

Expense/Credit Card Use Policy

I. Introduction

Calvary United Methodist Church recognizes that from time to time the Pastors, Staff, and employees (“Personnel”) of the church may be required to incur expenses to conduct church business and to further the mission of the church. In addition to an expense reimbursement process we recognize that use of a credit card will in most cases result in less concern from the Internal Revenue Service (IRS) for handling church-ministry expenses, and provide a more efficient means of documenting purchases.

As mutual stewards of the financial blessings God has given Calvary United Methodist Church we believe it is reasonable and sound to establish guidelines that provide structure and mutual protection. In the spirit of cooperation we ask Pastors and staff to:

- Exercise discretion, reasonableness and sound judgment with respect to expenses;
- Act as good stewards and spend church money carefully and judiciously; • Report expenses, supported by required documentation, as they were actually spent.

Section VI of this policy document outlines many examples of appropriate and non appropriate credit card expenses.

II. Policies

1. Expense Report:

For reimbursable expenses paid by Personnel, a Calvary United Methodist Church Expense Reimbursement Form must be completed and submitted at least monthly or within two weeks of the completion of incurring expenses.

The following information **MUST** be included:

- Individual’s name
- Method of Expenditure with receipt
- Reimbursement Options
- Date and Description of each expense
- Travel related expenses are to include the date, destination and purpose of the trip.
- Calvary United Methodist Church Accounting code against which the expense is to be applied.

2. Church Credit Card:

The number of credit cards owned by Calvary United Methodist Church will be determined by the Vision Team and Treasurer. The number of available credit cards will not be increased without approval.

Credit Card Limits

The Vision Team will be responsible for issuance of credit cards and the assignment of credit limits per credit card.

- Limits will be based on the number and frequency of purchases made by each designated employee or volunteer.
- Credit limits will be reviewed periodically or upon request submitted to Vision Team.
- In instances where the assigned limit is insufficient for an immediate need the cardholder should contact the Treasurer or Vision Team Chair to request an increase.
- Affected cards will revert back to the previously assigned credit limit after the need has been met.

Usage

Credit cards will be used for items purchased in the normal course of church ministry operations, for travel related expenses, or in situations that require emergency payment for goods and services.

Credit cards are not to be used to circumvent the normal billing process, bill payment process, established budget limits or for cash advances.

Receipts

A credit card statement WILL NOT COUNT as a receipt for IRS record-keeping requirements, therefore, "Receipts are required for all credit card charges". • An original receipt is required, per expenditure, and is to be provided prior to statement reconciliation each month.

- The original, a legible copy or a legible image of the original receipt is to accompany the monthly statement when it is submitted to the Calvary United Methodist Church Treasurer for payment, no later than 10 days following the cardholder's receipt of the statement..
- Expenditures for which no receipt is provided may be reported as taxable income for the individual card holder at the discretion of the Treasurer and Vision Team.
- In the event of a missing or lost receipt a Missing Receipt Form must be filled out and signed and turned in for reconciliation.

Expense Account Coding

- Each individual card holder is responsible for providing the proper Calvary United Methodist Church Accounting Code for submitted expenditures.
- Accounting codes are identified in the annual budget as approved by the church or as provided by the Vision Team or the Treasurer.

Personal Charges

Calvary United Methodist Church does not permit the use of a church credit card for personal expenses under any circumstances.

Reward Program Benefits Reward benefits, if provided by the lending institution at no additional cost to the church, accrue for the use of Calvary United Methodist Church and not the individual card holder.

Accrued benefits will be governed by the terms and conditions of the lending institutions program and their use will be determined by the Treasurer and Vision Team in consideration of the best interests of Calvary United Methodist Church.

Responsibilities

All individuals accepting a church issued credit card must read, understand and sign a copy of this policy prior to a card being issued.

