Vestry Leadership Day

FEBRUARY, 22, 2020

Polity of The Episcopal Church

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Bishop Of The Episcopal Diocese Of Western North Carolina

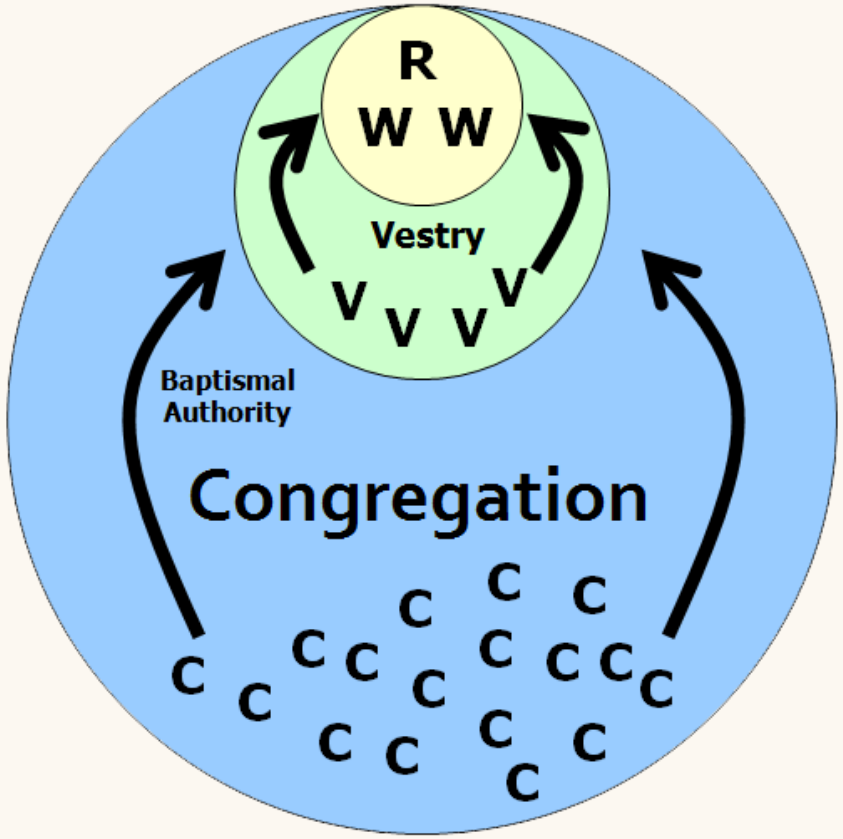
This summary is based on Episco-Polity 101 created by the Vital Congregations Committee of the Episcopal Diocese Of Michigan and is used with permission.

Baptismal Authority

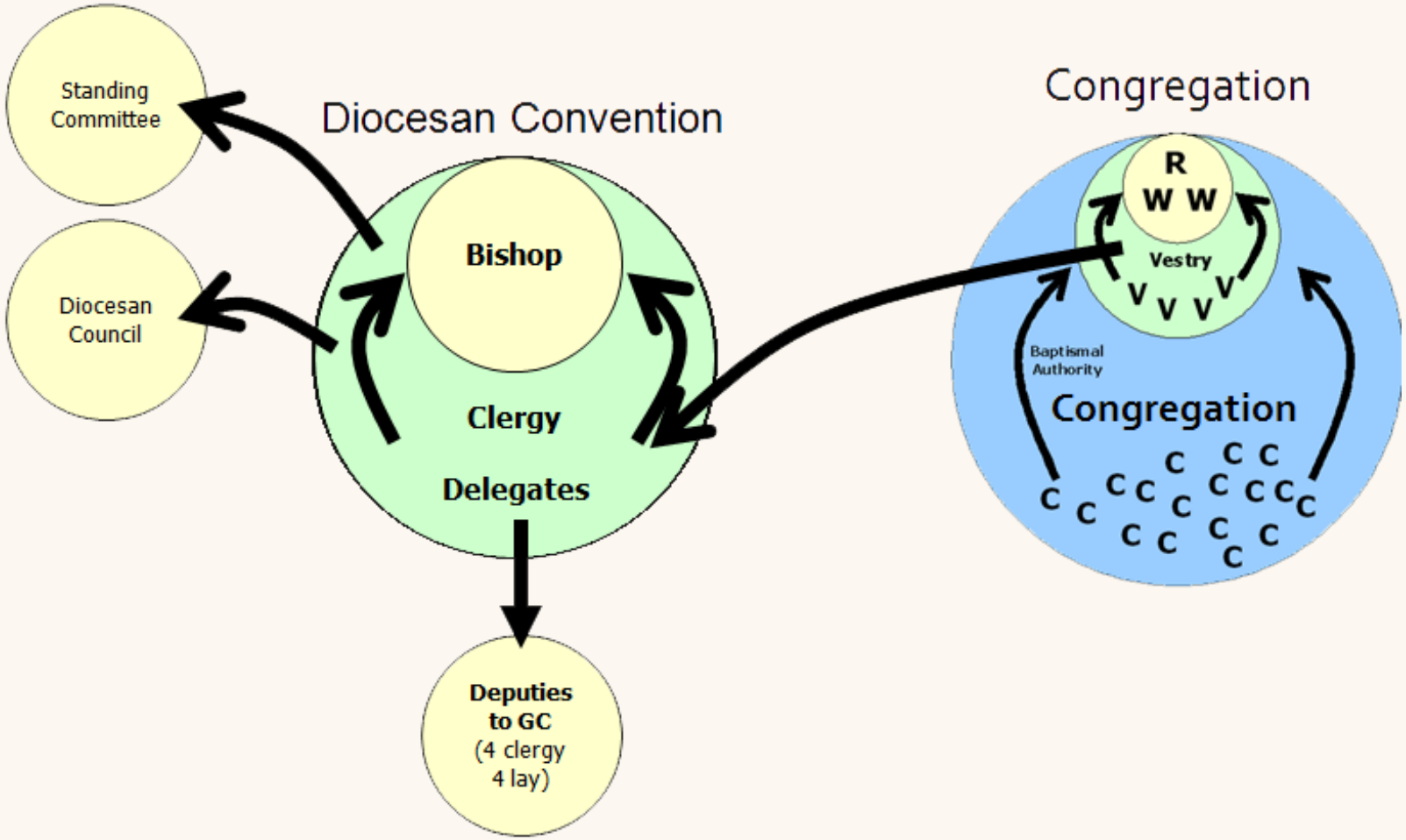
- Equal and mutual authority is given to all through baptism
- The Holy Spirit is active in everyone's life, gives us each unique and incomplete gifts, and unites us in a larger whole (I Corinthians 12; Ephesians 4)
- Every person's gift is important to the Body of Christ
- All baptized persons have a ministry (Baptismal Covenant; TEC Title III, Canon 1)

