# Church Administration Manual

## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Local Church Financial Administration</td>
<td>4</td>
</tr>
<tr>
<td>Registered Charity Status</td>
<td>7</td>
</tr>
<tr>
<td>Ministry Support &amp; Receipting Practices</td>
<td>10</td>
</tr>
<tr>
<td>Ministry Remuneration and Payroll</td>
<td>12</td>
</tr>
<tr>
<td>Employment Issues</td>
<td>18</td>
</tr>
<tr>
<td>Other Matters</td>
<td>20</td>
</tr>
<tr>
<td>(Church Insurance, Facility Use Policy, Marriage Policies, Church Copyright Licence, Audio Cassette Levy, Video Licence, Withholding Tax Requirements, Use of T4’s and T4A’s, Records Retention, Investing Church Funds)</td>
<td></td>
</tr>
<tr>
<td>Appendix A</td>
<td>23</td>
</tr>
<tr>
<td>- Partnership Payment Calculations</td>
<td>24</td>
</tr>
<tr>
<td>- T3010 Charity Return Working Instructions</td>
<td>26</td>
</tr>
<tr>
<td>- Suggested Job Description for a Senior Pastor</td>
<td>33</td>
</tr>
<tr>
<td>- Suggested “Letter of Understanding”</td>
<td>35</td>
</tr>
<tr>
<td>- Pastor’s Payroll Worksheets</td>
<td>37</td>
</tr>
<tr>
<td>- Determining Qualification for Clergy Residence Deduction</td>
<td>48</td>
</tr>
<tr>
<td>- Travel and Expense Record</td>
<td>49</td>
</tr>
<tr>
<td>- Ministry Travel Expense Record</td>
<td>50</td>
</tr>
<tr>
<td>- Employee Record</td>
<td>51</td>
</tr>
<tr>
<td>- Sample Employee Handbook</td>
<td>52</td>
</tr>
<tr>
<td>- Full and Final Release Statement</td>
<td>60</td>
</tr>
<tr>
<td>- Suggested Salary Schedule for Pastors</td>
<td>61</td>
</tr>
<tr>
<td>- Letter to Non-Residents Providing Services in Canada</td>
<td>67</td>
</tr>
<tr>
<td>- Waiver Information Form</td>
<td>68</td>
</tr>
</tbody>
</table>
INTRODUCTION

These pages have been compiled to provide facts relative to the financial administration of a local church. It is our hope that church treasurers and/or bookkeepers will find this information useful in performing their duties in this very important and necessary church position.

 Churches will be kept updated as changes or additions are made to any laws that affect Registered Charities.

If you have any questions regarding finances that need clarification or are not addressed here, please do not hesitate to communicate with us. We are here to serve you!

Disclaimer

This manual is prepared to provide information and guidance on specific topics and issues. Every effort has been made to be certain the information is accurate; however it does not constitute legal or professional advice.

Gratitude is expressed to the following organizations for their assistance and information provided in compiling this manual:

Canadian Council of Christian Charities
1 – 21 Howard Ave., Elmira, ON, N3B 2C9
519-669-5137   www.cccc.org

Charitable Solutions Inc.
17 Dunlop Place, Kitchener, ON, N2P 1J3
519-895-0019   charsol@golden.net

Evangelical Fellowship of Canada
M.I.P. Box 3745, Markham, ON L3R 0Y4
905-479-5885   www.evangelicalfellowship.ca
1. **Duties and Responsibilities**

   **a. Board of Directors**
   
   Directors of a charitable organization have a fiduciary duty in that they manage the affairs of the organization and hold its assets as trustees for the public. While there is some discussion as to whether directors are trustees in the strict legal sense, it is clear that they have significant responsibilities that require them to be informed and diligent.

   While directors may delegate certain duties to officers of the church, such as the treasurer or trustees, the directors remain responsible for the actions of the officers pursuant to their fiduciary responsibilities. It is important to understand that a board member or officer only has authority to act on the decisions made by the governing board acting as a whole.

   In the context of the church treasurer, their responsibilities and duties require board members to be constantly aware of the financial position of the church and of the related decisions and actions. In failing to be so informed, board members are not fulfilling their duties as fiduciaries.

   (See Investing Church Funds – page 19)

   **b. Treasurer**

   Duties of a Treasurer should be specified in a church constitution or in a separate position description and should, at a minimum include:

   - fulfilling the financial policy mandated by the congregation through the church board
   - taking the responsibility for keeping the books for the church with accuracy and integrity
   - keeping the church board and trustees apprised of the current financial situation with regular financial statements and any government changes that could affect the church operation.

   When a Treasurer's term of office comes to an end, he should ensure that the new Treasurer is familiarized with the methods of record keeping that are being used and the sources of information (such as this manual) that are available to help with the task.

   **Issuing Cheques**

   *It is wise to have two signatures on cheques to protect the church and its people from any accusations of wrong-doing. It is also prudent to not include the pastor as a signing officer. There should be sufficient signing officers listed with the bank to allow for adequate coverage during holiday periods, illness, etc. Blank cheques should never be signed for any reason.*

   **c. Trustees**

   Since an unincorporated church is not a person at law, it does not have the ability to own property in its own name. Therefore, trustees are appointed on behalf of the church (a charitable trust) to hold land and to do so on a perpetual succession basis, notwithstanding that individual trustees may come and go. A church constitution should have a clause (or a resolution should be made) to state that trustees are appointed on a perpetual succession basis. If this is not in place, mortgages, etc. may be invalid and individual members may be liable.

   Owners of land (in Ontario) need to be aware of the need to "deal" with land issues at least once every 40 years. Title could be lost to all or a portion of their land through errors in the conveyance of adjoining property in relation to boundary descriptions, etc. or fraudulent conveyances. Trustees are those who "hold in trust" all tangible assets of the church on behalf of the congregation and are ultimately responsible for the financial activities of the church. Trustees are:
• appointed by the congregation as signing officers of the church.
• to sign official documents as directed by the congregation or the board of the church.
• NOT a governing body and as such cannot refuse to sign on behalf of the congregation.
• upon closure of the church, to sell the assets of the church, pay all debts and distribute the remainder according to the constitution. (Should there be any suit against the church, the trustees are named as "holders in trust" of the church assets. It could be that their own private assets may also be taken to settle the suit.)