The Individual Accepting Credit Cards

- Accepts full personal responsibility for safekeeping of the card assigned •
- Agrees no other person is permitted to use the credit card assigned •
- Ensures that all purchases are fair and reasonably priced
- Understands all purchases become a “receivable” to the card user, and the card user may be responsible for repayment for any charges deemed not allowable •
- Understands that an original detailed receipt is required to be submitted and identified with the appropriate Accounting Code at statement reconciliation each month.
- Understands that the issued credit card is the property of Calvary United Methodist Church and that at the end of their ministry service, the credit card will be turned in to the Treasurer or Vision Team.
- Agrees to report as soon as possible to the Treasurer or Vision Team lost or misplaced credit cards.
- Understands that the credit card cannot be used as a financial reference to obtain personal credit cards or loans.

III. Travel Guidelines:

It is our expectation that Personnel will make sound judgements regarding travel choices.

- Coach versus First Class flight choices
- Spousal and Family Travel is not a covered expense
- Frequent flyer miles are for church travel use
- Lodging should be based on the reasonable cost of hotel accommodations with safety and proximity to the attended event considered.
- Transportation choices should be the most economical under the circumstances

(i.e. shuttles, taxis, etc.) with due consideration to safety and schedule. • Meals and Incidentals: Personnel traveling outside of Augusta County on behalf of Calvary United Methodist Church will generally be reimbursed for meals and incidentals on a maximum per diem basis guided by <https://www.gsa.gov/travel/plan-book/per-diem-rates> for the city/state they are traveling in.

- Receipts and documentation of the purpose of travel are required.

IV. Ministry Expenses

Ministry Supplies:

Supplies purchased in support of Calvary United Methodist Church ministries are fully covered.

- Receipts are required.
- Documented with appropriate Accounting codes and identification of purpose.

Missions:

Expenses incurred during the course of a church sponsored mission are covered under the terms and conditions of the mission trip as established by the Calvary United Methodist Church Missions Committee.

Meals:

- Meals incurred during the course of counseling when the purpose of the meeting is not primarily a meal.
- Recurring meals with the same individual(s), including non- employees, should be limited.
- Meals for employees when the purpose is a scheduled staff meeting •
Recurring staff meals should be limited.
- Meals brought on-site for a meeting if the meeting is greater than 4-hours and is scheduled during a normal meal time.
- Meals for out-of-town guests that conduct business with the Church (e.g. Missionaries, guest speakers).

V. Capital Expenditures

In no instance is the use of the Calvary United Methodist Church reimbursement process or credit card benefit to be used to circumvent the established Capital Expenditure and Budget process. This is to protect both the church and Personnel from any appearance of impropriety.

VI. Examples of Appropriate and Non-appropriate Credit Card Expenditures

In order to insure that we are meeting the IRS requirements for non-profit religious institutions Calvary United Methodist Church has created this Usage Policy document. Income Tax Regulation 1.501 states that a church has to be managed in a way that does not allow individuals associated with the church any private inurement.

This section of the document outlines various examples of appropriate and non appropriate use. Those issued credit cards from Calvary United Methodist Church are required to read and follow these guidelines.

Typical charge errors include:

- Filling up the gas tank in a personal vehicle
- Making personal purchases, such as meals and clothes
- Using airline miles for personal trips

Mileage Reimbursements

A staff member or volunteer visits the local prison every weekend and stops at a gas station to fill up his or her car. They pay for their gas with the church credit card, and within minutes, they are on their way to continue the journey. Using the church's credit card to pay for gas in one's car is considered taxable income to that person by IRS standards. (Note: Pastors use Accountable Reimbursement for mileage reimbursement.)

Gas pumped into your personal vehicle is taxable income because there is no way to differentiate what was used for ministry purposes and what may have been used for personal use.

