

Hi, thank you. I already mentioned that, but still, you know, there's a few questions mainly, and you'll see that are related to how to allocate obviously our finances specifically to pay for our temple space or our church building if you,

if you will. And so that's a lot of the curiosity right now because a lot of our income right now is based on donors, you know, donations. And that goes into our main temple. It's a biz account, a bank account, but our main temple business account, *****. And the question for us is we keep everything by the books and on board and with the minutes and everything,

but we agreed to allocate for instance, and I'll show you the questions, but \$6,000 of rent payment for, well for *****, let me just go to the question. So it'll be okay. Stay with me. Here we go. I'll go right to what ***** sent. He's one of our advisors and donors and donors. He said this, and I'll see if it lands for you to which account should \$6,000 in rent allowance.

And then the in parentheses \$2,500 salary be paid. So should we pay that to ***** personal account, to ***** business account, separate business account? Or should we pay that \$6,000 rent allowance directly to the landlord? Okay. So the assuming I'm assuming the landlord is some independent third-party right? Correct. Yes. Yeah. So, so the payments should go directly from the church's account to the landlord.

Got it. And is it clear that ***** actually lives in the temple space? So it's utilized for church purposes, but also she lives in the same. It wasn't, but that's okay. Cause that would fall under, we don't see it very often anymore, but that would fall under the, Oh my gosh. I'm watching the wind outside my window and I'm getting distracted.

That would fall under the, what do you call it when you have a house for a pastor and that they live in? I like patronage. It's like a parsonage. Yeah. Thank you. Yeah. That's a senior moment. Yeah. Oh it's okay. I grew up in the church. I know the parsonage. Yeah. So, so that would be,

that would just be a parsing for her. Yeah. Okay. A parsonage for her, for ***** and okay. And going back to what you, you advised was for us to take it from the temple chase account and pay it directly to the landlord. Okay. And then the sat, that's the \$6,000 in rent. What about the additional \$2,500 salary intended for *****?

That should be, that should go through a normal payroll account and should, or payroll service. It doesn't necessarily have to come out of a separate bank account. It could, but it's small enough that she's the only one drawing a salary just to have it come out of your general account, but you do need to run that through payroll. Got it.

Okay. And what's the reason for that. Just so I'm learning, I'm just learning. Well, so if she qualifies as a minister under the IRS has guidelines, which I'm guessing she would, then she has, what's known as dual status as an employee. So she is an employee of the church. So would receive a W2 like any other employee,

but for FICA purposes. So for social security, she is considered an independent contractor. Got it. So the church should not withhold FICA for her. She'll actually have to pay that on her own personal return as self-employment tax, what's doing SECA. Okay. Okay. So now you can withhold income tax for her if she wants or not, that's up to her,

how she wants to handle it. And so for instance, what I did when I was a pastor was I get the church with old income tax and I just told them how much I wanted them to withhold from every check. And I figured my self employment tax in that. And that's fine. So you can, she can ask the church to do that or she can pay it all herself,

but she is, do not withhold FICA. Okay. That would be a major staff who that could bite both the church and *****. All right. Taking that note do not withhold FICA. Okay. Okay, great. And what's the benefit to her and why did you choose for instance, to have the church withhold the income tax That way? I just didn't have to worry about making quarterly estimated payments.

I just didn't. I just didn't want to be bothered with it. Otherwise, otherwise you have to make quarterly estimated payments of, of your estimated tax liability for the year. And is this under the same image for whatever reason is this I'm under the impression that as a church organization non-profit that we actually don't have to pay taxes. Is this correct? Mostly.

Yes. So as a church, you do not. And if, if you've received that designation from the IRS and you're determining, well, churches are automatically tax exempt, right? You don't actually don't actually have to file the 1023. No, it sounded like you did file the 1023, got the 501C3 exemption. And so you do not have to file.

What's known as a 99. That's the nonprofit information return. If the church has unrelated business income. So you got income coming from something that's not related to your church operations. So for instance, a lot of churches with their location, they will, they'll have a cell site, you know, you know, Verizon might set up a cell tower and they pay them \$5,000 a month.