When a church has become INCORPORATED, directors become the governing body and also take on a role similar to trustees.

2. Financial Reporting
Every church needs to maintain adequate financial records to satisfy the requirements of being a Registered Charity. Structure your records to make it easy to locate amounts that will be required for T3010 reporting. (A Guide to the completion of the T3010 is found in the Appendix)

It is the responsibility of the treasurer to prepare monthly statements showing that the appropriate balance is being maintained in each designated fund. Board members need to receive copies of these monthly statements. Summary statements should also be provided periodically to the membership. Provide comparisons of receipts to the budget to serve as a reminder to the membership of the needs of church programs. In addition to this minimum reporting, statistical information could be provided, such as contributions per member and receipts versus pledges if a pledge system is used. Graphs comparing statistics from previous years are helpful when considering future programs.

Year end financial statements should include a list of church assets. At least every 3 years, it is recommended that there be an external audit.

3. Annual Budgets
Budgets are an aid to planning for the year ahead. There are basically two methods that charities use for keeping financial records:

a. The designated or donor restricted fund system: Offering envelopes have designations for general, missions, building, etc. funds. Money received for each of these designations must only be used for that specific purpose. If one fund is short at some point, you may not transfer money or "borrow" from any of the other funds to pay bills. You may make an appeal to the congregation as to where the needs are and wait until money comes in for that designation. Your monthly statements must reflect the true balances in each fund. (See Designated or Donor Restricted Funds, page 8)

b. The unified budget system: Offering envelopes do not have any designations. All money is received into one overall account. The church board then budgets for general, missions, building, etc. It is easier to cover expenses in this manner since items in a budget are only guideline amounts and do not have to be strictly adhered to. On the other hand, it is often the case that revenues, particularly for missions, may go down with this system. People like to give to specific people and projects and may decide to support missions on their own, rather than let the church take on that responsibility.

It is also possible to use a combination of these two methods. If you are using the unified budget method but have some specific short term project in mind (e.g. purchase of a new sound system) you may provide envelopes marked for this purpose only, or ask donors to mark their envelopes. All funds received are kept in a designated fund until dispersed for the specific purpose. The designated fund would then be closed. (See "Types of Donations", page 7)

A budget should be prepared prior to the beginning of each fiscal year by the church board or a budget committee appointed by the church board. These budgets should be presented to the membership for
approval at an annual congregational meeting. Once they are approved, the responsibility for providing the necessary funds rests with the membership. This approval authorizes the church board to act within the budget. Should any substantial increase in operating expenses occur, the church board should seek approval of the membership.

The budget should be the SERVANT of the church, not the MASTER.
A budget should be a dynamic document that empowers programs to achieve ministry results, rather than a static document used to control spending. Preparing a budget should be a VISION DRIVEN PROCESS supported by a STEWARDSHIP PROCESS. Stewardship is a discipleship concept—learned behaviour, taught through instruction and leadership modelling.

4. Funding Commitment to the AGC
The By-Laws of the AGC outline a church’s financial responsibility: It is the responsibility of every church to contribute the percentage determined by National Conference of its previous year’s general income (exclusive of gifts designated for missions or capital) for the support of the offices, personnel and operation of the AGC (2006 Section 5.9.1). A blue form entitled Partnership Payment Calculations (Appendix – A1) is provided in January for making the calculations (expected return by March 31).

It is expected that each church will pay its yearly required Partnership Payment and ALSO endeavour to contribute to AGC initiatives in church planting through the “Church Builders 2007” Fund. Details are available from National Office.
1. **Registration Criteria**

   A church should recognize the special privileges that are granted to them by the government. It is essential that the requirements of the law be followed in order to maintain this registration.

   a. **The Capital Test**

      The financial support of the church should be sufficiently broad based to ensure that it can meet the capital test of a charitable organization. Not more than 50% of its capital may be contributed by one person or members of a group of persons who do not deal with each other at arm's length. Failure to meet the capital test can result in being classified as a Private Foundation rather than a Registered Charity. A Private Foundation may not issue official income tax receipts.

   b. **The Arm's Length Test**

      Since 1984, the Income Tax Act of Canada requires that more than 50% of the directors, trustees, officers or like officials must deal with each other and with each of the other persons who hold such positions at arm's length. Failure to meet the arm's length requirement can also result in being classified as a Private Foundation.

   c. **Public vs. Private Benevolence Test**

      A church must devote its resources to charity and fulfill its statement of purpose. This includes paying a pastoral staff, maintaining a place of worship, contributing to missions, etc.

      One of the purposes for being a charity is to relieve poverty. A church operating a benevolent fund should record the fact that it is considered part of the ministry either in a constitutional document, or by specific approval appearing in the church board minutes. It is advisable for practical reasons to have a written policy documenting the important aspects of the fund operation, such as purpose, administrators, reporting responsibility, and authority and approval procedures/levels, etc.

      **The Public vs. Private Benevolence test is central to operating as a charity and should be the guiding principle for all decisions.**

      The Income Tax Act requirement for considering an organization to have charitable status are as follows;
      - The organization's purposes must be exclusively and legally charitable
      - It must be established for the benefit of the public or a sufficient segment of the public

2. **Reporting Requirements**

   Each church **must** file one completed copy of T3010 (REGISTERED CHARITY INFORMATION RETURN) no later than six months after the end of its fiscal year end without being asked to do so. This return must include all relevant schedules of receipts, disbursements, assets and liability data. Financial statements and a list of executive officers are also required. If funds are given to other Registered Charities (e.g. missions, etc.), a list of qualified donees and their registration numbers is required. Failure to file can result in revocation of the charity's registration. (Appendix – A2 has complete working instructions for completing this form.)

3. **Becoming a Registered Charity**

   It is necessary for a church to be registered as a charity in order to have the legal right to give *official donation receipts*. Newly begun church plants affiliated with the AGC may have their donations receipted by the National Office to a maximum of three years, by which time they should be in a position to apply for their own registration number.