The IRS permits the church to cover the cost of its mission by way of using a mileage reimbursement system. By doing so, you pay for the gas that goes into your vehicle and then submit a log of the miles used for that purpose to the church. The church can then reimburse you for the miles driven based on the IRS-approved reimbursement rate, not the actual cost on the receipt. This reimbursement rate is based not only on gas expense but also on the wear and tear on the vehicle. The 2019 IRS mileage reimbursement rate for employees is 58 cents per mile, which up from 2018's 54.5 cents per mile. (Rates differ for volunteers).

Each year, the IRS takes the time to assess deductible costs for anyone that uses their personal vehicle for business, charitable, medical, or moving purposes. The church can reimburse the cost to them and have a record of the information if needed in the future. To do this, it must be determined which purchases were personal and which were for the ministry.

Business or Pleasure?

Another area is purchases made by a cardholder who pays for personal items. This can look like buying medicine from a pharmacy after they visit their doctor, purchasing clothes from the local department store for a conference that they are attending next month, or paying for hair-styling and makeup before they appear on a television ministry.

These are all considered personal purchases by the IRS and will be taxable income at the end of the year. The reason these expenses are taxable is because federal income tax liability is not covered while the individual alone can enjoy the benefits of their earnings (.08 Revenue Ruling 69-266, 1969-1 C.B. 151). None of the things listed above are items kept at the organization for other staff and leaders to use and are thus considered personal expenses.

Airline Mile Points

If your card happens to accumulate airline miles or other reward points or value you cannot use those reward personally. Those rewards are the property of the church organization and can only be redeemed for church use with the approval of the Church Treasurer. Such use should be completely documented.

Reimbursements and How They Work

Reimbursements are used to repay someone who used their own money to buy something for an organization. Generally, reimbursements need approval by staff before the purchase is made. An expense request form helps to track what purchases were made and why. These forms should include:

- The name of the person requesting the reimbursement.
- Purchase date of the item.
- The reason the reimbursement is being requested.
- The department or description of the items (i.e., Kid's Ministry or Easter Celebration).
- The budget account from which the reimbursement is to be made. •

The signature of the approving staff member.

- A place to attach the receipt if the form is a paper document or a way to scan and link the form if it is a digital copy.

Legal Definitions and Standards.

A) Pastoral Care. An expense directly related to the purpose of the church and/or giving spiritual guidance, teaching, reproof, correction, and for the training of the ministry team or members of the congregation. There must include a bona fide pastoral or purposeful discussion regarding the active conduct of the ministry. The amount of expense must be directly related to the preceding purpose. An expenses directly related to "Pastoral Care" may include but is not limited to: Provision of food and beverages, recreation, sporting events, hospitality, meeting facilities, hotel rooms, automobile rental, and qualified personal expenses (meaning related to a ministerial purpose). Meals with staff are acceptable if the purpose is to celebrate the work anniversary, birthday, or to celebrate a ministry achievement. Occasional lunches to discuss operations are also acceptable as long as a predictable pattern does not emerge. Occasional would be defined as less than 4 times per year.

B) Ministry Expenses.

Are expenses incurred in furtherance of the purpose of the organization typically referred to as business expenses and include office supplies, furniture and fixtures, facility or building rental, business software, and contract labor.

C) Gifts.

Are expenses that are not includable to the recipient as gross income and must be less than \$25 annually. An expense incurred for the purchase of food or beverage for the use of a person at a later time is a gift. An expense incurred for the purchase of tickets for admission to an entertainment or sporting event to be used at a later time is a gift. A gift to a company that is intended for the eventual personal use of a particular person or

a limited class of people will be considered an indirect gift. (See appropriate uses below)

“Occasion gifts to employees are taxable income almost always. I won’t cite case law but holiday or other special-occasion gifts could be de minimis fringe benefits and non taxable (occasional office parties/picnics, traditional holiday gifts of non-cash property with low fair market value (turkeys and fruitcakes, hams, gift baskets, \$25 or less generally, can’t be cash)). The way around this is to do a group office party situation and that generally is fine. You can’t do season tickets and certainly no cash cards. The only other exception is an employee achievement award. I hope this helps. There isn’t much flexibility for employer gifts.” Steven D. Goodspeed, Senior Associate Attorney - Tax Specialist, Anthony & Middlebrook - Church Law Group, Dallas, TX.