That's unrelated business income. That is taxable. Got it. Okay. Unrelated business income is taxable. I think our lawyer on our board ask about that. Okay, great. And then is *****'s salary taxable? Have I missed what you were sharing to her? So she'll pay taxes on what she earns as a salary, but not on the rent allowance,

Not on the run of the house. That has nothing. Yeah. That's a parsonage and that's pass to her. Okay, fantastic. Okay. Ready for the next question? All right. I'm just going to read it here. I haven't read it yet, but can the temple authorize more than one temple location, rent, allowance, co concurrently. So for instance,

we have one in California right now and one in Hawaii. And then the question goes on to ask, or possibly at least for a transitional period of two to three months, if it's decided to let go of the

California location. So they mean for ***** living there, is that what that question relates to? Yeah. Well we want to have two churches to two locations.

***** lives between both of them at any given point. And so ***** is always where the activity is. There's one needed in Hawaii and California. And they're wondering this question. So if there's a stipulation that she needs to be living in it, I'd be curious to hear. So, so one of the things to think about with the housing or with the parsonage situation is,

is it needs to be for the convenience and benefit of the employer. So I would think if that is for the convenience and benefit of the church, then the answer would be, yes, that would be Okay if it's for the convenience and benefit. And just to be clear, having two rent allowances for two locations, two church locations. Well,

and so, so what you're doing is basically you're providing, you're providing a parsonage for her, just so happens that you have two locations that are sufficiently separated, that she would have to stay in one or the other. Yeah. Given that one is Hawaii. I, I still think you're probably okay. That's when you may want to explore a little bit further.

Okay. But I think you would be okay because you've got one, one leader of both true of both locations. So I think you would be okay. And when you say one leader of both locations, you mean someone who's on the property here and someone who would be in Hawaii? Yeah. So ***** , I mean, she's, she's leading both,

both locations, right? Correct. So, yeah. So I think you would be okay with that. What if one of the locations in California had another person on the clergy who lived in that location to our, what do you call it? Full time. Okay. Again, if it's for the convenience of the denture occurred, then I think he'd probably be okay.

That it would, it would also be able to live there. Tax-free Great. Okay. Next question. This is very efficient. What would be an increased range of rent, allowances, and salary for ***** to be under current conditions of income slash donations. Okay. Okay. What would be an increase? Do you understand that question? I do. I think,

Yeah. And then how's it calculated? Yeah. There's more to that. There's like four questions in this one question I can finish or do you want to go ahead? Yeah. So there's that question? What increased range of rent allowances? How is that calculated as a percentage of income slash donations? Or could it be any amount if a specific plan and budget requirement was put forth as an ask to donors?

There you go. Okay. So, So the general rule is that a minister's compensation has to be reasonable given the, you know, the scope of the operations of, of the church. So what you would have to look at is, so if you just said the pastor salary, I'm gonna use the, or the minister salary, and that includes the rent living rent-free in,

in the parsonage. Yep. If you just set that in, you don't do anything else. And the IRS walks in and they say, we think what you're paying her is unreasonable. The burden of proof to show that it's reasonable, then falls to the church. Got it. Sarah, three things that you can do to move the burden of proof off of the church onto the IRS that is fundraising.

While those three things are one, do some sort of a, something to get some comparable salary information. So you can do a salary survey. You could do, you know, you can purchase, there's some materials that you can purchase from different places that that would say, Hey, you know, for a church with this much in income, here's the range of what's reasonable or what's being paid.

So you do that. The second thing is you document your, your process for determining how it's reasonable, you document that contemporaneously in the board minutes. And the third thing is that anybody that has any sort of an interest in that should recuse themselves from basically from the vote and from the salary survey or whatever means. So ***** should not be in that process at all,

favors married. Her husband shouldn't be in that process or her brother or sister or mother, they should all be removed from that. So it should be totally independent, those three things. And you've documented then if the IRS were to walk in and say, we think it's unreasonable, we go, here's what we did prove to us. It's unreasonable. Right?

So now the burden of proof is on. Now, what that doesn't do is that doesn't address the issue of what do we communicate to donors and how does that work? But at the end of the day, what I've seen is that as, as churches have gone through that process to determine what's reasonable, they communicate that process to the donors and, and say,

here's what we've done. And they don't necessarily tell them what the compensation is. You guys may operate differently, but I don't think I would. Well, certainly when I was in that role as a CFO at a large church executive pastor at a large church, I had people come and say, how much this pastor make. I put my \$5 a weekend and I want to know.