   To apply for a registration number, form T2050 “Application to Register a Charity under the Income Tax Act must be completed. It is available online at: [http://www.cra-arc.gc.ca/E/pbg/tf/t2050/t2050-01e.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/t2050/t2050-01e.pdf)
The booklet *Registering Your Charity for Income Tax Purposes* (T4063) may also be obtained from the CRA website; [http://www.cra-arc.gc.ca/E/pub/tg/t4063/t4063eq.html](http://www.cra-arc.gc.ca/E/pub/tg/t4063/t4063eq.html)

It must be made clear in a statement of purpose that the reason the church exists is the advancement of religion. A church exists to promote the spiritual teachings of a religious body (AGC) and maintain the doctrines and spiritual observances on which those teachings are based. It must establish worship services and activities that serve the public good and support the main purposes of the charity. Use a qualified lawyer to review the responses on the forms.

A Letter of Affiliation from the AGC (the incorporated body) must accompany this application. When approved by the CRA, a Notification of Registration will be received containing confirmation of the 9 digit account number under which the Charity will operate.

For more information contact your district taxation office or the Charities Directorate, Canada Revenue Agency, Ottawa, ON K1A 0L5 1-800-267-2384

### CHANGING THE NAME OF THE CHURCH?

*If a change is made to the registered name of the church the CCRA must be notified. A letter of verification from the AGC must accompany this notification.*

4. **Availability of Government Rebates**

   a. **Goods & Services Tax/Harmonized Sales Tax (GST/HST) Rebate**
      
      Even though a charity is not registered for the GST, it may still claim the charities' rebate for the GST paid for supplies and services, including reimbursements to an employee for employment related mileage. Rebates of 50% of GST/HST paid may be obtained by using form GST66 E(04). This can be found at the following link; [http://www.cra-arc.gc.ca/E/pbg/gf/gst66/gst66-07e.pdf](http://www.cra-arc.gc.ca/E/pbg/gf/gst66/gst66-07e.pdf) These are to be submitted for each 6 month period. Specific accounting must to be done for this purpose. Maintain a separate General Ledger account for GST/HST amounts. Divide all GST/HST paid by 2 and enter into the G/L Account. If the actual GST/HST amount is not specified on a receipt for goods purchased (e.g. travel or meal expenses), the following formula may be used to calculate the rebate: 7/107 x expense x 50% = rebate.

   b. **Retail Sales Tax Rebates** *(Ontario)*
      
      Religious, charitable, and benevolent organizations in Ontario may be exempt from sales tax for certain items. Forms may be obtained from a Retail Sales Tax office or online at: [http://www.rev.gov.on.ca/english/forms/rst/pdf/0298.pdf](http://www.rev.gov.on.ca/english/forms/rst/pdf/0298.pdf) Rebates of sales tax are available to churches for certain limited items deemed to be for the exclusive use of "religion." This is a rather complicated procedure and would best be performed by a reputable accounting firm. This provision will prove especially useful during any building or renovation projects.

      If a large number of purchases are expected it could be easier to apply for a blanket Retail Sales Tax Purchase Exemption Certificate and avoid having to wait for the rebate. Other provinces may have similar programs. Check with the local Retail Sales Tax office.

   c. **Federal Excise Gasoline Tax Refund Program**
      
      Gas Tax Rebates are available to charities who paid an allowance to employees or volunteers to repay the cost of the gasoline used in their operation in Canada. The refund may be claimed on a form XE8 -APPLICATION FOR REFUND OF FEDERAL EXCISE TAX ON GASOLINE found at: [http://www.cra-arc.gc.ca/E/pbg/ef/xe8/xe8-00b.pdf](http://www.cra-arc.gc.ca/E/pbg/ef/xe8/xe8-00b.pdf) This type of claim must be supported by expense accounts showing kilometres (excluding personal use) and proof of payment to the employee or volunteer, and/or volume of litres purchased.
5. **Charging The Goods and Services Tax/Harmonized Sales Tax**

Charities **must** register for GST/HST purposes only if they carry on taxable activities in excess of $50,000 per year and they have an annual gross revenue of more than $250,000. "Taxable activities" are defined as the selling of new goods or receiving income from services. For more details on whether your church should register, please see the CRA information document, “GST/HST Information for Charities” form RC4082; [http://www.cra-arc.gc.ca/E/pub/gp/rc4082/rc4082-06e.pdf](http://www.cra-arc.gc.ca/E/pub/gp/rc4082/rc4082-06e.pdf).

The following are examples of goods and services that are exempt from charging GST/HST when charities provide them:

- most services;
- supplies of used and donated goods;
- short-term residential accommodation (less than one month of occupancy);
- supplies of food or beverages to seniors, underprivileged individuals, or individuals with a disability, under a program established and operated to provide prepared food to such individuals in their places of residence. Any supply of food or beverages made to a charity for these programs is also exempt from GST/HST;
- parking space rentals;
- facility rentals (e.g., halls for weddings); and
- catering services for private functions (e.g., wedding receptions)
- Day Care or Christian Day School fees
- Items made for sale at a fundraising activity (for a one time event)

If a church does register for GST/HST purposes, they commit to charging GST/HST for goods and/or services sold and to remit it to the CRA. Bookkeeping will have to separate taxable income from ministry income in order to complete form GST62, “Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return”, which will be sent to you when you are registered. Taxable activities are eligible for a 100% rebate, which can be indicated on the GST/HST rebate form.
MINISTRY SUPPORT & RECEIPTING PRACTICES

1. **Receiving Funds - with Integrity**
   Procedures need to be in place for the proper receiving and recording of offerings and other donations made to the church. Responsible tellers need to be in place to handle the receipt of donations. It is wise to have at least two tellers to count and sign for each weekly offering. Good record keeping will ensure that verifiable charitable receipts can be issued.

   Many churches are now using Pre-Authorized payments. For details on how to implement this program, contact your local banking institution.