The "Flow" of Baptismal Authority: Local Congregation

- Begins with “communicants”
- “Adult communicants in good standing" invest some of their baptismal authority in the Vestry
- Vestry receives that authority as responsibility to make decisions on behalf of the congregation



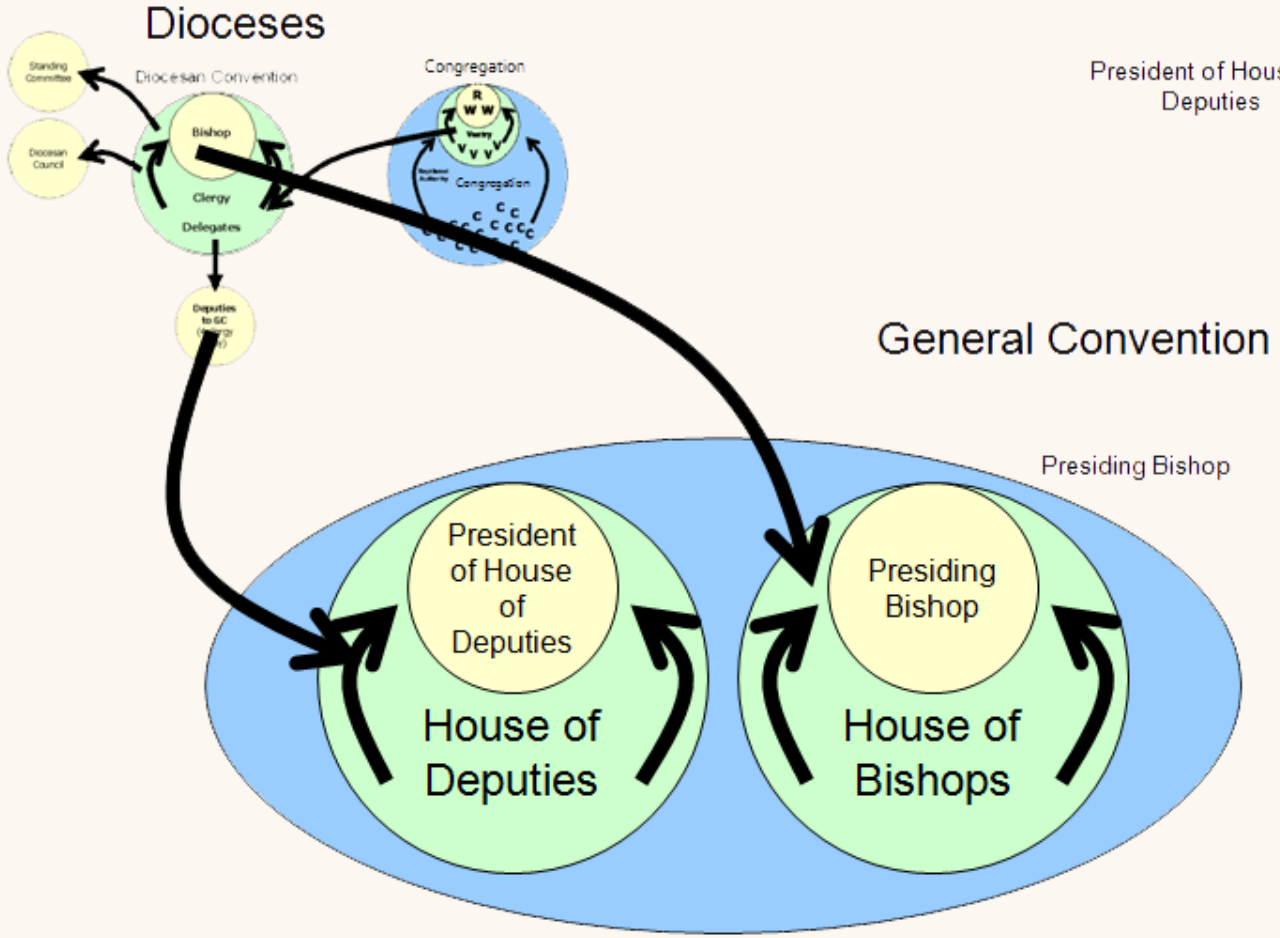
The "Flow" of Baptismal Authority: Diocese