And I said, well, I'll tell you if you're a tither. So if you're giving a significant amount of money, I'll tell you the process. But if you just put five bucks a week here in here and you're demanding, I'm going to tell you enough. Got it. Okay. So that was really helpful. Thank you. Okay. Sounds like documenting is essential and Yep.

Yep. Okay. And let me just make sure that would be a satisfactory, what would it increase range of rent, allowances, and salary for, okay. So in researching potentially what comparable salary and got it. Yep. So that we can, yeah. So, so I can't tell you specifically what that number would be. You'd have to determine that through whatever means you do you use to,

to figure it out. Great. And it seems like a follow-up question, but next question is how would any increased rent, allowances, and salary be taxed for ***** who is our main yeah. Yeah. So, so the parsonage rent, the parsonage fair value of the parsonage made available to her would be, is non-taxable okay. As long as it's reasonable.

Yeah. Okay. Is it feasible? So, so if you've got a church for, I'm going to give you a word example, I've got a church of a hundred people and we have a little building that we meet in, in Beverly Hills and next to it as a 50,000 square foot mansion that we own, and we let the pastor leave in that as his parsonage,

that's not reasonable. And that's probably going to be deemed an excess benefit transaction, and you'll want to look up excess benefit transactions because there are a pretty severe penalties. If you enter into an excess benefit transaction penalties for both the receiver of the excess benefit and those who authorized it. So the board could actually be held liable for penalties as well. And so you've got,

you've got to look and say, what's the fair value of the rent if she's living in the temple, obviously there's part of that, that you use for, for your religious purpose, part of that for her home. When you look at that and you've got to determine, what do you think the fair value of that is? And you've got to factor that in with her salary,

combine it together and say, is this total still within the range of what we believe to be a reasonable salary based on our salary survey or whatever study we did. I think that it's more than that, then you probably have to report the excess as, as income for her. Okay. If it's more than that, you had to report the excesses income.

Got it. Yeah, go ahead. Okay. And then her salary itself salary itself is a taxable, just like any, any other employees. So in general, here's, here's kind of rule is that a minister's salary is taxable. So let's pick a number. Let's say that I'm, I'm a minister at a church and I make a hundred thousand dollars a year and I live in my own home.

Okay. I can take, what's known as the housing allowance. Okay. As long as I qualify, I can take a housing allowance. And that allows me to deduct the lesser of my actual expenses can maintain the home. So, so my mortgage payment, my insurance, my maintenance costs, supplies to maintain the house, the utilities, if I buy furniture,

whatever it takes to maintain the house and to live in the house, I can exclude that from my income. So let's say again, I'm the church says, we're going to give you a hundred thousand dollars. I look at my house, my house, and I say, it's going to cost me \$40,000 a year to live in my house. That 40,000 is excluded from my income for tax purposes,

not for self-employment tax, but for income tax. So I would then have a \$60,000 gross income from which I can deduct all the things you normally deduct, including my mortgage interest and

property taxes. So in essence, I get to double. Yep. Yep. And then I come down to whatever my taxable income is and I pay income tax on that amount.

But my social security, or in this case, my self-employment tax is computed based on the total value of what I received the parsonage basically replaces or is in place of the housing allowance exemption. I don't know if I answered, so I don't know if you have to add the value of the parsonage free rent to salary to come up with a self-employment tax.

My guess is you do, but I've never faced that. So I don't know the answer to that question, but that's pretty easy to find ethic amount in the IRS information. That'll be easy to find. Okay. Wow. This is very valuable. Fantastic. What are the things you might want to look at is there's a CPA called *****,

but you still there. Okay. Called *****. And she's done a lot of writing on ministerial compensation. You might wanna look at some of her articles. A lot of them will appear in church law in tax, which is part of Christianity Today. And so you may have to actually subscribe to that,

but it's not very expensive and there's good information there. Thank you. Fantastic. Okay. Yeah, this is, this is a very complex area that churches often get wrong and it can have pretty significant implications, especially to the minister, but also to the church and to the board. Yes. And when you say this, you mean the question of patronage and salary and rent allowance,

The whole ministerial compensation. Yeah. It's a very complex It's complex. Okay, great. Okay. Let's keep going. Cause there's more. Is that okay? Sure. Okay. Our lawyer she's on the board. She's great. She asked, I'm just gonna read the tax rate on not an unrelated business. Income is 37%. How would you determine if income is unrelated business or not unrelated business?