2. **Income Tax Receipting Procedures**
   An official receipt is to be issued for bona fide gifts made to the church for its charitable activities during a calendar year, ending December 31. The donor and eligible amount of any gift must be verifiable. (Loose offerings, therefore do not apply.) The gift must also be for the charities own charitable purposes. An eligible amount is one given without any expectation of a gift or service in return. For example, a cheque made out to purchase an item at an auction is not eligible for a charitable receipt. The charity cannot function as a conduit to issue receipts for other unregistered charities. Donations mailed to a charity are considered to be dated according to the postal stamp appearing on them. Thus donations marked December 31 but not received until later, still qualify for the previous calendar year.

   Receipts must be dated within the taxation year and include the charity's business number, the donor's full name and address and the website link for the CRA (www.cra-arc.gc.ca/charities). For a one-time gift, the date that the gift was received must also be on the receipt. They should be mailed or delivered by February 28 of the following year. There should be three copies of each receipt - one copy for church records and two copies for the donor.

   Where a receipt is lost and a new one is issued by the charity, the replacement receipt must be clearly identified as a replacement receipt and show the serial number of the one it replaces. Retain all copies of any spoiled or cancelled receipts in your records. Do not attempt to correct any information regarding the amount of the donation, the date received or the year for which it was issued.

   A charity must create policies as to where and how its funds are to be used. Beware of "channelling"—receiving gifts that expect a charitable receipt, but are for purposes that have not been adopted as church policy. Such a contribution is not a gift for income tax purposes because the church does not acquire control over the payment. The church would simply be acting as an agent for a private individual to pass on a personal gift. Individuals requesting that gifts of a personal nature be given (such as a Christmas gift for a pastor or a missionary) cannot receive a charitable receipt.

3. **Types of Donations**
   a. **Gifts in Kind**
      Official receipts may be issued for gifts in kind. It is the responsibility of the charity to establish the value of the gift for receipting purposes. The value of the property must be determined by an independent, competent appraiser. The name of the appraiser must be disclosed by the charity on its official receipt. Service provided to a charity is not a gift and a receipt may not be issued for the value of such services (e.g. a landscaper maintains the grounds of a church—he should be paid for his service not issued a charitable receipt in lieu of payment).
b. **Designated or Donor Restricted Gifts**
Charities must use funds that have been designated to an approved fund for the intended purpose. It is important that churches (especially unincorporated churches), remember that the church board members are considered to be administrating a trust. They are obligated to maintain the trust, or be personally liable if funds are misused in any way. For example, money has been given to the building fund but summer offerings are low. Money is borrowed from the building fund for operational expenses with the expectation that it will be repaid when September or October offerings return to normal. This must not be done. Offerings received in the fall are in reality new designations to general or building funds. Once money has been transferred and used it is considered spent. The only way it can be replaced is by the board members personally.

c. **Benevolent Gifts**
Donations may be received for a Benevolent Fund to provide charity to those in need. Tax receipts should be given for contributions to the fund where possible. Follow procedures similar to those for regular offerings.

The Income Tax Act requires that no part of the income of a charitable organization may be available for the personal benefit of any member or trustee. However, this does not preclude a church from providing reasonable financial assistance to a needy member, where provision of such assistance to the needy in the community (i.e. members and non-members) is part of the normal ministry of the church.

In the interest of confidentiality and practicality the Benevolent Fund may be the responsibility of someone other than the church treasurer. Where this is the case it must be recognized that although the fund is operated separately from other church operations, benevolence fund receipts and disbursements form part of the church’s activities and must be combined with other church financial information on the T3010. Accordingly, the treasurer should have access to details of the fund and should receive a confidential detailed report from the benevolent fund custodian at least at each year end.

```
Benevolent Funds...
must be operated in a manner that ensures integrity in administration. However, it should not overshadow the necessity for spiritual sensitivity and discernment on the part of administrators
```
MINISTRY REMUNERATION & PAYROLL

Introduction
It is recommended that once a detailed Job Description (sample, Appendix – C1) is established and the following salary items have been agreed upon by the church board and the employee, a Letter of Understanding (sample, Appendix – C2) be prepared and signed. Each employee should be given an “Employee Handbook” (sample, Appendix D) and be asked to sign a “Standards of Employment” agreement (sample, Appendix D).

1. Ministry Salary Components
Pastoral Payroll Preparation Work Sheets are included in this manual to help determine salary issues (Appendix – C4)

   a. Base Salary
   Refer to the section Salary Schedule for AGC Pastors (Appendix – C5) to aid in determining an appropriate salary package for the circumstances of the church. Take into consideration any of the following allowances that may be included in the package and arrive at a base amount. Other employee salaries can be based on wages paid for similar jobs in the community. Holiday pay for statutory holidays is usually included in salary, allowing for days off with pay. If someone does work on a designated holiday, a substitute day is taken off instead. For part-time hourly rated employees, it must be noted that if a person works their scheduled day before and after a holiday, they are entitled to be paid for the holiday.

   b. Clergy Residence Deduction
   Those employed as a member of the clergy, a member of a religious order or a regular minister of a religious denomination, may claim a deduction for housing. (See Appendix – C6 for AGC definition of qualified individuals.) Therefore, a portion of salary may be designated as a housing allowance. It will be included on the T4 as gross income (Box 14). Electronic filing of tax returns for persons claiming this deduction is NOT advisable. Individuals must complete the “Clergy Residence Deduction” form (T1223 E) and submit it with their income tax return. This form can be filled out online at; http://www.cra-arc.gc.ca/E/pbg/tf/t1223/t1223-fill-05e.pdf. The amount of salary that qualifies as a tax deduction is not subject to CPP, therefore a pastor’s future pension income will be affected. This amount can be shown on the pay stub as “Housing Allowance”.