The "Flow" of Baptismal Authority: Diocese

- Congregation also invests some baptismal authority in Diocesan Convention Delegates:
  - Electing a bishop (when required);
  - Passing the diocesan budget;
  - Electing leaders of the diocese (Standing Committee, Executive Council, etc.),
  - Setting policy and canon law for the diocese; and
  - Every three years, electing the Diocese of Western North Carolina deputies to General Convention

The "Flow" of Baptismal Authority: Wider Church



The "Flow" of Baptismal Authority: Wider Church

- Diocesan Bishop(s) and General Convention Deputies:
  - Elect the President of the House of Deputies (from among the deputies)
  - Affirm the election of the Presiding Bishop by the House of Bishops (from among the bishops)
  - Make decisions for The Episcopal Church on behalf of the Diocese that sent them

Shared Authority

- On every level of our Church, authority is shared between lay and ordained:
  - Congregation Level – Annual Meeting, Vestry, Wardens and Clergy share authority
  - Diocesan Level – Bishop and Standing Committee, Diocesan Convention, Executive Council, other Diocesan committees
  - National Level – General Convention (voting in bicameral houses: bishops and deputies), Presiding Bishop, commissions and committees

Role and Responsibility of

The Vestry

The powers and responsibilities of the parish vestry are generally set forth in canons 2, 10, 11 and 12 of the canons of The Episcopal Diocese of Western North Carolina and canons I.6.1, I.7.3 and I.14 of the Canons of The Episcopal Church.

Responsibilities

1. **Manage the Parish's temporal affairs**

The vestry is the agent and legal representative of the parish in all matters concerning its property. It is the duty of the vestry to take charge of and manage the temporal affairs of the parish (which are the secular possessions of the parish, such as its land, building and other assets).

- **Elect a Warden**
- **Elect a Secretary**
- **Policies, Programs and Budgets**

Responsibilities - *continued*

2. Support the Diocese and The Episcopal Church

3. Assist in Worship

4. Call a priest and manage relations with clergy.

5. Review and approve annual parish reports.

Limitations on the Role of Vestry

The powers and responsibilities of the vestry (and the parish it represents) are not without limits. Such limitations include the following:

1. **Ecclesiastical Matters**.

   The Bishop is the chief pastor of the Diocese, and the priests who serve in the Diocese are the Bishop's assistants and are subordinate to the Bishop's authority as to ecclesiastical matters.

Limitations on the Role of Vestry

2. **Beneficial Ownership of Property**.

   Each parish holds all property, real and personal, **in trust** for the Diocese and The Episcopal Church. Subject to certain limitations, however, the parish may exercise authority over such property so long as the parish remains a part of, and subject to, The Episcopal Church and its constitution and canons and the Diocese and its constitution and canons.

- **Conveyances, Transfers or Encumbrances by a Parish**
- **Transfers to a Parish**

Role of Wardens

The powers and responsibilities of the Wardens of a Parish are generally set forth in canon 10 of the Diocese. They can be summarized as follows:

1. **Assist in Managing the Parish's Temporal Affairs**. In the absence of a priest, the Senior Warden followed by the Junior Warden is to preside at any parish meeting. Moreover, the Wardens are to assist in managing the financial affairs of the Parish, including the collection, safekeeping and disbursement of funds or other gifts to the parish.

2. **Assist with Worship.** It is the duty of the Wardens to provide the elements for the Lord's Supper, to provide for worship and instruction when the parish is without a priest (but as noted above, ecclesiastical matters are subject to the supervision of the Bishop), and to prepare the annual parish report for the parish when the parish is without a priest.

Obligations of the Vestry Members

- Duty of Care
- Duty of Loyalty
- Duty of Obedience
- Duty of Confidentiality

Other things to know

- Business Methods in Church Affairs
- Size of the Vestry and Terms
- Eligibility to Serve on the Vestry
- Vestry Meetings

Vestry Leadership

February 22, 2020

Diocese of Western North Carolina

Vestry Financial Resources

Diocesan website: Resources ⇨ Parish Administration

Manual of Business Methods in Church Affairs: updated December 2019

A Review of Vestry Responsibilities

- To ensure the facilities are maintained
- To ensure salaries are paid
- Verify all bills (including payroll taxes!) are paid
- Any deficit at the end of the year is eliminated either by subscription from parishioners or by personal contributions.
- Every member of the parish is asked to make a financial pledge for the support of the mission for the church.
- Approves the annual budget
- Submit parish's annual pledge to the Diocese.
- Confirming an annual audit is completed

Include all accounts –

Internal Controls: Segregation of duties

Three-Legged Stool of internal control

- Handles the Money
- Reconciles
- Records/Posts the Books

Effective Internal Controls

The Manual: Chapter II

Adequately safeguard cash, property and other assets

Ensures all financial transactions are appropriately documented and approved by authorized staff

Ensures that funds are expended with donor requirements and limits

Ensures financial reporting is accurate, timely and conforms with policy

Internal Control Questionnaire

Checklist for periodic review and evaluation in The Manual

Chapter II: Financial Management II-12

Internal Controls: Who is Responsible?