Okay. First the tax rate on unrelated business income is whatever the corporate tax rate would be. So, you know, corporate tax rates are graduated. So wherever you fall, you know, it could go up to the maximum if, if you have a lot, but it's, it's not just a flat 37%. So the way to determine if something is unrelated business income is to say,

does it relate to your exempt purpose? So, and there are some exceptions to that, of course, because this is the tax law, but let me give you a couple examples. So I gave you the example earlier of we've got a great, so the church where I was executive pastor, we're at the very top of a Hill, the churches at the very top of a *****,

looking right down the *****, prime location for cell sites. So their church has got six or seven companies that have leased that space to put cell towers. And the church generates a significant amount of income from that every year that is unrelated, totally unrelated to the exempt purpose of the church. So that is unrelated business income. That same church has some fantastic property around it that is used often for a film.

And so they will pay us to use the property, not related to our, our exempt purpose. The church operates a bookstore. And so we sell books. The books obviously are related to what we're doing, but even if they weren't, you know, and that may be a bit of stress, but a bookstore typically doesn't fall under what a church does,

but that is set up for the convenience of our members. So when pastor does a, a teaching and says, Hey, we've got this great book, you ought to go read crucial conversations. You know, as part of, as part of this series that we're doing, that would help you. So we sell crucial conversations in the bookstore that is not unrelated business income.

We're simply selling those, even though we like make a tiny profit on it for selling that for the convenience of The members. Got it. Okay. So you've got to look and say, is this related to our scent purpose? And if it's not, then it's unrelated business income. And if you have a thousand dollars or more, the first thousand dollars,

you don't have to report, anything a thousand dollars or more you have to, then you have to file. What's known as a 992. Okay. Do you have some examples of what is related business for the church? I mean, So let's say you do a conference and in the conference, your pitching your doctrine and you're teaching people, you know,

whatever it is you teach that would be related. So, so the conference income would, would not be, would not be unrelated Business income. Let's say you write books on, you know, your theology or your doctorate or whatever, and you're selling those books that would, that would be related to your answer. Got it. Fantastic. While you were speaking and thank you for that while you were speaking.

I had, I remembered a question I had about our previous one, about a reasonable determining what's a reasonable amount for rent, allowance and patronage, and all this, our parsonage, is this an relative, like relationship with the ma, like to determine if it's reasonable, is it in relationship to the amount of donations that are coming in? Okay. Pretty much,

pretty much. Yeah. There were some other factors that can go into that, you know, so if you look at the complexity of the operation, you look at it, th there can be other factors, but the primary driving factor is, is the amount of contributions that are being generated and the complexity of the organization. So let me give you an example.

I worked with a church in another part of the country, and they've got six or seven locations. It's a, multi-site, we've got six or seven campuses within their general geographic area, but they also run conferences. They run a publishing house, they have influence overseas. So when you look at the whole range of it, you say, well, here's their income.

And based on that, you would say that compensation for the senior pastor should be between X and Y. But when you add the complexity of it, and look at the fact that he's managing eight or

900 employees, they've got overseas operations, they've got, it's not just a church. They also have a publishing house. They do music, they do all these other things that increases the complexity.

And so when you factor those in, you say, we can really take it to one and a half X to one and a half. Why? Okay. Okay. So you gotta, you gotta look at a number of different factors. Fantastic. That's very helpful. Thank you. All right, here we go. Keep on, keeping on. Let's see.

Okay. So now we have the question of, I think one of our most pressing things is that we have a lot of people who are excited to donate to the church and be in participate in that way. I think one of the things I'm interested in is creating a really clear standard operations and clarity for the donors and how we receive donations and what we do with all that.

I don't know. Let me look at the questions and see if I have any formed, intelligent questions around this one moment. Okay. Let me read this one. See if it's okay. If a donor loans funds to the temple, and then later makes a regular donation through a donor advised fund. Can that donation be used to pay off the donors,

initial loan in the course of regular temple account and budget management? That's not really in line with what I was teeing up, but I know that's seems like a complex one. I don't see why it couldn't be. I don't know why you would do it that way. I think it would be better. So do you know how a donor advise fund works?

