

# September 2024

## Treasurers' Resource Call



# Agenda

- Property Tax Exemption
- CA Statement of Information
- Revealing Unrestricted Net Assets
- Diocesan Resources



# Property Tax Exemption

What are the types of Property Tax Exemptions:

- Religious Exemption
- Welfare Exemption
- Partial Exemption
- No Exemption

How should a Parish File?



# Property Tax Exemption

## RELIGIOUS EXEMPTION

Property receiving a Religious Exemption is required to be owned, operated and exclusively used by the claimant for religious purposes.

What that means:

- No regular outside use by other organizations, however depending on the county, occasional (less than 1x/wk) use by other nonprofit entities may be allowed.
- No annual required filing, however most counties will send out an annual letter requesting confirmation that the religious use is still in place and may request information regarding outside use to confirm the use still qualifies for the religious exemption.



# Property Tax Exemption

## EXEMPT PURPOSES

... exclusively used by the claimant for religious purposes...

There are some common uses of church property that do not fall into this definition. They often fall through the cracks, but depending on frequency and public access, they may cause you to lose part of your tax exemption

- Birthday/Anniversary/Retirement parties.
- Yoga/Art/etc. classes where participants pay the teacher/leader directly.
- Parking for non-church events.



# Property Tax Exemption

## WELFARE EXEMPTION

Property receiving a Welfare Exemption is required to be owned, operated and exclusively used by the claimant for religious purposes. Use by other non-profit charitable organizations may be allowed as long as they possess a State or Federal charitable tax-exempt letter, and use the property for an exempt activity.

What that means:

- Use by other nonprofit entities with is allowed. These organizations must have a charitable tax-exempt letter and a California Organizational Clearance Certificate.
- Requires an annual filing of Form BOE-267 which **MUST** be submitted to the county assessor by February 15<sup>th</sup> of each year. A late filing may result losing a portion of the exemption on the full assessed value of the property for the coming tax year.



# Property Tax Exemption

## WELFARE EXEMPTION

- The Welfare Exemption Claim form must include Form BOE-267-O which must list ALL outside users of the property and identify the following:
  - Organization Name and contact information
  - Description of property used
  - Copy of facilities usage agreement (if available)
  - Type of user (Nonprofit/Exempt or Nonexempt user)
  - Description of the use, frequency, and any fees received
  - Organization's tax exempt status and OCC number

**ALL USERS INCLUDE ONE-TIME USES**



# Property Tax Exemption

## **PARTIAL EXEMPTION**

Under the Welfare Exemption filing, a parish CAN rent to a non-exempt entity. On the annual filing this will need to be reported and property taxes will be assessed on the portion of the property being used for the percentage of time the property is used for non-exempt purposes.

What that means:

- Use by non-exempt users is NOT allowed under a religious exemption, only under a welfare exemption.
- Requires an annual filing of Form BOE-267 which MUST be submitted to the county assessor by February 15<sup>th</sup> of each year.





# Property Tax Exemption

## PARTIAL EXEMPTION

The benefit of renting to a non-exempt user is, of course, that it generates income for the parish. However, before determining whether such use would be beneficial to the parish, some considerations should be addressed:

- Does the income sufficiently exceed the costs of renting the property including utilities, maintenance, wear-and-tear, AND the property taxes that would be due for the use?
- How will the outside use impact the parish in its regular operations (parking impact, room use conflicts, etc.)?
- If the property being rented has a mortgage, the rental income may constitute unrelated debt-financed income subject to UBIT (21%) which may negate the benefit of the rental income.



# Property Tax Exemption

## NO EXEMPTION

Some parishes may own property that is not exempt from property taxes. Some examples include (there may be differences between counties):

- A rectory not being used by the church's clergy. If the property is vacant or being rented to someone not associated with the parish, the property is not exempt from taxes.
- A thrift-store/coffee shop/bookstore property is not exempt even if the income generated is to be used for the church.
- Vacant undeveloped land.