   Whether an accommodation is owned by the church or by the individual, the Fair Market Rental Value (excluding utilities) of that property must be determined, based on other similar properties in the area. Care must be taken to periodically obtain an objective, written opinion of the rental value of the home. A letter from a reputable real estate agent is recommended. CRA may request information on the Fair Market Rental Value of a pastor’s home – have it on file! Update your information every 2 years or if a significant market adjustment occurs.

   c. Tax Reductions at Source
   The Income Tax Act provides that any person may request that Income tax be waived or reduced when it can be shown that RRSP contributions, charitable donations, etc. are being made that will be used as deductions to lower one’s Taxable Income. To qualify, the individual must complete form T1213, “Request to reduce income tax deductions at Source”; http://www.cra-arc.gc.ca/E/pbg/ft/t1213/t1213-04b-e.pdf. A letter from the employer is also required to verify income and employment status. For further information, contact your local tax office.
d. **Automobile and Travel Allowances**

The Income Tax Act provides for payment of a reasonable allowance to pastors for travel costs incurred in the performance of their duties. An allowance is considered reasonable, and thus tax-free, if it is based on actual kilometres driven in the course of ministry duties. The per kilometre rate to be used must reflect the actual cost of owning and operating a particular automobile. An accurate log book must be maintained to verify any reimbursement. The CRA has prescribed a rate of 50 cents per kilometre for the first 5000 kilometres and 44 cents per kilometre in excess of 5000 (as of the year 2006) as a maximum rate for an employer to use in calculating travel allowance. Charities would be wise to not exceed these rates and thus avoid any challenge from the CRA.

Other points to consider:

- Encourage the pastor to document, for review on request, all employment trips taken, distances involved with “beginning” and “end” odometer reading, and details of individuals visited (Appendix - C7). A monthly **Expense Report** can then be submitted for reimbursement (Appendix - C8).
- All personal travel, including travel from the place of residence to the office, is specifically **excluded** for reimbursement. Nevertheless, personal mileage should be accounted for in order that a complete record is available.
- Other costs such as meals, parking and toll charges can be reimbursed if they are incurred in connection with employment duties.
- Use of a single rate per kilometre for the entire year will perhaps be easier as long as it does not result in reimbursement that is more than the actual rate of operating a particular automobile.
- An employer may wish to make monthly travel **advances** to the employee for his expenses. This is an acceptable practice provided there is an annual determination of an appropriate kilometre-based allowance and there is an accounting at the end of the year (approximately October) to reconcile the advances with the permitted allowance.

If the allowance paid to a pastor is significantly less than the ministry-related automobile expenses, he may claim a deduction for the actual expenses incurred in connection with the ownership and operation of his vehicle for ministry use. To claim these expenses, **T2200 - DECLARATION OF CONDITIONS OF EMPLOYMENT** can be completed online each year at; [http://www.cra-arc.gc.ca/E/pbg/tf/t2200/t2200-fill-06e.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/t2200/t2200-fill-06e.pdf) by the employer verifying the individual's need to use a vehicle for employment and the amount of any allowance he receives for mileage. The individual also needs to complete a **T777 - STATEMENT OF EMPLOYMENT EXPENSES** available at; [http://www.cra-arc.gc.ca/E/pbg/tf/t777/t777-06e.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/t777/t777-06e.pdf) for his Income Tax return. It is generally preferable that the employer ensures the rate per kilometre is adequate and thus avoids the necessity of such claims on the pastor's tax return.

Monthly submission of a pastor's travel claim for review and approval by an appropriate official in the church is not only good practice in accountability on the part of the pastor, but the existence of a regular review and approval process would be a significant factor in satisfying the CRA in the event of a review. Designate a particular church leader (Board Chairman suggested) for this review.

**Employer Owned Vehicles provided for an Employee**

An amount of taxable benefit must be determined and reported on the employee's T4. Obtain an **IT63R5** information sheet [http://www.cra-arc.gc.ca/E/pub/tp/it63r5/it63r5-e.html](http://www.cra-arc.gc.ca/E/pub/tp/it63r5/it63r5-e.html) from the CRA website or local tax office.
2. **Employee Benefits / Ministry Related Expenses**

   **a. AGC Group Insurance**
   All full time employees (working more than 26 hours per week) of any AGC church, day-care, school, camp, etc. are eligible to be members of the Group Insurance Plan. New employees should be enrolled in the plan within the first 3 months of starting employment. There are penalties for late applicants. Benefits commence 3 months after the date of employment so long as the application has been made within that period. Premiums are billed to the church every month, one month in advance. Payment is expected within 30 days and 2% interest will be added to accounts 60 days in arrears.

   A pastoral change is an opportunity to join the plan. Current rates and application forms can be obtained from the National Office. This plan offers coverage for: Life Insurance ($50,000), Accidental Death & Dismemberment, Dependant Life, Health, Dental, Vision, Out of Country Travel and Long Term Disability (LTD).

   It is required that an employee pay the LTD portion of the premiums himself. In the event that the employee has to collect LTD he will then do so tax free. Records must substantiate this payment. If claimed, LTD payments would be equal to 2/3 of the employee's current salary. The church may choose to deduct the LTD amount from the employee's salary and return a single cheque for the total premium payment. Alternatively, the church could send payment for basic coverage only and the employee could send a personal cheque for the LTD portion.

   As part of a salary package, (a) basic Group Insurance premiums (minus the LTD) could be paid for by the church, or (b) the church and the employee could each pay a portion of the premium, to be determined through employment negotiations. Alternatively, the employee could pay the entire premium himself. Benefits are terminated on the last day of employment, regardless of any severance package or appreciation gift given by the church. Benefits can only be extended under the provisions of the provincial employment standards – contact the AGC office before offering any extended coverage to an employee as a part of a severance, retirement or appreciation package.

   Life Insurance Premiums are a Taxable Benefit. The Income Tax Act requires that premiums on Life Insurance paid for by an employer are to be considered a taxable benefit for the employee. Since the AGC plan includes $50,000 of life insurance, the premiums paid on this amount are to be included on the T4 in the employee’s gross salary (Box 14) and also indicated as Code 40 in the Other Information area. A notice will be sent out each year from the National Office to inform Treasurers of this amount. Only this part of the premiums is considered a taxable benefit. No other part is to be included in gross salary. If the employee is paying the Life Insurance Premium himself, it is not a taxable benefit.