Okay. So a donor advise fund is, let's say I've got an extra quarter of a million dollars laying around and I don't necessarily want to give it, donate it all directly to ministries right now. So I can, I can put that into a rockfall donor advised fund with St. Merrill Lynch. When I could that 250,000 into that fund with Merrill Lynch,

I give up the right to control it. And so I get a charitable contribution right then. Okay. So, but then I can go to Merrill Lynch and let's say, I want to, I want to parse that out 50 grand a year. I can go to Merrill Lynch and say, I recommend that this year we give 25,000 to nonprofit a and 25,000 to nonprofit b, Merrill Lynch ordinarily would do that.

They would take that advice. That's where the donor revise comes in, but they could say, no, we're going to give it all 50,000 to nonprofits C. Got it. Okay. And I, there's nothing I can say about it because I to get, to get a deduction tax deduction, I have to give up the right to control the funds.

Yeah. So, so in this case, you're saying somebody loaned money to the temple, then they may donate to the temple through their donor advised fund. They don't actually control that anymore. So certainly you could use those monies to pay off the loan if you wanted. So the answer is yes, the other option would be simply to have the donor forgive the loan at which point becomes a tax deduction for them.

Okay. That was clear. The other thing to know on donor advised funds, when you get money from a donor advised fund, you should not be issue a receipt indicating that they can get a tax deduction for that you should simply because they already have that's right. So you simply send a notice back to Merrill Lynch or whoever it is to their brokerage acknowledging receipt.

Fantastic. Thank you. That's great clarity. You know, that could get problematic. This question is not on the list, but it's, what's emerging based on the conversations I've been having here it is. Okay. Let's I, I do well more in hypothetical situations. So let's hypothetically say a donor comes along and wants to donate a hundred thousand dollars to the *****.

Okay, great. What also happens is ***** as a, I don't know what as the head pastor offers services, and this is something she's been doing for many years. She offers services of like supporting people through emotional and spiritual development in what if this donor also wants to enlist that ***** specific services, you know, they want to work with her individually or with a group or whatever,

but they want to work with her. And so how do we manage those funds and make it super clean on a tax write-off perspective and business and all of that, if at all. So it is ***** offered those services through the temple. So the temple would receive any payment or does she have her own separate business outside of the temple Previously had her separate business.

The temple was established two years ago, five years prior to that, she established her ***** , LLC, where she was running all of her spiritual, emotional support business. Then she did the temple up until now. We haven't crossed over, but was wondering, is there possibility to crossover and yeah. Yeah. Well, interesting question. I mean,

it's very important that you keep those separate. And so it's real clear. So if a donor gives a hundred thousand dollars to the, and wants ***** to do, you know, provide whatever services she provides, they've got to be really clear. Is that something she's going to do through the temple? Is that something that she's going to do on her own for free because they donated the temple or is that something she'll do that she's going to charge in addition to it?

So, so the, basically the, the thing you have to think about is whenever anybody donates to the church or to the temple, if they receive anything of value beyond a very small amount, a diminution amount, if they receive anything of value, that amount has to be taken out of what they can claim as a tax deduction. So let's say I donate a hundred thousand dollars.

And for that, I say, gosh, I want to, I want to go to a retreat with ***** . And so, you know, we go off for the weekend with a group or whatever, and the fair value of that weekend is \$10,000. I can only take \$90,000 as a deduction. Got it. And that needs to be on the receipt that is provided from the temple to the donor.

If you provide your seats, you're not required to by law, but if you don't then any gifts more than \$250, the donor can't deduct. So everybody does provide receipts. And on those receipts, you're gonna need to say nothing of value was received beyond spiritual, you know, other than spiritual benefit, or if there was you say, yeah,

there was a, a weekend retreat that was valued at \$10,000. Therefore the detached deductible amount is 90,000. Wow. Okay. Fantastic. Quick question distinction beyond spiritual support. Like what, how do we, what does that mean? So something like, you know, so I go to church, right? And, and I'm getting value spiritually from the teaching,

from the small groups. I mean, and from whatever, there's still tangible value to that simply spiritual battle. Now, if I were going to, to go on the retreat that we stay at the four seasons for a week that has tangible value. And, and if I, if I'm not paying for that, then that would get deducted from my contribution.

