

# Economia<sup>©</sup>

*A periodic publication of the Diocese of the South, Orthodox Church in America-Fall 2020*

## **Blessings of the Fast!**

### **Constancy in the Contagion**

While evidence abounds of fraying at the edges of social cohesion, our parishes and missions seem to be faring reasonably well, despite the minefield of contagion challenges. That is not to say that all are skating unscathed through this extraordinary period. On balance, however, judging from diocesan results, there is substantially greater stability than anticipated just six months ago when the gravity of the situation weighed most heavily on our expectations.

It is encouraging to report that with few exceptions, tithes from the majority of parishes and missions approximate last year's at the year-to-date of September 30th. A number of these exceptions significantly exceed rather than fall short of last year.

Although the diocese experienced a small deficit, on analysis of the internals the amount might well be offset before year-end. Our accounting is cash basis rather than accrual so a single, one-time expenditure or revenue item that exceeds the norm can skew quarterly results. The deficit is \$9,256.24 and our annual hazard and liability insurance premium payment in July was \$11,366 for all diocesan properties. There were also a few other extraordinary expense items, such as Donation Portal transaction fees, that contributed to the deficit.

In short, although Total Income at \$693,470.70 was down \$49,012.54 (6.6%), Total Expense at \$702,726.94 was down \$61,521.95 (8.05%), resulting in the Net Income item being

in negative territory at a \$9,256.24 deficit, yet well ahead of the forecast deficit at this date of nearly \$18,000 and on track toward the black by year end. ☩

### **Financial Discussion**

Current Assets (i.e. cash on hand) hovers at the \$500,000 level, which is deliberately held stable by manag-

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ing significant disbursements on an installment basis. A notable example is the disbursement of Holy Cross', Greensboro, savings for temple construction. Total disbursements since last year are \$800,000, most recently in \$25,000 monthly installments. There is certainly a case to be made that holding those funds and investing them until needed by Holy Cross would yield additional income to the diocese. However, with the uncertainties since last year it was deemed more prudent to preserve diocesan liquidity which continues to stand at 5% or more of Total Assets. The goal is to generate sufficient income to build that up to at least 10% of Assets.

Total Assets were substantially unchanged at \$9,308,733.41 as was the Equity to Assets ratio of 13.40%, although short of a comfort level in the 20% range. And with increased Parish Savings and Church Friendly Loans the Leverage Ratio, while acceptable at 1.68x, will begin to ap-

proach one-to-one (i.e. 1.00x).

As a matter of standard operating procedure, the diocese seeks to manage expenses such that Diocesan Administration plus the OCA Assessment Expense remain within parish Tithe Income. At Third Quarter ending September 30, Diocesan Administration Expense stood at \$211,459.78 and the OCA Assessment was \$225,069.11 for a total of \$436,528.89, well within Tithe Income for the year-to-date of \$689,008.84. The balance of expenses incurred are allocated to an array of parish, mission, clergy and seminarian support payments. The remaining funds required to support the various financing activities reported on the

Balance Sheet are derived from a limited number of sources, namely interest-bearing Parish Savings Accounts and Church Friendly Loans, which are loans to the diocese by individuals who earn a competitive rate of interest for their dedication to the building up of the Holy Orthodox Church.

There were no particularly notable financing transactions in the third quarter, such as new or renewed loans and savings account changes or church friendly loans, with the exception of the St. Raphael (Inverness, FL) that wound down its Investment Fund. ☩

### **Other Related Activity**

With regard to the St. Andrew, New Port Richey FL, construction and renovation suit seeking \$89,804.16 damages for failure to complete work and for non-compliant and defective work by an unlicensed contractor, for which the parish paid \$258,100,

**continued below**

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a Motion was entered by counsel in the Pasco County Circuit Court for total damages of \$347,904.16, which includes the amount of \$89,804.16. The court granted a Motion for Final Default Judgment for Damages which is being contested. A settlement offer in the amount of \$89,804.16 has been made on which we await further developments. ☩

