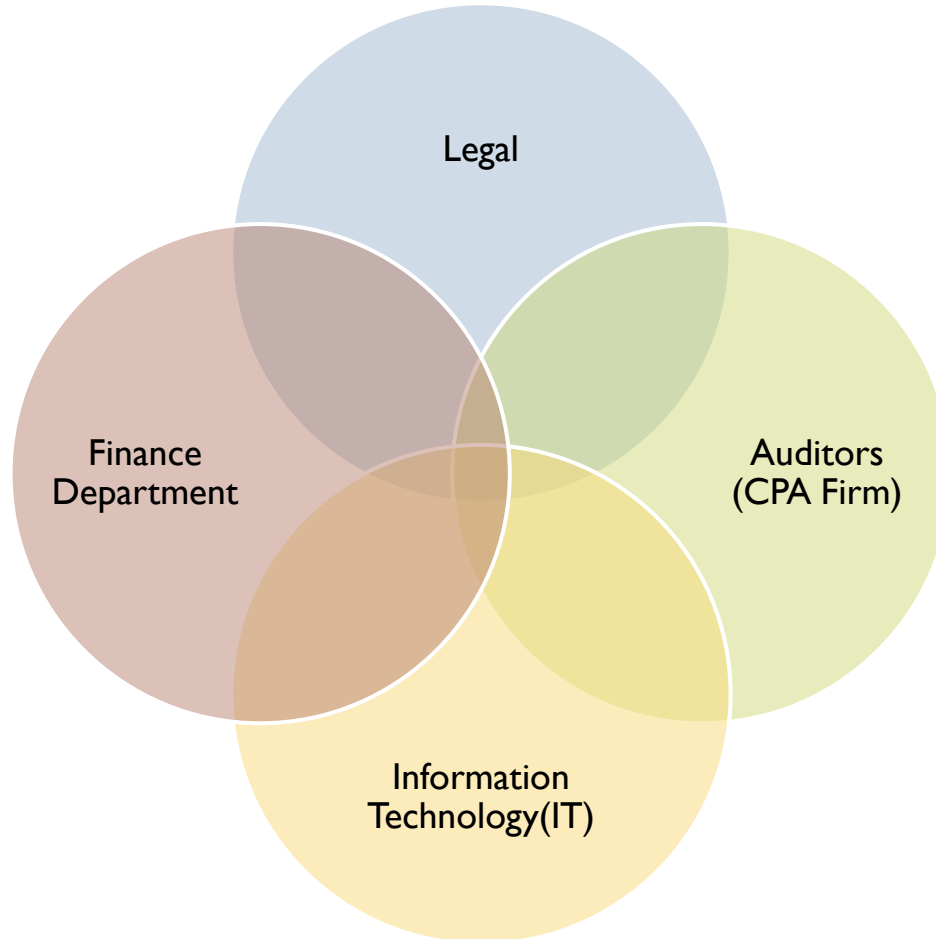
"Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall."— **Stephen R. Covey**



Financial Hierarchy Chart



RELATIONSHIP DIAGRAM



Profit vs. Not-for Profit

Similarities

- ❑ Both are generally corporations in which assets are held and business transacted in the name of the corporation rather than the individuals involved.
 - ❑ To survive and grow, both need to generate or bring in more revenue than they spend on operations.
 - ❑ Both are involved in producing a good or service for society.
 - ❑ Both are managed and run by the people who are employed by the corporation.
 - ❑ The composition of the board of directors is the third major difference between for profit and non-profit businesses. In both cases the original board is created by the same people who started the corporation and, in both cases, directors are given fixed terms. Things change when it comes time to re-elect or replace these board members. In the case of a for profit corporation each share of stock entitles its owner to one vote and owners of multiple shares have multiple votes. It is possible for the person or group owning 51% or more of the stock to control both the board and the business with their controlling votes. In the case of a non-profit corporation there are no shares and thus no owners of shares to vote. When a board member's term is up it is the remaining board members who decide to either re-elect that person to a new term or replace the person. (in organizations which have a defined membership, it is usually the members who elect the board but here each member only has one vote and membership does not give them an ownership right in the assets of the organization in the sense that they can sell like a stock holder in a for profit corporation can sell their stock and the rights that go with it). It is the board of directors or members which makes the decision and runs the corporation.
 - ❑ For profit business generally have a single focus and that is to make money for their owners. Non-profits are more varied. Some are pure charities which are created solely to give money or services away to those in need. Churches and other charitable organizations are examples of this type of non-profit. Other non-profits are merely an efficient way for a group to accomplish a goal that is not directly concerned with making money for the members. An industry trade association would be an example of this. The goal is to promote the industry thereby increasing the sales, and profits, of the member businesses. However, the trade association itself is not designed to generate profits to be distributed to its members.
 - ❑ Business is concerned with the management of resources to meet society's needs and, since society's needs are numerous and varied, the tools used to accomplish this are also varied.
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Profit vs. Not-for Profit