   **b. Pension**
   The AGC at present has no established pension plan in place. It is therefore recommended that a church aid its employees to find suitable provision for retirement. RRSPs are available from many institutions. An employee may be encouraged to contribute personally or the church may make contributions on his behalf. Any church contributions become a taxable benefit and are to be included in the employee's gross income (Box 14) and also in the Other Information area as Code 40.

   **c. Gifts Related to Employment**
   Employment income includes "gratuities" and "benefits of any kind" which are related to employment. Any other bonus or gift given out of funds under the control of the church should be included in the individual's income for tax purposes. This includes Christmas gifts and end of the year bonuses. An employer can give up to two non-monetary gifts that are not easily converted to cash to an employee in a year as long as their combined value does not exceed $500.00. If a monetary gift or bonus is given, it either must be included as taxable income, and appropriate deductions taken, or the employee must report it as “other income” on their income tax return.
A gift to an employee’s spouse is just the same as a gift to an employee, as it would be deemed to be a gift “by virtue of the office of employment”, and would also be considered taxable income.

At Christmas time (or for other special occasions such as an Anniversary), some churches collect personal gifts from individual members of the congregation for their pastors. The amount collected is given directly to the pastor. The amount is not included in the income or expenses of the church, and donors do not receive tax receipts for such gifts. It should not be collected along with the regular church offering. The pastor must report a gift of this nature as “other income”.

d. Benefit from Financing
When an employer makes a loan to an employee and charges no interest or interest at a rate which is less than the rate that would have been charged if the employee had borrowed the money from an arm’s length lender (i.e. a bank or trust company), the employee is receiving a taxable benefit.

If it is a personal loan, interest on the outstanding balance must be calculated by using the quarterly prescribed rate established by the CRA. This is the same rate used for deficient tax payments or overpaid taxes. Obtain this rate quarterly from the district CRA office. If the loan is for a home purchase, the taxable benefit is based on the prescribed rate of interest at the time the loan is made and remains the same for the year.

e. Book Allowances
Members of the clergy are not permitted to deduct the cost of books used in their jobs. However, book allowances, retreat or conference fees, etc. may be provided from an established fund authorized by the church board. The pastor could purchase his own books and claim reimbursement from this fund. This in effect allows him to receive these items as tax-free benefits. Care should be exercised that such expenditures are of benefit to the church.

f. Other Employment-related Income
Pastors may receive honoraria for performing weddings, funerals, or casual speaking engagements outside their regular ministry. Under these circumstances, the individual has received income outside the employer-employee relationship and it is not reported as income from the church. It is however the responsibility of the pastor to report such honoraria as business income when he completes his income tax return.

g. Moving Expenses
When an employer pays the reasonable moving costs of an employee, the amount is not treated as a taxable benefit to the employee, and no amount is deductible by the employee in respect to the reimbursed costs. If no moving expenses are paid, the individual may claim for expenses on his tax return for moves within Canada only.

h. Holiday Trips
When a church pays for a vacation for an employee and/or his family, the costs are a taxable benefit for the employee. In the situation where the employee’s presence is required for business purposes (e.g. National or Regional Conferences), reasonable expenditures for such a trip are not a taxable benefit. However, when such a business trip is extended to include further holiday time, costs related to the extension become a taxable benefit.

i. Tuition Fees
Where an employer has paid tuition fees on behalf of an employee or has reimbursed an employee, in whole or in part, for tuition fees paid by the employee personally, the amount paid should be reported as income for the employee. If the employee does not receive reimbursement, the costs of most educational courses are eligible for tax credits on an individual's tax return.
3. Payroll Reporting Requirements

a. General Principles
   All employers must register with the Canada Revenue Agency [CRA] for the purpose of submitting Income Tax, Employment Insurance contributions and Canada Pension Plan deductions to the government. When registered, the employer will be assigned a Business Number (BN) that will be indicated on all submission forms and T4 summaries, etc.

   An employer should maintain a Payroll Register, detailing all deductions subtracted from employees' wages and the amounts of EI and CPP that are required from the employer. Such registers are available from stationery stores. Obtain from the CRA a Source Deductions Tables booklet to find the appropriate amounts to be deducted. These are available from the CRA website at [www.cra-arc.gc.ca/tax/business/topics/payroll/menu-e.html](http://www.cra-arc.gc.ca/tax/business/topics/payroll/menu-e.html) Every employee should receive with his net pay a Statement of Earnings and Deductions as recorded in the Register. EMPLOYEE RECORD forms (Appendix - C2) can be kept in an employee's file to summarize changes as they occur.

b. TD1 - Personal Tax Credit Return
   These forms ([http://www.cra-arc.gc.ca/E/pbg/tf/td1/td1-fill-07e.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/td1/td1-fill-07e.pdf)) should be completed by each employee, preferably in January of each year to coincide with the taxation year. It is important to do this yearly as basic personal tax amounts and other regulations are constantly changing. The TD1 should also be revised when any status change occurs such as marriage, number of dependents, age, etc. The "Net Claim Code" obtained from the TD1 allows the employer to determine the tax bracket to be used for Income Tax deductions.

c. RC107E - Source Deductions Remittance
   This form (available in hard copy only from the tax office – see notice [http://www.cra-arc.gc.ca/formspubs/forms/paper_only-e.html](http://www.cra-arc.gc.ca/formspubs/forms/paper_only-e.html)) is to be filed with the CCRA by the 15th of each month for the previous month. The remittance includes the employee deductions of Income Tax, EI, and CPP plus the employer portion of EI and CPP. Employer CPP matches the amount paid by the employee. Employer EI is calculated by multiplying the employee amount by 1.4. If the average monthly remittance is greater than $15,000., an employer is required to pay deductions more than once per month. Refer to CCRA guides for more information, if applicable.

d. T4s Be sure to read the CRA guides for more complete explanations and yearly changes.
   The T4 form ([http://www.cra-arc.gc.ca/E/pbg/tf/t4_flat/t4flat-fill-06b.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/t4_flat/t4flat-fill-06b.pdf)) is required to be prepared and submitted with a summary to the CRA by February 28. Employees will also expect to receive their copies as early as possible. These forms can be completed online. (Quebec residents should obtain Revélé forms from Revenu Quebec as well.)