Who designs and approves?

- The Vestry

Who implements?

- The rector, by directing staff and volunteers on a daily basis.

Who oversees?

- Both the rector and the vestry

Who periodically tests?

- Both the rector and the vestry at least monthly, and the auditor annually.

Who is subject to compliance?

- Everyone

Chapter III: Bookkeeping
Vestry and Treasurer Responsibilities

Non-profit organizations:

responsible for reporting to their contributing sources (including parishioners):

- all the assets, liabilities and fund balances belonging to the organization.

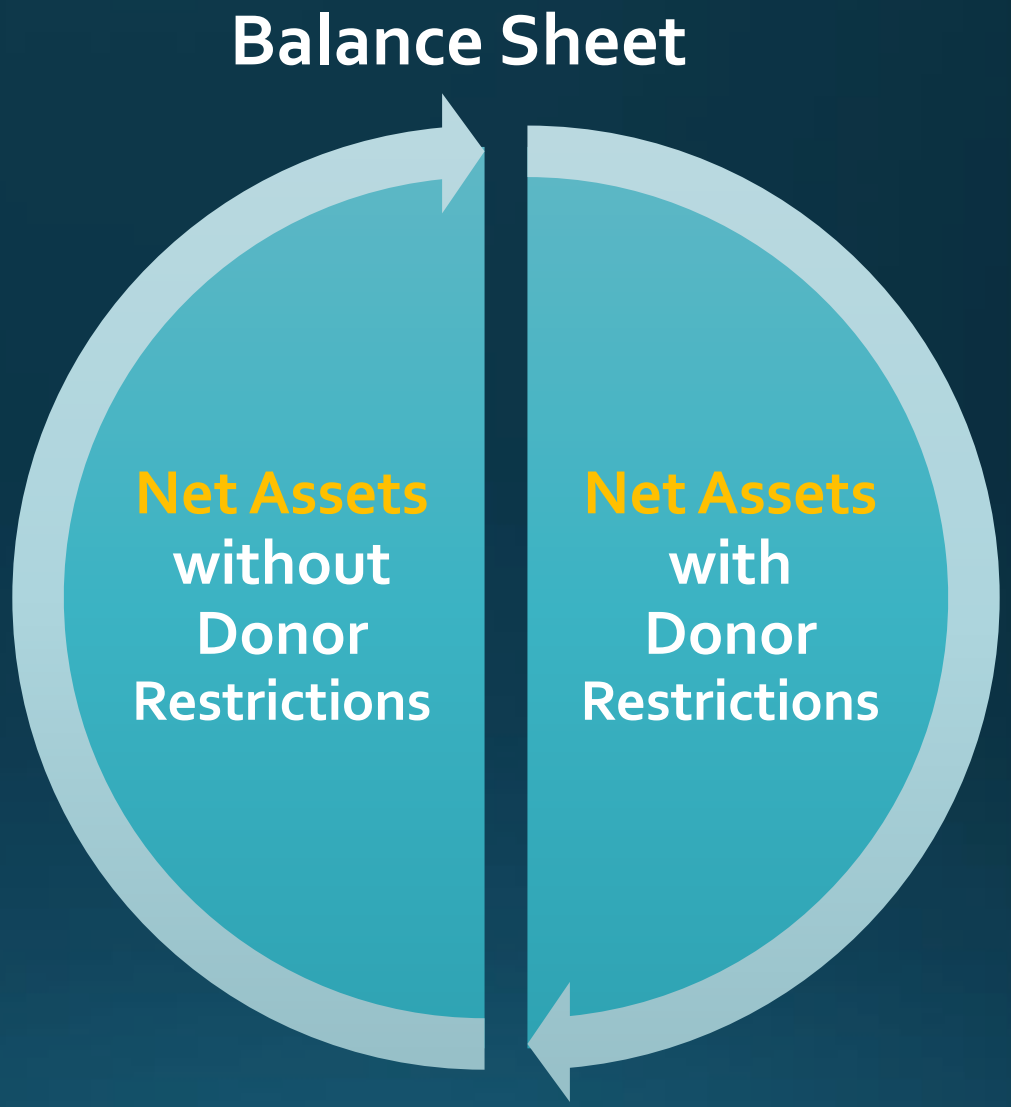
Full disclosure requires that all funds of a parish, regardless of source be reported in a *single set of financial statements*

Financial Statements

must be prepared on a monthly basis.

- Statement of Financial Position (balance sheet);
- Statement of Changes in Financial Position (income statement); and
- Statement of changes in Fund Balance

Financial Accounting Standards



Who can change the donor restriction?

What if you have extra money in a fund that is needed for other expenses?

Employee or Contractor?

if most of them apply, the worker is an employee.

#2 issue/error

The Worker:

- Does not work for other employers.
- Does not advertise his or her services to the general public.
- Is required to follow an employer's instructions regarding when, where, and how to work.
- Receives "on-the-job" training from an experienced employee.
- Is expected to perform the services personally, and not use a substitute.
- Has a continuing working relationship with the employer.
- Work is done on the employer's premises.
- Must submit regular oral or written reports to the employer.