Differences

- The first, and most important difference between a for profit and non-profit business is the profit. . As mentioned above, both have to generate a profit in order to survive and grow. Both have to generate money to pay bills and, if the corporation is to acquire new assets and grow it needs profits both to use for this as well as to attract new investment (in case of a non-profit, new investment takes the form of contributions from people or other corporations and people are just as reluctant to contribute money to a failing charity as they are to invest in a bankrupt corporation). In both cases some of the profits are re-invested in the organization (although laws, especially tax laws, place limits on how much non-profits are allowed to re-invest) either to replace aging and worn out assets (buildings, machinery, etc.) or to acquire new assets needed to expand the organization's operations (such as a religious group building a new and larger church to accommodate a growing congregation). However, it is the distribution of the remainder of the profits that is one of the differentiating characteristics between for profit and non-profit organizations. In a for profit organization the profits that are not re-invested in the organization are distributed to the owners of the corporation as cash. In the case of a non-profit organization the profits are used to provide goods or services to the group or groups the non-profit was formed to help. A religious organization may use the profits to help its members or others obtain food, medical care, education, etc. A university may use its profits to provide free or low cost education to some or all of its students. The point is that the profits of a non-profit organization always go toward supporting some causes that society deems as good and beneficial and not into the pockets of the investors.
 - The second difference, which explains the first, is ownership of the corporation. A for profit corporation is created when investors get together and transfer assets, money and/or talent to start the corporation. The corporation, which is actually a fictitious person in the eyes of the law, takes title and ownership of the assets, etc. and gives, in exchange for the assets, ownership shares in the company to those who contributed the assets. However, with a non-profit, individuals come together and provide assets, money and/or talent to start the corporation. But these people who create the corporation do not receive any legal ownership in the corporation and, further, have no guarantee that they will be able to retain control of the corporation once formed. All of the assets are now to be used to advance the cause or provide the service for which the non-profit business was created as determined by the corporation's board of directors.
 - The composition of the board of directors is the third major difference between for profit and non-profit businesses. In both cases the original board is created by the same people who started the corporation and, in both cases, directors are given fixed terms. Things change when it comes time to re-elect or replace these board members. In the case of a for profit corporation each share of stock entitles its owner to one vote and owners of multiple shares have multiple votes. It is possible for the person or group owning 51% or more of the stock to control both the board and the business with their controlling votes. In the case of a non-profit corporation there are no shares and thus no owners of shares to vote. When a board member's term is up it is the remaining board members who decide to either re-elect that person to a new term or replace the person. (in organizations which have a defined membership, it is usually the members who elect the board but here each member only has one vote and membership does not give them an ownership right in the assets of the organization in the sense that they can sell like a stock holder in a for profit corporation can sell their stock and the rights that go with it). It is the board of directors or members which makes the decision and runs the corporation.
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501(c)3

To qualify for tax-exempt status, such an organization must meet the following requirements:

- ❑ the organization must be organized and operated exclusively for religious, educational, scientific, or other charitable purposes,
 - ❑ net earnings may not inure to the benefit of any private individual or shareholder,
 - ❑ no substantial part of its activity may be attempting to influence legislation,
 - ❑ the organization may not intervene in political campaigns, and
 - ❑ the organization's purposes and activities may not be illegal or violate fundamental public policy.
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- ▶ Use Form 1023 to obtain 501(c)3



501(c)3

Exemption Requirements


- ❑ To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be [organized](#) and [operated](#) exclusively for [exempt purposes](#) set forth in section 501(c)(3), and none of its earnings may [inure](#) to any private shareholder or individual. In addition, it may not be an [action organization](#), i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.
 - ❑ Organizations described in section 501(c)(3) are commonly referred to as *charitable organizations*. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible [contributions](#) in accordance with Code section 170.
 - ❑ The organization must not be organized or operated for the benefit of [private interests](#), and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an [excess benefit transaction](#) with a person having substantial influence over the organization, an [excise tax](#) may be imposed on the person and any organization managers agreeing to the transaction.
 - ❑ Section 501(c)(3) organizations are restricted in how much political and legislative (*lobbying*) activities they may conduct. For a detailed discussion, see [Political and Lobbying Activities](#). For more information about lobbying activities by charities, see the article [Lobbying Issues](#); for more information about political activities of charities, see the FY-2002 CPE topic [Election Year Issues](#).
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UBIT

For most organizations, an activity is an unrelated business (and subject to unrelated business income tax) if it meets three requirements:

- ▶ It is a trade or business,
- ▶ It is regularly carried on, and
- ▶ It is not substantially related to furthering the exempt purpose of the organization