   A payroll register should be kept with amounts for each employee for Gross Income, Income Tax, EI, CPP or QPP, and HSF (Quebec). EI Insurable Earnings and CPP Pensionable Earnings must be determined. These will be different from the Employment Income if the maximum insurable earnings amount was surpassed. CPP Pensionable Earnings may also differ if a housing allowance is involved. These amounts should be totalled at the end of the year and compared to the amounts submitted monthly on RC107E - Source Deduction Remittance. Reconciling these amounts in November can help avoid surprises at the end of the year that could delay your T4 preparation.

e. Employer Health Tax [EHT (Ontario), HSF (Quebec), etc.]
   The percentage amount to be remitted is determined by the gross monthly payroll. Gross remuneration includes salaries, bonuses and taxable allowances and benefits. For Ontario, when the total gross yearly payroll for all employees is under $400,000 no remittance needs to be made. If applicable, EHT is to be paid yearly by March 15 to the Ontario Ministry of Revenue, Employer Health Tax Branch.

   HSF is explained in the Quebec Source Deductions booklets. Make inquiries in other provinces at the provincial Ministry of revenue or Health Tax Department for specific regulations.
**WHICH SALARY ELEMENTS ARE SUBJECT TO DEDUCTIONS?**

<table>
<thead>
<tr>
<th>Salary Element</th>
<th>Income Tax</th>
<th>CPP</th>
<th>EI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Car Allowance (where there is no separate accounting)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Housing Allowance (Clergy Residence Deduction)</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Bonuses or Gifts</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>RRSP Contributions</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Low Interest loans</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Life Insurance premiums</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Pay in lieu of termination notice</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Retiring allowances</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Deductions are indicated with ✓ marks.
EMPLEYMENT ISSUES

Concluding Employment

1. **General Principles**
   
   Either party may terminate the employment contract by either: (1) complying with the notice provisions in a written employment contract; or (2) by giving notice, based on minimum periods of employee service required by provincial statute. If there is no contractual or provincial requirement, provide "reasonable notice" based on such common factors as: length of service, position, education, prior experience, salary, responsibilities, degree of specialization, age, and hours of work. An employer may terminate an employee for "just and reasonable cause". This would involve an alleged breach of a term or condition of employment. In such a case, there is no requirement to give "reasonable notice". Termination may be immediate. However, the burden of proving just and reasonable cause to terminate lies with the employer. If the subject matter of the termination is very serious, no previous warning is necessary. If the subject matter is work performance or a less serious problem, a clear, prior warning is usually necessary to support termination for "just and reasonable cause". Wrongful dismissal occurs when an employee is dismissed without "just and reasonable cause" and without "reasonable notice" or "pay in lieu" thereof. When employees are wrongfully dismissed, they have a legal right to sue. Charities are not exempt from wrongful dismissal lawsuits.

2. **Involuntary Termination**
   
   An employer can terminate an employee at any time. However, under Section 14 of the Ontario Employment Standards Act, an employer is required to give the employee written notice of termination—one week of notice for each year worked up to a maximum of eight weeks. Check with other provincial tax offices for a listing of the required notice in relation to the length of service. It is important to recognize that provincial statutory standards for notice are generally minimum requirements which may fall short of requirements that have been established in common law. Accordingly, the other factors outlined under "General Principles" should also be considered. Regular wages and benefits are continued during this period while the employee continues to work. If notice is not given, the employee should get termination pay instead (also called "pay-in-lieu of notice"). In this case wages should be provided that cover the period of notice that the employer was supposed to give the employee. Group Insurance and LTD benefits would not apply.

3. **Voluntary Termination**
   
   If a pastor chooses to leave voluntarily, the employer's only obligations to the pastor are the payment of remuneration to the date of termination and the payment of any vacation pay entitlement as at the date of termination. A congregation may wish to provide additional funds to the pastor (even though there is no legal requirement to do so) as a token of appreciation. It is not advisable to provide such amounts through the church treasury as there is a question whether the related payments represent expenditures for charitable purposes. The appropriate response is to collect such amounts outside of the church treasury with no receipts given. Such gifts would not be taxable in the hands of the terminating pastor.

4. **Severance Packages**
   
   If a church chooses to negotiate a Severance Package with an outgoing employee, it would be wise to first consult a lawyer, or the AGC, or the Canadian Council of Christian Charities to determine any legal obligations. It is imperative at the conclusion of negotiations and the acceptance of the package by both parties that the employee sign a full and final release. A sample copy is included in Appendix D.

5. **Retiring Allowances**
   
   Upon retirement or in connection with loss of office, a retiring allowance may be given to an employee. As part of his gross remuneration, this would be subject to an income tax deduction. Alternatively, an employer can transfer a retiring allowance directly to an employee's RRSP account. If this is done as a direct transfer, the withholding tax on such payment is avoided. There are limits as to the amount of such an allowance based on the number of years that the employee was employed. Check with your local tax office for current limits. It should not exceed the employee's allowable contribution. T4A forms are used to report retiring allowances.
6. **Reporting Requirements**

An employer must complete a (ROE) Record of Employment form, available only in hard copy from Human Resources Canada, when an employee stops working in insurable employment within **five (5) calendar days** of an employee's interruption of earnings. This information is used to determine whether the person qualifies for EI benefits, what the benefit rate should be and how long the person is eligible for these benefits. A guide to completing the ROE is available ([http://www.cra-arc.gc.ca/tax/business/topics/payroll/calculating/ei/roe-e.html](http://www.cra-arc.gc.ca/tax/business/topics/payroll/calculating/ei/roe-e.html)), but please be aware of the following, in the case of a pastor:

**Pastors and EI Benefits: When and How is Eligibility Established?**

Limitations on eligibility for benefits introduced into the Unemployment Insurance Act in 1993 may result in the denial of benefits in many instances where an employee resigns. If "just cause" for voluntarily leaving a job can be established, having regard to all circumstances, including any of the circumstances listed in Subsection 28(4), a claimant would not be denied benefits. A number of conditions are listed in Subsection 28(4) of the Act which are termed "just cause" for voluntarily leaving an employment;