The employer :

- Hires and pays any assistants not the worker.
- Reimburses for business expenses.
- Establishes set hours of work.
- Furnishes the worker's tools, supplies, and equipment.

Exempt verses Non-Exempt Employee

#1 issue/error

Employers are required to classify jobs as one or the other. Not knowing the difference could cost you lots of money.

What's the difference?

An **exempt employee** is **not entitled** overtime pay by the Fair Labor Standards Act (FLSA)

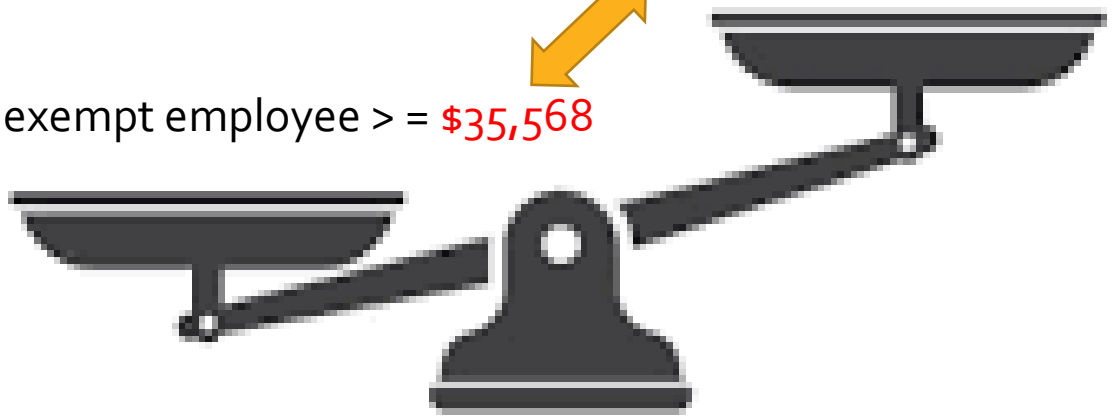
Non-exempt employees must be paid overtime and are protected by FLSA regulations.

Effective January 1, 2020, the FLSA minimum salary threshold for exempt employees increased to $35,568 annually, or $684 weekly (part-time is irrelevant)

Related Topic:
Working while Pensioned

< = $38,250 & under age 72

exempt employee > = $35,568



Exempt Employees Under the Fair Labor Standards Act (FLSA)

- Executive Exemption
- Administrative Exemptions
- Professional Exemption
- Computer Exemption
- Outside Sales Exemption

All must meet the minimum salary test

Executive Exemption

All tests must be met:

- Compensation not less than $35,568
- Primary duty = managing the enterprise or subdivision of the enterprise;
- Regularly direct the work of at least two or more other full-time employees or their equivalent
- Authority to hire or fire other employees

Administrative Exemption

All tests must be met:

- Compensation not less than $35,568
- Primary duty: performance of office or non-manual work directly related to the management or general business operations of the employer
- Primary duty includes the exercise of **discretion and independent judgment** with respect to **matters of significance.**

Professional Exemption

All tests must be met:

- Compensation not less than $35,568
- Primary duty must require **advanced knowledge**, defined as work which is predominantly **intellectual** in character and which includes work requiring the consistent exercise of **discretion and judgment**

Chapter IV: Payroll Taxes

FEDERAL LAW: ANY CORPORATE OFFICER, DIRECTOR, OR EMPLOYEE WHO IS RESPONSIBLE FOR WITHHOLDING TAXES AND PAYING THEM TO THE IRS MAY BE LIABLE FOR A PENALTY UP TO 100% OF SUCH TAXES

IF THEY ARE EITHER NOT WITHHELD OR NOT REMITTED.