## DOS Donation Portal

The DOS Donation Portal continues to serve as a vital financial link for 31 parishes and missions. For the year-to-date, from April to October, a total of \$186,758.45 has been donated by way of the online portal. This service was initiated as an aid and support for parishes and missions that were not able to offer this convenience during the Covid-19 restrictions that prevented regular attendance and might have delayed tithes sent by mail. The convenience is not without a cost. The diocese has, thus far, absorbed the costs, which amount to \$30.00 per month for PayPal plus transaction fees that now total \$4995.95. Although the service continues to be used, there is some evidence of diminishing usage. The diocese will continue to absorb the costs until year-end after which they will be passed on to the beneficiary parishes and missions. ☩

## Mastering Sixteen End-of-Year Tasks

*Use this to-do list to finish the year well and start 2021 right.*

### 1. Designate a housing allowance

The Parish Council should designate a housing allowance for 2021 for ministers who own or rent their home (and for ministers who live in a parsonage and who pay some of their housing expenses). Because housing allowances can only be provided prospectively obtain approval from the council prior to January 1.

### 2. Review W-4 forms

All employees should review their W-4 form and submit a new form if circumstances have changed. This will ensure accurate tax withholding.

### 3. Provide a notice to donors

Donors should be advised not to file their federal income tax return before they receive their contribution summary from the church. Donors may not be able to deduct individual contributions of \$250 or more if they file a tax return before receiving a qualified contribution receipt from their church.

### 4. Determine if contributions are effective for 2020 or 2021

The general rule is that a contribution is effective when delivered. A check deposited in the church offering in January of 2021 cannot be deducted in 2020, even if it is backdated to 2020. One exception—checks that are mailed and postmarked in 2020 are deductible in 2020, even if they are not received until 2021. See IRS Publication 526 for more guidance.

### 5. Correctly handle gifts and non-cash/cash benefits to staff and volunteers

### 6. Be careful about accepting certain types of end-of-the-year noncash donations.

Some gifts might be hard to sell. An exception: publicly traded stock. Stock is pretty easy to handle appropriately as a year-end gift.

### 7. Review classification of employees for US Department of Labor (DOL) purposes.

Job descriptions should be reviewed to determine if employees qualify for the ministerial exception. And for all employees not qualifying under the ministerial exception, job descriptions and salary amounts should be reviewed to determine if the employee is exempt or nonexempt.

### 8. Make sure ministers are properly classified for paying into the Social Security system.

Many churches incorrectly report ministers as employees for paying into the Social Security system by withholding Social Security and Medicare taxes from their wages. This is incorrect, since the tax code classifies ministers as self-employed for purposes of paying into the Social Security/Medicare

system with respect to services they perform in the exercise of ministry. As a result, they pay the self-employment tax with their individual income tax returns

### 9. Voluntary withholding.

Ministers who report their income taxes as employees can enter into a voluntary withholding arrangement with their employing church by submitting written authorization.

### 10. Review plans for compensation in 2021.

### 11. Have applicable employees fill out various required elections.

Certain benefit plans require elections to be completed by the beginning of the plan year.

### 12. Review payments to any independent contractors.

The all-new Form 1099-NEC is now used for reporting payments previously reported in Box 7 of the Form 1099-MISC.

Payments made to unincorporated lessors are still reported in Box 1 of Form 1099-MISC. Forms 1099-NEC are due to the IRS and the recipients by January 31, 2021, and Forms 1099-MISC are due to recipients by January 31, 2021, and to the IRS by February 28, 2021.

### 13. Report all taxable fringe benefits on W-2 forms.

The value of such benefits needs to be reported on your employees' W-2s and included on your Form 941 with tax withholdings and payroll taxes paid as applicable.

### 14. Obtain IRS tax forms and IRS Publication 15.

### 15. Finalize 2021 budgets and take care of any budgeting issues.

### 16. List and take care of many additional year-end items.

For example, you should be in the process of selecting the independent auditors or financial review committee members. ☩

*[The foregoing list is excerpted with permission from **The Church Law and Tax Report** and edited for the sake of brevity]*