If that's, if those two are tied into the \$100,000, but I get this retreat, that's valued at 10,000. I really only donate at 90,000. The other \$10k is for the retreat. Okay, fantastic. So as long as we document that on the tax letter that we send to the donor, then we should all be in good standing.

And if the donor says, well, I want to donate a \$100,000. Cause I want that deduction. Then we could say, well, if you also want the retreat at 10,000, then donate 110,000. Yes, that's right. Yeah. Yeah. You can't, you can't get a contribution for something where you receive something of value in exchange for it.

Yeah. Sounds. I was like, yeah. We're the purchase. Okay. And okay, speaking Again, because the contribution is when I get a contribution, I've given up the right to control that money. Exactly what I'm telling you. Part of that money I've given you has to be used to pay for me to go on this retreat. I've not given up the right to the,

to that money. I'm controlling it. Fantastic. Very clear. Thank you. Question. What if someone comes in and they don't necessarily want to donate to the temple, but they do want the services from ***** in her expertise. And let's say a retreat. If we will, like, they want to do a retreat with ***** , can they just purchase that through the temple?

Or would it be more beneficial tax wise for them to just purchase it through her ***** , LLC, There'll be no tax benefits to them either way. So you need to figure out, you know, is ***** providing these services through her own LLC or is she providing these through the temple? And if she's providing them through the temple, they can purchase it.

And then we'll just have to consider it as income from the time That's income, but it's not taxable because that would be, that would be an example of something that's not unrelated business income. Thank you. Okay. So it seems that it would benefit us to run at least people who just

want to have time with ***** and use her services, that to run that through the church,

because it is very relevant And *****, and if ***** does it through her LLC, that does become taxable income to her. Okay. Let's whatever her expenses are obviously, but, but that potentially becomes taxable income there.

I'll leave you with one question you had mentioned, and then I really am going to go and then we'll come back payroll. I am on payroll and meaning at the moment, I'm just literally being paid by the Temple. I know I'll get to report that as my own income, but I'm guessing I would need to be. I'm the only one on salary,

not salary, but independent contractor at the moment running operations, essentially. Okay. So any distinction I need to, I think we need to get payroll started is what I think. So, well, any advice on payroll services that work really well with the church?

Or is it just anything in corporate? No. Most, most payroll services have no idea how to work with the church and the ministerial compensation complexities. One of the ones that I've seen a number of clients go to lately is Paycor P a Y C O R. They usually do a pretty decent job. I actually think that ADP has gotten there lately where I think they understand it,

that they're pretty expensive for small operations. I mean, a quarter may be more affordable. And let me, let me go back to something you said, you said that right now you are being treated as an independent contractor. I'm not even sure. I mean, they just needed support with operations that came on board. I been operating at \$2,000 a month and being paid through ***** alchemy because we hadn't yet approved that through the board.

So the, for the past like five months, I haven't been paid through the temple just to make sure we didn't, we may do back pay if possible, but we would want to be able to justify. So tell me what your thoughts are on that. Well, the, the thoughts are that you need to make sure if you're treating as an independent contractor,

you need to make sure that you meet the IRS's test for that. This is something the IRS has looked at and has cracked down on quite a bit. They estimate that people that are, that are treated as employees and they get a W2, they lose a billion dollars a year in tax that they should be collecting. They estimate the people that are treated as independent contractors.

They lose 15 billion a year. So they're cracking down on that and you want to make sure that, that you've looked at that and you know, that you qualify. And if you're, if you're not doing this as a business, if you're not setting your own hours, providing all your own equipment and doing, and doing this for others or making yourself available,

then you probably don't qualify. So just make sure you look at that. Okay. And then if I'm not an independent contractor, I would be employee either full-time or part-time And you'd have to get

a W2. That's right. Okay. And I'm wondering what kind of, what kind of things should I be documenting in any future employees documenting to be able to,