# Property Tax Exemption

## MORE Resources

Each county may have slightly different interpretations of how exemption rules may be handled. Below are some resources you may want to look at:

- BOE Website: <https://www.boe.ca.gov/proptaxes/faqs/welfarevetsfaqs.htm>
- Call your county tax assessor and ask for the person who handles exemptions.
- For OCC information: <https://www.boe.ca.gov/proptaxes/welfareclaimforms.htm>
- OCC Lookup Tool:  
<https://www.boe.ca.gov/dataportal/dataset.htm?url=OrganizationalClearanceCerts>



# CA Statement of Information

- The State of California requires all business entities to file form SI-100 every two years.
- The SI-100 form is a statement of information so that the state knows the address, names of officers, and contact information for a statutory agent for the organization.
- The form can be filed online and has a \$20 filing fee.
- Many banks now require a current SI-100 in order to make any changes to the organization's bank account or to setup new accounts.

To check the status of your SI-100, go to the following website. This is also where you can register for an account to complete the form online

<https://bizfileonline.sos.ca.gov/search/business>

Once you've filed the form – CALENDAR THE NEXT EXPIRATION DATE!!



# Revealing Unrestricted Net Assets

Unrestricted Net Assets are THE key indicator of your parish's resources for the future. Because of this, it's critical that the figure is clearly shown on your parish's financial reports

If your vestry or mission committee can't point to and see the value of unrestricted assets, they will be unable to make long-term plans for the life of the parish.

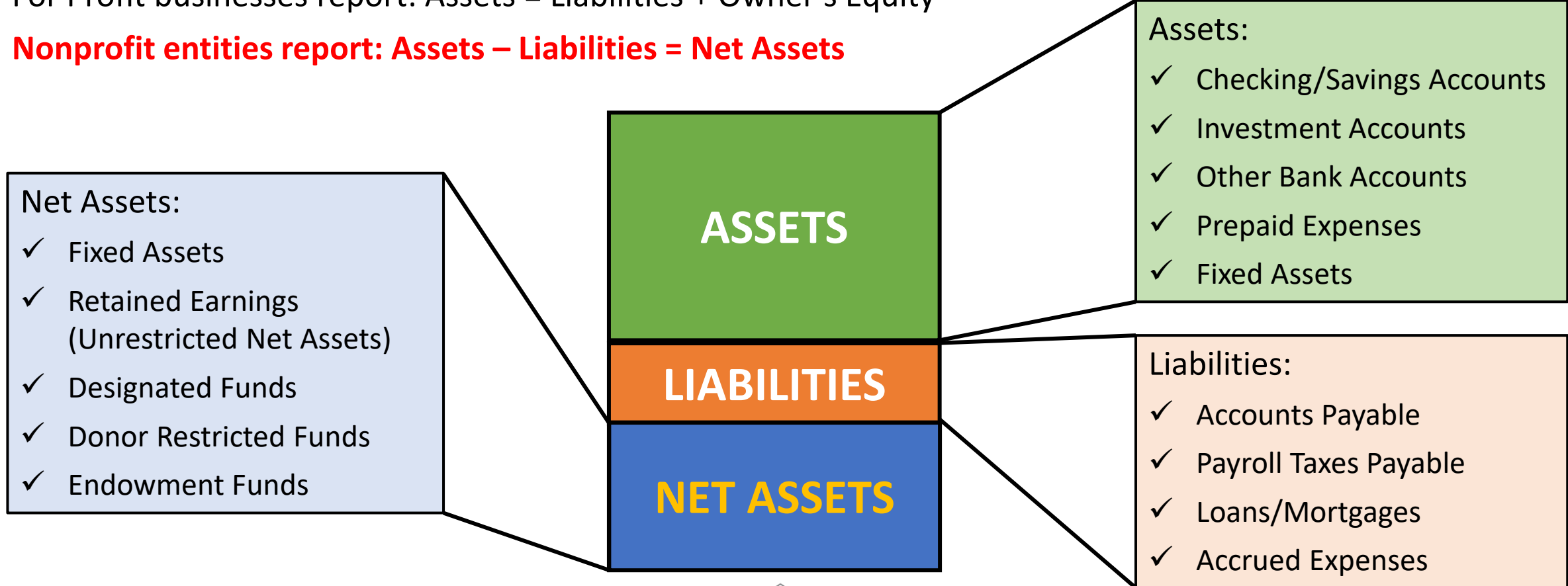
It's not as simple as what's in your operating bank account!