HIGH RATE OF NON-COMPLIANCE BY CHURCHES

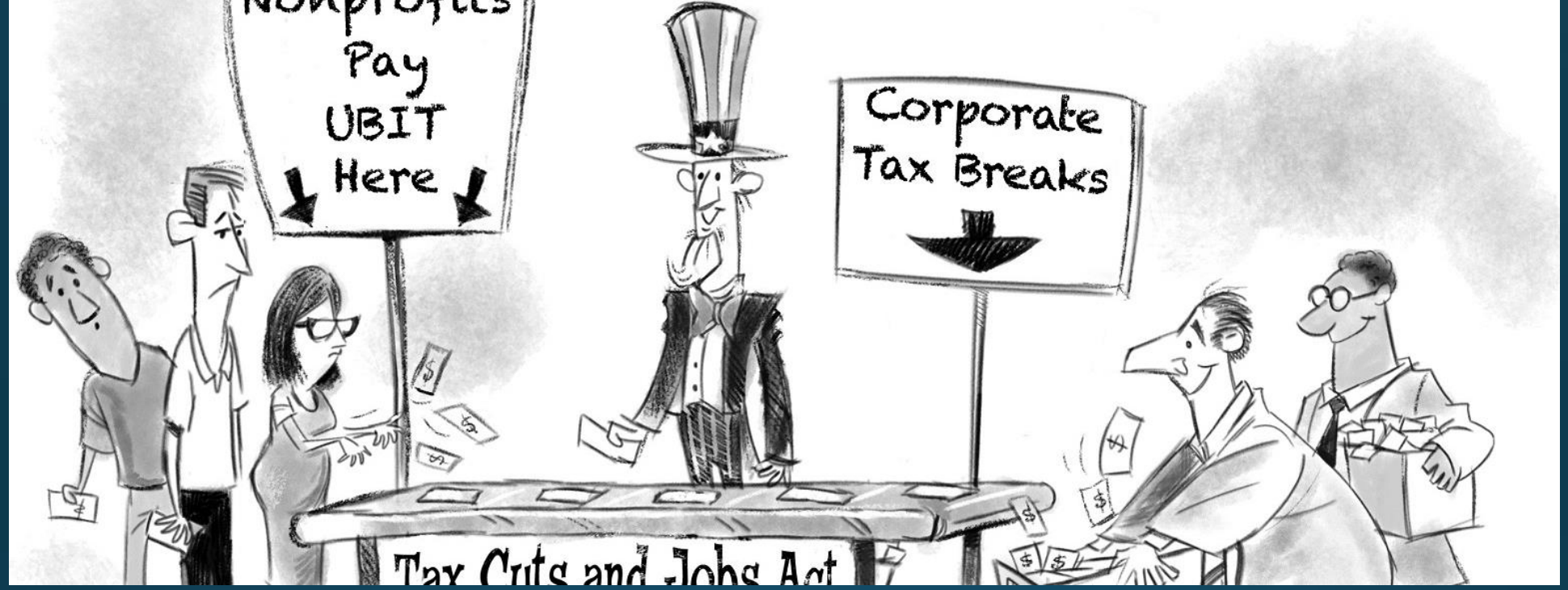
CLERGY TAXES 20 parishes = 50% error rate

Employee for federal taxes: W-2 not 1099. Must withhold Federal and State taxes

Self-employed for Social Security (SECA): Schedule SE

Wages include:

Cash Salary	Non-accountable expense allowance	SS offset (employer portion of SECA Tax to clergy)	Employer paid group value in excess of $50,000 (Imputed Income)	Unused portion of housing allowance	Bonuses/ special offerings	Personal use of church-provided car	Forgiveness of debt by employer	Other •Consulting •Counseling •Supply service fees



Unrelated Business Income - Chapter IV Section D

Excludes:

- An activity substantially run by volunteers
- Trade or business for convenience of students or members of another 501 (c)(3)
- Sale of merchandise received as gift or contribution
- Qualified bingo games
- Distribution of low-cost articles incidental to solicitation of charitable contributions

New Hires Benefit Eligible?

#3 issue/error

- *How many hours does an employee need to work before we are required to purchase **Denominational Health Plan insurance** for the employee?*
  - **Average of 30 hours per week or 1,560 annually**
- *When does the parity rule become effective and what does that mean?*
  - **Jan 1, 2016, Health Insurance Only**
- *How many hours does an employee need to work before we are required to invest the **Church Pension Plan** for the employee?*
  - **Average of 20 per week or 1,040 annually**

Business Expenses

*Standard Mileage Rate for 2020 is **$.575 per mile** (down from $.58 in 2019)*

Accountable Plan – requires documentation so reimbursement not taxed

1

Not Reimbursable:

Travel to and from work.

2

Reimbursable: Going to a business meeting away from your regular workplace

3

Reimbursable:

Visiting clients or customers.

4

Reimbursable:

From your home to a temporary workplace when you have one or more regular places of work.

5

Reimbursable:

- Getting from one workplace to another within the city or general area that is your tax home

Chapter V: Clergy Discretionary Fund

Avoid the risk of "Constructive Receipt" of taxable income.

Satisfy all the following conditions:

- Give priest discretion to distribute the fund only for **specified purposes**; **and**
- Prohibit (in writing) the priest from distributing any portion of the fund for **himself or herself or any family member**; and
- The congregation or its governing board **retains administrative control** over the fund to ensure that all distributions further the church's exempt purposes. **Designate individual to audit fund – usually the Treasurer**

Audits

Title I, Canon 7, Section, (f)

All accounts of the Diocese shall be audited annually by an independent Certified Public Account.

All accounts of ***Parishes****, Missions or other institutions shall be audited* ***annually*** ***by an independent Certified Public Accountant, or independent licensed Public Accountant, or such audit committee as shall be authorized by the Finance Committee, Department of Finance, or other appropriate diocesan authority. See Chapter VI Audit Guidelines for Congregations***

Audits

- **Contents of the Audit Report (What should be sent to the Diocese):**
  - Audit Committee certificate
  - Statement of Financial Position
  - Statement of Activities
  - Statement of Cash Flows
  - Footnotes to the Financial Statements
  - Completed Audit Program Checklist
  - Audit Committee Findings on Policies and Procedures
  - A corrected parochial report as a result of audit adjustments if applicable
- **DUE BY September 1 each year**

Diocesan Audit Committee for Small Parishes

- A group of retired CPA's and Accountants.
- Committee was formed at the end of 2019
- Intent is to audit 10 small parishes each year. Over 3 years all small parishes would be audited.
- Committee complies with the Manual on Business Affairs Audit Guidelines.
- Members have signed non-disclosure agreements to protect confidentiality
- Cost to parish is direct travel expenses of committee members
- Recruiting for additional members!
  - Calling all Treasurers
- Working on Alternatives for mid-sized parishes

Audits needed for Grants

Passed by Fiscal Ministries in December 2012

For anyone who applies for a grant or loan, their audit must be up to date and on file with the diocesan office to be eligible for funding.