D) Travel.

Generally travel expenses must be related to overnight stays and be away from home. Acceptable purchases associated with travel can include: taxi, Uber, or car rental, meals and lodging, cleaning and laundry expenses, tips and communication expenses. In order to substantiate an expense, one must indicate time, person(s), place, and ministry purpose of each expenditure.

E) Benevolence.

Benevolence is the payment of a specific need for a person (not a Team Member). Benevolence is a high risk category for churches and is where most embezzlement or conversion of church funds occurs. In the event of payment for benevolence, the church should issue a pay order or credit card charge that provides the person’s name, address, and other contact info for the person as well as a bill or invoice confirming exactly what is being paid.

Examples:

I) Appropriate uses:

- i) A pastor or staff and their family take a visiting family out to dinner after the Sunday service in order to offer them friendship, discipleship and an invitation to become regular members of the congregation.
- ii) An administrator purchases dinnerware, art, and floral arrangements to used at the church or the pastor/staff’s home from time to time and is stored at the church and is only used for church/ministerial events
- iii) A department director provides lunch for a different church member several times per week wherein general personal and/or ministerial conversation occurs but only repeats his guest(s) 2-3 times per year.

B) Gifts:

- i) A Pastor instructs his or her admin to purchase \$25 gift cards for five Team Members. The admin notifies the Chair of Finance who advises the team members have not received any other gift cards for the calendar year and endorses the expense. The admin purchases the gift cards and timely submits an expense report naming each of the team members and why they were given the gift cards.
- ii) A director wants to give a gift basket with candy, a coffee mug and a book to a team member in celebration of their birthday.

C) Travel:

- i) Staff travels to a staff conference; The pastor or staffer holding a church credit card pays for gas, hotel rooms, breakfast, lunch, and dinner for three days and two nights, and fees for an outing to a local show.

II) Inappropriate:**A) Personal, Living or Family Expenses:**

- i) A pastor takes his or her family out to dinner following the Sunday service. No other staff or members of the church are present. The meal is a personal expense.
- ii) An admin purchases dinnerware, art, and floral arrangements for a pastor's home prior to an in home meeting with ministry leaders. The dinnerware, art and floral arrangements are stored permanently at the pastor's home and are used for personal use as well. The purchases are a personal expense.
- iii) A department director provides lunch for the same team member or church member once every other week wherein general personal and/or ministerial conversation occurs. The meals are personal expenses.
- iv) A staff member is running late for an evening Committee meeting and stops to get a takeout meal which they bring to the meeting to eat. The meal is a personal expense.
- iv) A staff member purchases outdoor furniture for their home in order to entertain their ministry team for a night of celebration. The purchase is a personal expense.

B) Gifts:

- i) The wife of a Pastor wants to bless a ministry admin with a monthly visit to a local provider of manicures and pedicures.
- ii) A pastor purchases a birthday gift at Home Depot for another staff member.
- iii) A pastor purchases a \$300 gift card for a church member and claims it as benevolence.

C) Disqualified Travel:

- i) A Team member leaves their office and travels to the District Office to discuss a business issue, and stops along the way to have a new set of tires placed on his or her vehicle and buys lunch at Wendy's. The Team member completes his or her meeting at the DO and returns to his or her office by 7p.m. The purchase for tires and lunch at Wendy's are disqualified travel expenses.
- ii) A pastor flies with his or her family to Aspen for a spring break ski-trip for one week. While there, the pastor meets with a pastors' group to discuss foreign missionary theory. The meetings last one and one-half days. All costs of travel are disqualified except those related to the ministry meeting. In no instance can the Calvary United Methodist Church credit card or reimbursement process benefit be used to circumvent the established Capital Expenditure and Budget process. This is to protect both the church and personnel from any appearance of impropriety.