# Statement of Financial Position

➤ For Profit businesses report:  $Assets = Liabilities + Owner's Equity$

➤ **Nonprofit entities report:  $Assets - Liabilities = Net Assets$**



# Revealing Unrestricted Net Assets

## DIFFERENT TYPES OF NET ASSETS (FUNDS)

**Permanently restricted:** Endowment Fund Corpus or Fixed Assets – These are funds that are permanently restricted and can not be used. Only income and market growth over the investment corpus is available for use based on the terms of the endowment document regulating the fund.

**Donor Restricted** – These are funds that were received by the parish with restrictions specified by the donors. Either specifically or if a fund was created for a sole purpose and donations were made specifically to that fund to be used only for that purpose.

**Not Restricted but Designated** – These are funds that the vestry or mission committee has designated for a specific purpose. However, since the funds were designated for that purpose, the vestry or mission committee could at any time change or remove the designation.

**Unrestricted** – These are the parish reserves that can be used for any purpose.



# Revealing Unrestricted Net Assets

Tests – Can you find the unrestricted net assets?





# Revealing Unrestricted Net Assets

## Example 1:

Assets		
	Bank Accounts	\$ 146,757
	Receivables	800
	Fixed Assets	819,842
Total Assets		<u>\$ 967,399</u>
Liabilities & Funds		
	Liabilities	\$ 4,657
	Loans	130,305
	Designated Funds	77,943
	Donor Restricted Fund	67,793
	Retained Earnings	689,022
	Net Income	(2,321)
Total Liabilities and Funds		<u>\$ 967,399</u>

- What are unrestricted reserves?  
**Should be equal to Retained Earnings + Net Income**
- What's hiding the true balance?
- Separating out Fixed Assets  
**Should be equal to Fixed Assets less any loans on Fixed Assets**
- Now Actual unrestricted net assets are revealed as a negative \$2,837

Assets		
	Bank Accounts	\$ 146,757
	Receivables	800
	Fixed Assets	819,842
Total Assets		<u>\$ 967,399</u>
Liabilities & Funds		
	Liabilities	\$ 4,657
	Loans	130,305
	Designated Funds	77,943
	Donor Restricted Fund	67,793
	<b>Fixed Assets Offset</b>	<b>689,537</b>
	Retained Earnings	(516)
	Net Income	(2,321)
Total Liabilities and Funds		<u>\$ 967,399</u>



# Revealing Unrestricted Net Assets

## Example 2:

Assets	
Bank Accounts	\$ 312,004
Investment Accounts	\$ 1,038,797
Receivables	-
Fixed Assets	2,548,914
<b>Total Assets</b>	<b>\$ 3,899,715</b>
Liabilities & Funds	
Liabilities	\$ 55,684
Prior Year Surpluses/Deficits	173,448
Designated Funds	314,081
Donor Restricted Funds	734,891
Fixed Assets Offset	2,440,914
Net Income	180,698
<b>Total Liabilities and Funds</b>	<b>\$ 3,899,715</b>

- What are unrestricted reserves?
- What makes it harder to find?
- Using standard nomenclature
- Moving Unrestricted Reserves and Current Year Earnings together.