- ▶ The Internal Revenue Code contains a number of modifications, exclusions, and exceptions to unrelated business income. For example, dividends, interest, certain other investment income, royalties, certain rental income, certain income from research activities, and gains or losses from the disposition of property are excluded when computing unrelated business income. In addition, the following activities are specifically excluded from the definition of unrelated trade or business:
 - ▶ **Volunteer Labor:** Any trade or business is excluded in which substantially all the work is performed for the organization without compensation. Some fundraising activities, such as volunteer operated bake sales, may meet this exception.
 - ▶ **Convenience of Members:** Any trade or business is excluded that is carried on by an organization described in section 501(c)(3) or by a governmental college or university primarily for the convenience of its members, students, patients, officers, or employees. A typical example of this is a school cafeteria.
 - ▶ **Selling Donated Merchandise:** Any trade or business is excluded that consists of selling merchandise, substantially all of which the organization received as gifts or contributions. Many thrift shop operations of exempt organizations would meet this exception
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Financial Systems

- ▶ www.acstechnologies.com
- ▶ [**www.arenaChMS.com**](http://www.arenaChMS.com)
- ▶ www.shelbyinc.com
- ▶ www.fellowshiptech.com

- ▶ [www.ministrEspace.com \(scheduling\)](http://www.ministrEspace.com)

- ▶ www.quickbooks.com



ACS Technology

[Church Staff Management](#)

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[Direct Mail Software](#)

[Managing Volunteers](#)

[Membership Tracking](#)

[Non-profit Accounting](#)

[Outreach](#)

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[Support](#)

[Track Contributions](#)

[Website Tools](#)



Retention of Information

Records of revenue and expenses, including payroll return(s) to which they records.	Retain for at least four years after filing the return(s) to which they relate.
Records relating to acquisition and disposition of property (real and personal, in which disposition including investments).	Retain for at least four years after the filing of return for the year occurs.



Tithe Growth Options Diagram



Financial & Insurance Resources

Banking Resources:

- ❑ Christian Community Credit Union (myCCCU.com)
- ❑ Evangelical Christian Credit Union (www.eccu.org)
- ❑ Bank of America (www.bankofamerica)
- ❑ Bank of the West (www.bankofthewest.com)

Insurance:

- ❑ Philadelphia Insurance
- ❑ Brotherhood Mutual (www.oldchurchbus.com)



Establishing Credit

- ❑ Create EIN
- ❑ Banking Relationship
 - ❑ Checking Acct.
 1. Operating
 2. Payroll
 3. Merchant
 - ❑ Savings Acct.
 - ❑ Credit Card (Personal Guarantee)
 - ❑ Line of Credit (Projects) (Interest Only Payments)
- ❑ Create Vendor Relationships
- ❑ Create Dun & Bradstreet Account
 - ❑ www.dnb.com/us/
 - ❑ Create credit score
 - ❑ Set-up vendors
- ❑ Create and maintain financials statements



Church & Clergy Resources

- ❑ Church & Clergy Tax Guide
- ❑ Church Law & Tax Report
- ❑ www.irs.gov
- ❑ CPA Firm



IRS Publications

- ❑ **Publication 15** *Circular E, Employer's Tax Guide*
- ❑ **Publication 334** *Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)*
- ❑ **Publication 463** *Travel, Entertainment, Gift, and Car Expenses*
- ❑ **Publication 517** *Social Security and Other Information for Members of the Clergy and Religious Workers*
- ❑ **Publication 525** *Taxable and Nontaxable Income*
- ❑ **Publication 526** *Charitable Contributions*
- ❑ **Publication 557** *Tax-Exempt Status for Your Organization*
- ❑ **Publication 561** *Determining the Value of Donated Property*



IRS Publications

- ❑ **Publication 571 *Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations***
- ❑ **Publication 598 *Tax on Unrelated Business Income of Exempt Organizations***
- ❑ **Publication 910 *Guide to Free Tax Services***
- ❑ **Publication 1771 *Charitable Contributions: Substantiation and Disclosure***
- ❑ **Publication 3079 *Gaming Publication for Tax-Exempt Organizations***
- ❑ **Publication 4221-PC *Compliance Guide for 501(c)(3) Public Charities***
- ❑ **Publication 4573 *Group Exemptions***
- ❑ **Publication 4630 *Exempt Organizations Products and Services Navigator***



Important Facts

- ❑ Comply with IRS requirements
- ❑ Reduce the potential of church and clergy liability
- ❑ Stay informed on new tax developments
- ❑ Understand the implications of federal legislation that impacts churches and clergy
- ❑ Educate board members on vital legal and tax issues (Invest in Training)
- ❑ Stay current and up-to-date on social security tax reporting
- ❑ Comply with all housing and parsonage allowance requirements
- ❑ Properly report clergy income and expenses
- ❑ Track developments on employment law issues that affect churches and church sponsored ministries
- ❑ Be compliant with regulations that govern charitable contributions
- ❑ Provide a legal context for decision making and leadership
- ❑ Complete annual W-2 forms and 1099 forms
- ❑ Assess risks that your congregation now faces
- ❑ Understand the unique legal and tax needs of your church
- ❑ Follow key developments concerning church liability, clergy liability, church membership issues, church property, zoning requirements, wills, trusts, estates, minimum wage, payroll tax procedures



THE END

Thank you!

Q & A

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