Chapter VII:
Risk Management and Insurance

Canon 7:Sec. 1(g) of TEC states:

> "All buildings and their contents shall be kept adequately insured."

Canon 12.4 of the DWNC provides:

> It shall be the duty of each Parish to comply with the business methods in church affairs prescribed by Title I.

Canon 7 of the General Convention of TEC:
Each Parish shall maintain:

(1) adequate casualty insurance coverage to insure all buildings and personal property titled to the Parish or titled to the Diocese and used by the Parish, and

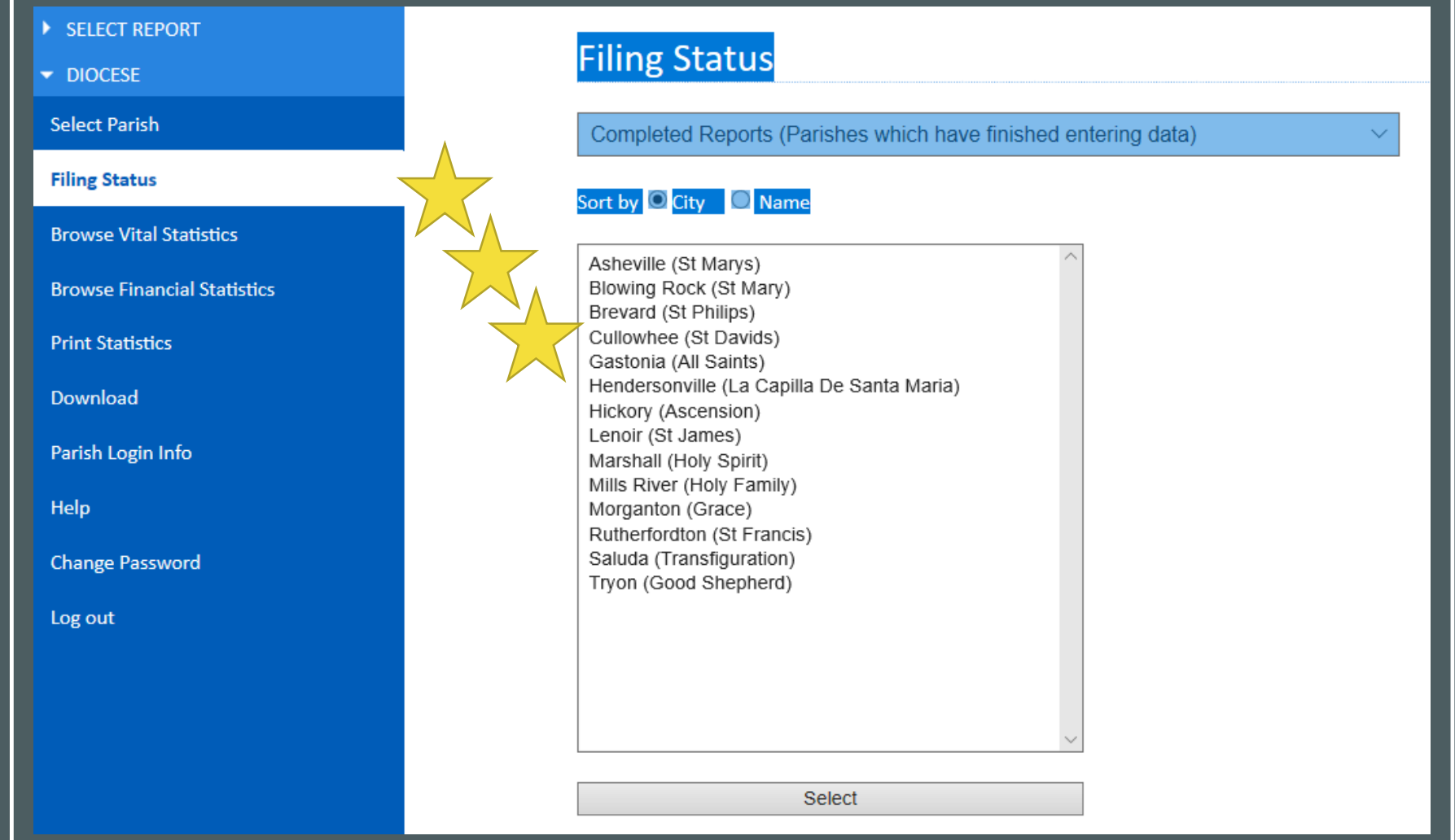
(2) in respect to all activities of the Parish, adequate liability insurance coverage to insure against any liability of the Parish, its Clergy, Wardens, Vestry and all other agents or employees of the Parish and of the Diocese who may share such liability. Appropriate evidence of such insurance shall be supplied annually to the Diocese.

Asset Inventory – Have you completed one?

ABOUT ALACRITY SERVICES

Flexible business model enables customizable solutions to meet client needs

3% one-time savings



20% in process
58% have not started!