I guess, in a way, prove that I'm doing, you know, I'm doing operational work for the church and that it's justified that I get paid through the temple or through the church. I don't think you need to do anything beyond having a, you know, make sure you got good personnel files and you're meeting other requirements there and that you're getting feedback on a periodic basis on your performance goal setting,

that kind of stuff beyond that, the IRS isn't really too concerned about it. Okay. And feedback documented. I'm guessing. Yes. Yeah, absolutely. Yeah. Stop you. Oh, always document. And that is something I have learned. I think, I mean, what other questions is there anything emerging that you're like, these are some things you should be,

you guys should be tracking for internal structures. And so far, how are you tracking donations? That is the best question you've ever asked. I, I don't know the answer to that. What do you mean by tracking? Well, you should have a donor system. Yes. That, that tracks the donations better coming in so that you can make sure that you're providing the tax receipts to the,

to the donors. Again, if, if a donor contributes \$250 or more, or more than \$250, I don't remember at any one time, then they have to have some acknowledgement from the temple before they file their tax return of those contributions, or they can't deduct them. And there was a case a number of years ago where somebody donated, I forget the amount,

but it was like \$5 million. And they filed their tax return pretty quickly. And they didn't have the receipt in hand when they filed the IRS challenged it, they took it to tax court and nobody denied that they made the contribution, but you have to have that receipt in hand when you file your return. And that tax deduction was denied by the tax court.

That's painful for want of a piece of paper. Their deduction was denied. Okay. You mentioned a term donor system now, is that just literally like a standard operations or is there actually like a system that I could plug into and yeah, No, there's, there are all kinds of systems out there that can use for tracking donors. And again,

depending on the volume of donors, the number of donors you have would sort of indicate what, what current you should look at. We have three to four that is definitely going to increase, especially if we have the systems in place. So we have a lot of people who want to donate and yet we're holding them off. Cause we're, we're trying to get our ducks in a row and create these systems.

So any advice on that would be okay. So when you say a lot would quantify that for me In the next year 10 to 20 more Could A hundred. I don't know. Yeah. I mean, for 10, 20, 30, 40, 50, you probably can just use Excel and just track it in Excel. Then that would, that would probably

work.

You start getting more than that. There are other donor systems out there that you can look at. So I mean, the problem is they all cost money, right? So I know some people actually use QuickBooks to track their donors if they don't have a lot, it's not, it's not the best system, but, but sounds like Excel is good if we don't have a lot.

And then, Well, you can use Excel, make sure that you keep track of, you know, G gate received amount donor, obviously. And if there are any restrictions on it, so you can receive what are known as, as restricted contributions. So I'll make up an example. Yeah, we've got this building here that we ran and we need to do some improvements to it or whatever.

So we're going to improve this area of it and it's going to cost us \$25,000. So we want to bring in contributions just to pay for that. So if somebody gives you a restricted contribution, you are bound by law among not to mention, you know, your own integrity to spend that money for what it was given to you for you. Can't take it and use it for another purpose.

So if you get restricted contributions, you need to have a system to keep track of those both coming in and when you spend it. Okay. Got it. So for the Excel document, something that would be good is just obviously the name, the date that we received, payment of the donation, the amount of the donation, if there were any restrictions and if we sent a letter and when we sent the letter of Yeah,

yeah, yeah. And I probably would keep, would keep copies of that letter. And again, make sure that you've got that statement on the bottom that, you know, no, nothing of value of tangible value is received without that the IRS can actually, again, deny them that I have a contribution. Terribly, terribly sad. That's fantastic. Okay.

So that would be a good donors. So that's something that interested in, because again, we do have at least one more donor currently who would like to donate, and we just want to make sure we just have a really clear system of how that works. And also he wants to work privately with ***** . And so we were really in the question of how we do that in a,

Just keep them privately with ***** , just keep those separate. I really need to bifurcate those. Yep. Got it. Keep them separate or, or distinguish in the letter that \$10,000 worth of services were exchanged. So the 90,000 could be, If that was done through the temple, it was done through ***** that's her. Yeah. Okay. Great. Any other things?

I mean, I know we're kind of, I feel we've covered a lot. You mentioned about the donations, anything else that you're like thinking we should track or be aware of for the temple, if you ever get anybody that has a housing allowance. So, you know, they're administer, but they're not living in the parsonage housing allowances have to be approved in advance,

so it can only be approved prospectively. So make sure that you do that. I would make sure that for the parsonage, that the board is revisiting that every year before the start of your fiscal year and that you document the rate we've agreed to again, make the person that's available to ***** and whoever, and here's the value that's being placed on that.