- Now Actual unrestricted net assets are revealed as \$354,146

Assets	
Bank Accounts	\$ 312,004
Investment Accounts	\$ 1,038,797
Receivables	-
Fixed Assets	2,548,914
<b>Total Assets</b>	<b>\$ 3,899,715</b>
Liabilities & Funds	
Liabilities	\$ 55,684
Designated Funds	314,081
Donor Restricted Funds	734,891
Fixed Assets Offset	2,440,914
<b>Unrestricted Net Assets</b>	<b>173,448</b>
Net Income	180,698
<b>Total Liabilities and Funds</b>	<b>\$ 3,899,715</b>



# Revealing Unrestricted Net Assets

## Example 3:

Assets	
Bank Accounts	\$ 21,266
Investment Accounts	\$ 1,707,704
Other Assets	12,880
Fixed Assets	1,807,632
<b>Total Assets</b>	<b>\$ 3,549,482</b>
Liabilities & Funds	
Liabilities	\$ 23,134
Property & Equipment	1,807,632
Funds without Donor Restrict.	1,391,536
Donor Restricted Funds	127,371
Permanently Restricted Fund	199,810
Net Income	-
<b>Total Liabilities and Funds</b>	<b>\$ 3,549,482</b>

- Note that Net income has been zeroed out.
- What are unrestricted reserves?
- What makes it harder to find?
- Separate Fund Report
- Unrestricted reserves clearly shown in Fund Report.

FUND REPORT	
<b>Unrestricted Reserves</b>	<b>\$ 1,337,924</b>
Unrestricted Designated Funds	\$ 53,612
Donor Restricted Funds	127,371
Permanently Restricted Funds	199,810
<b>Total Funds</b>	<b>\$ 1,718,716</b>



# Revealing Unrestricted Net Assets

## Example 4:

Assets	
General Fund	\$ 28,636
General Savings	33,160
Memorial Savings	13,949
Temp Restricted Funds	66,076
Endowment Fund	72,813
Discretionary Funds	\$ 8,105
<b>Total Assets</b>	<b>\$ 222,739</b>

*This small church doesn't have a typical balance sheet. They report bank balances as above and then have a separate spreadsheet showing activity and balances in various funds.*

- What are unrestricted reserves?
- What makes it harder to find?
- Funds shouldn't be segregated in the Assets section.
- Fund activity for some funds is reported.
- Need to create a fund section on the Balance Sheet
  
- Now Actual unrestricted net assets are revealed as \$70,329

Assets	
Bank Accounts	\$ 49,280
Investment Accounts	173,459
Receivables	
Fixed Assets	
<b>Total Assets</b>	<b>\$ 222,739</b>
Liabilities & Funds	
Liabilities	\$ -
Designated Funds	7,842
Donor Restricted Funds	71,755
Endowment Funds	72,813
Unrestricted Net Assets	62,662
Net Income	7,667
<b>Total Liabilities &amp; Funds</b>	<b>\$ 222,739</b>



# Revealing Unrestricted Net Assets

- Your vestry or mission committee should know how to find and, if necessary, calculate unrestricted net assets.
- Have a sustainable spending plan on unrestricted net assets.
  - A sustainable spending plan calculates the amount of an investment that can be safely spent over time that creates a sustainable income stream for the parish.
  - Generally such a plan is based on a calculation using a three-year average of the fund balance and the historic investment returns.
- If you can't fund the budget using a sustainable spending plan, you will eventually run out of reserves. If this is the case, NOW is the time for the parish or mission to focus on how to make sure the parish or mission budget is sustainable in the long term.



# Diocesan Resources

## Church Admin/Accounting Resources

- 
- Treasurer's Monthly Reports (TMRs)
  - Chart of Accounts
  - Financial Statements
- John Nykamp (treasurer@norcalepiscopal.org)

- 
- Diocesan Budget
  - Human Resources
  - Property, insurance, loan inquiries
- Kati Braak (kati@norcalepiscopal.org)

- 
- Employee Benefits
  - Foundation
  - Safe Church
- Michelle Karimi (michelle@norcalepiscopal.org)



# Diocesan Resources

## **Sustainability Resources**

### Congregational Development Group

*Contact Rev. Cn Julie Wakelee (julie@norcalepiscopal.org)*

### Grant Resources

Grant Writing, Grant opportunities in our diocese and beyond  
<https://www.norcalepiscopal.org/resources-for-grant-writing/>

### Contacts

*Rev. Cn Julie Wakelee (julie@norcalepiscopal.org)*

*Rev. Mack Olson (mack@norcalepiscopal.org)*



# Questions and Comments