Records Management
Chapter IX

Record Title	Retention Recommendation
Accounts Payable	Destroy after 7 years
Bank Statements	Destroy after 7 years
Bank Deposit Slips	Destroy after 4 years
Budgets, Approved and Revised	Permanent
Committee Minutes and Records	Permanent
Constitution and Bylaws	Permanent
Check Register	Destroy after 7 years
Financial Statements	Permanent
Legal Correspondence	Permanent
Payroll Registers	Permanent
Paid Bills	Destroy after 7 years
Personnel Files	30 (30 years after employment)
Tax Forms	Destroy after 7 years

Leadership Roles of Vestries

Vestry Leadership Day

February 2020

What we will cover…

- Responsibilities
  - Leadership
  - Management

  Reflections from both conceptual and practical levels

- How to work with your clergy

- Vestry role in stewardship

The Responsibilities of the Vestry

The work of the vestry has two faces, leadership and management. While leadership and management are different, they are complementary and essential. They differ in purpose, focus and tools/ activities.

The Vestry Resource Guide, p. 9

Leadership involves the following activities:

- ***Envisioning:*** Creating vision of the future, along with strategies to make the vision real
- ***Engaging:*** Getting people to understand and commit to the vision
- ***Empowering:*** Enabling others to make the vision real
- ***Energizing:*** Generating enthusiastic, inspired, determined efforts
- ***Exemplifying:*** Modeling the vision and the desired values and behaviors

Leading as a vestry member is different than leading in the secular world.

Visioning in the context of the congregation is a process of *discernment*.

Vestry members *prayerfully* work together seeking the mind of Christ as reflected in the life of the congregation as opposed to the mind of an individual or group of individuals.

Leadership includes tasks such as:

- Discerning a vision for the future
- Articulating and communicating the vision
- Generating enthusiasm and "buy-in" from the congregation
- Setting the tone for leadership that encourages other leaders in the congregation to grow and flourish.

Management in the church involves the following activities:

- ***Planning:*** **Budgeting, allocating resources and setting objectives**
- ***Organizing:*** **Establishing structures, policies and procedures**
- ***Engaging:*** **Gift/talent assessment, training, role-development, coaching, evaluation, recognition, compensation**
- ***Monitoring:*** **results vs. plan, corrective action, re-planning**
- ***Preserving:*** **Maintaining and evaluating the physical assets (property and buildings) for the mission of the church**

Managers strive to achieve stability, predictability, order and efficiency; these are necessary, worthy and daunting goals. Good managers must deal with conflicts and take some risks to achieve these difficult goals. Both good leaders and good managers are willing to take risk.

Vestry Models Discipleship

- **Cultivate a life of prayer and formation**
- **Showing enthusiasm for the church and its ministries**
- **Making a generous financial pledge to support the mission of the church**
- **Being actively involved in at least one parish ministry**
- **Attending worship services, events, adult formation programs, etc.**
- **Modeling healthy behavior**

What does that look like in “real life”?

Visioning and Planning

- **Clarifying and articulating the congregation's identity and vision**
- **Recognizing and reflecting on the changing patterns of culture and society and the impact on the church**
- **Setting measurable goals and taking responsibility for them**
- **Having a long-term perspective**
- **Challenging each other and the congregation to look and think expansively**

Managing

- **Being intentional in ministry planning**
- **Seeing that ministries are focused towards an overarching goal**
- **Insisting on transparency**
- **Identifying and equipping talented people for ministry**
- **Holding each other to high standards of professionalism**
- **Addressing congregational issues in healthy ways**

Meetings

- **Check any personal agenda at the door.**
- **Avoid acting as a committee of the whole**
- **Discuss and debate issues, then speak with one voice**

All vestry members should strive to the best of their abilities to:

- **Pray daily for the clergy, leaders, and members of the congregation;**
- **Be active in and knowledgeable about the congregation, its programs and governance;**
- **Be fair, interact well with people, and strive to earn the respect of the members of the congregation;**
- **Have enthusiasm and vitality for this ministry**

The work of the vestry is done in *partnership* with the rector and therefore it is important for the vestry members to understand the rector's role and responsibilities. See Title III. Canon 9, Section 5.

Working with clergy

- **Different language and goals than business**
  - ***WWJD?***
  - ***Mission & Ministry***
- **Church is a community (relationships) as well as an organization (practices/policies)**
  - **Make decisions prayerfully**
  - **Engage in best practices, e.g., plans, job descriptions, evaluation, feedback**
- **Areas of Oversight & Mutuality**

The Vestry's Role in Stewardship

Some current trends in churches …

- **Operating costs are increasing**
- **Less money available for ministry**
- **Spending capital to pay current bills**
- **Clergy and staff poorly compensated**
- **Insurance Costs**

In many congregations…

- **Stewardship gets treated as a second thought**
- **Money is demonized**
- **People don’t understand *why* they give**
- **People focus on budgets rather than ministry & mission**
- **Disconnect between faith and money**

What the vestry can do

- **Actively participate in stewardship activities**
- **Treat stewardship as mission and a *regular* ministry**
- **Lead by example with generous giving**
- **Create a healthy environment for discussing money**
- **Think “ministry and mission”, not “money and budget”!**
- **Focus on ministry accomplishments**

Know your “Why”