So do that ahead of time, you know, and you can say, so, so December of 2021, you would say, we're going to make it available to ***** for 2022. Here's the value that we placed on it. So never be a question on that. Fantastic. Okay. And then who would qualify for additional, you mentioned people in the ministry,

so not just the head minister, but other people could receive housing allowances. That's correct. And so for them to receive housing allowances, they have to qualify under the ministerial, the rules for what administer is it set up by the IRS. And basically it generally that there are four things to think about, are they considered a religious leader? Do they lead religious services?

Are they able to perform duties? So in a Christian Christian setting, that would be great communion, that kind of stuff. So whatever that is in your context, you know, the fourth one I'm forgetting off the top of my, Oh, do they basically have overall management responsibility? So, so for instance, when I was an executive pastor,

I didn't lead religious services, but I was considered a religious leader. I was able to marry and bury. And I, as the executive pastor, I oversaw the entire operations of the church. So I met three of the four criteria. And generally there's no hard and fast rule, but generally if you need three of the four, you're probably going to qualify.

And when you say qualify, where do we send this qualifications to? Or we just, if we ever get audited, Yeah. Documented internally as to why that person qualifies. The IRS generally will not challenge you on that, unless it's really abusive. Because again, with the separation of church and state, the IRS doesn't want to come in and start telling you what your theology ought to be,

what your is doctrine ought to be there, they're going to leave that up to you. And so they pretty much stay out of it unless it's clearly abusive, you know, unless you've said your you're and I've seen this where people say, well, gosh, our janitor has overall responsibility for keeping the campus clean. Yeah. He doesn't qualify. Sorry.

So fair enough. That's abusive. Yeah. Okay. Great. Anything else? Let me, I there's, I want to make sure I'm just gonna read some other questions while I have you. This is like the most valuable hour ever. Okay. If the board, if board approval can not be retroactive. Okay. Hold on. I'm just going to go through some questions that I think we've already answered,

but let's just see can house rent because the whole board put in different questions. And I think a lot of them are duplicates, but can house rent be paid directly to the landlord from the temple bank account with the lessons? And yeah, we did that it, if so, if so is part of that clergy, how

housing allowance, or is it salary?

Honestly, I think, I think we covered everything Typically covered that again. You've got to look at what the fair value of the rent of the residence portion of the temple would be Th yeah. The PR the percentage of the actual it's like if the rent is \$5,000 and she resides in half of it, that's a \$2,500 allowance. Is that what you mean?

Probably, yeah. 2,500 plus utilities plus insurance plus Burton, you know, plus whatever else you got to look at that, that the church is paying for. Wow. All right. I feel we did it. Anything remaining that you're like, this shot me in the foot once and take a look, you know, make sure, Oh gosh, I've only got three choices left.

I mean, the biggest things that could get you in trouble with the IRS is exactly what you hit on. This is the compensation, unrelated business income. Yeah. I mean, those were probably the two biggest ones until you, until you own property, when you own property. Oh. One of the things that you should talk to your landlord about is for the portion of the rented facility that you're using for religious purposes,

they can get a tax, a property tax exemption on that. Oh, that's funny. So, yeah. So, so property that you used for religious purposes is exempt from property tax. You still have to pay certain small amounts, like silver tax, that kind of stuff. But the property tax itself, years from, they would have to apply for it,

but then they can pass that through to you. So you should be able to get a rent reduction. Oh wow. And they'll be excited because they get to pay less property tax. Well, that was valuable. Okay. They'll be excited. We'll be, everyone will want us to rent from them, even if it, Yeah. Yeah. So,

so again, it's, it's the, so again, I mean, if they're property taxes well, where you guys are \$20,000 a year and half that building is being used for religious purposes, they should be able to get an exemption for the 10,000 and they should pass that back through you that they're required by law, but California, a lot of percs.

Oh, nice. And where would they go? I mean, I guess they would know where to find that tax exemption They would go with, they would file for the exemption with your San Diego County, correct? Yeah. So they would file with the San Diego County tax assessor for that. You are a wealth of knowledge and information. This was yes.

You have. I so appreciate it. Completely appreciate that. We're not necessarily a church that you will take on, but this consult, to be honest, I don't even think we need a full-time CPA right now. No, you were right about that. So this consult is completely invaluable and I so appreciate it.