**Excerpt from the Unemployment Insurance Act**

19. Subsection 28(4) of the said Act is repealed and the following substituted therefor:

(4) for the purpose of this section, “just cause” for voluntarily leaving an employment exists where, having regard to all the circumstances, including any of the following circumstance, the claimant had no reasonable alternative to leaving the employment:

(a) sexual or other harassment;
(b) obligation to accompany a spouse or dependent child to another residence;
(c) discrimination on a prohibited ground of discrimination of the *Canadian Human Rights Act*;
(d) working conditions that constitute a danger to health or safety;
(e) obligation to care for a child or a member of the immediate family;
(f) reasonable assurance of another employment in the immediate future;
(g) significant modification of terms and conditions respecting wages or salary;
(h) excessive overtime work or refusal to pay for overtime work;
(i) significant changes in work duties;
(j) antagonistic relations between an employee and a supervisor for which the employee is not primarily responsible;
(k) practices of an employer that are contrary to law;
(l) discrimination with regard to employment because of membership in any association, organization or union of workers;
(m) undue pressure by an employer on employees to leave their employment; and
(n) such other reasonable circumstances as are prescribed.

Since it is customary for a pastor to tender his resignation, whether or not such resignation is voluntary in the particular circumstances, it is important to know which circumstances would qualify, or be interpreted, as "just cause". The following are some reasons provided on the ROE by various denominations for conditions that could lead to resignation:

1. poor performance
2. loss of confidence by the congregation and/or leadership
3. failure to meet expectations of congregation
4. immoral/unethical conduct, i.e moral failure
5. criminal behaviour
6. teaching "false" doctrine
7. financial distress of employer
8. not suited for ministry
9. mental/physical exhaustion/instability, i.e. burn-out
10. personal conviction that ministry has come to an end

It would seem prudent for any employee facing, or contemplating, a "resignation" from employment to ask the employer what reason will be given on the Record of Employment form. The employee will thus have the opportunity to influence how the reason for separation is stated.
1. **Church Insurance**

Churches have unique insurance requirements. Not only is there coverage required for the building and contents, but other specialized items may need to be included, such as personal injury (i.e. libel, slander and defamation of character), sexual abuse and harassment, the pastor's library, use of church-owned vehicles, etc.

Directors and Officers Liability Insurance is a necessary addition to coverage. It provides personal protection for officers and coverage for defence costs associated with suits arising from discriminatory practises, wrongful dismissal or disciplinary actions, financial mismanagement or misuse of designated funds.

Churches often provide non-professional counselling as part of their ministries and should have insurance coverage to protect their pastors, elders, youth leaders, volunteer counsellors, etc. A good policy will be specific about counsellors' malpractice coverage.

**Please note:** In conjunction with an insurance policy, it is necessary for each church to have Abuse policies in place. It is also important that church leadership take steps to ensure that the policy is implemented and the appropriate education about the policy is undertaken so that the policies simply do not collect dust. (A Sample Abuse Prevention Policy is available from AGC office.)

2. **Facility Use Policy**

Churches are often asked to rent their facilities to various groups in the community—a congregation without their own facilities, sports associations, service clubs, day cares, or various groups that may want to use gym facilities, couples needing a place for a wedding. If a church decides to allow the rental or use of their facilities by an outside group, organization or individual, it is extremely important to transfer the responsibility for legal liability to the tenant and to verify that the tenant has the resources to back up this responsibility.

The development of a Facility Use Policy can be a discipleship opportunity for the entire church. As Christian ministries reflect on marriage in particular it is an opportunity to reflect on the mission of your church, and how that mission can be accomplished today. Developing policy in a Christian context can begin with study of the Bible, doctrinal statements and the mission/vision statements of your church. The process can help staff and members to reflect on how to enable the message and work of your ministry.

Because human sexuality issues can bring about great controversy, and could raise issues of discrimination, policies will be more effective if they are integrated, enforceable, fully authorized and widely known:

- **Integrated**: Wherever possible, these policies should refer to the organization’s foundational documents, including Constitution or By-laws and Statement of Faith.
- **Enforceable**: Policies, if they are to afford any protection at all, must be developed such that they will not be applied in a discriminatory fashion. If a congregation turns a blind eye to one kind of policy infraction, but rigidly enforces another, they are likely to find trouble.
- **Fully authorized**: New policies should be ratified by the membership of the church, according to its established procedures and Constitution.
- **Widely known**: Facility Use policies should be included in initial contact with potential users.

*(The above information is provided by the Evangelical Fellowship of Canada)*
3. **Marriage Policies**

All policy must support ministry, not prevent it. A Marriage policy should be:

- **Positive**: The policy should not be arbitrarily exclusionary; instead it should be a statement which reflects the goodness of the institution of marriage as God has established it. Secondly, the policy should be comprehensive, clearly stating what marriage is. A statement excluding homosexuals may address one concern, but will not be sufficient should other forms of “marriage” be created in the future.

- **Comprehensive**: Ideally a church will create an integrated policy that spells out its theology and policy around a broad range of marital issues— including common law relationships, marriage preparation, divorce and remarriage, interfaith marriage, and so on. Such an action will result in a more balanced and consistent approach to all these issues.

After examining this issue fully your church will determine what policy elements will be needed for your organization, for example:

- Do you need to update employee or member lifestyle or “ethos” statements?
- Do you rent your facilities for weddings or receptions?
- Does your staff have responsibilities for solemnizing marriages?
- Do you provide marital or premarital counseling?

Your policy must reflect a commitment to the identity and outreach of your church. We provide the following three statements as starting points for framing your policies. **Once again, we must point out that the contents of this page are for information only, and are no substitute for legal advice.** Think critically and carefully about what your policies must contain.

- **Definition of Marriage**: We resolve that as a matter of belief, doctrine and religious practice, our congregation reserves the term “marriage” for the covenant relationship between one man and one woman to the exclusion of all others.

- **Staff Participation in the Solemnization and Celebration of Marriage**: We resolve that members of our pastoral staff will be allowed to arrange for, officiate at or take part in the solemnization or celebration of a marriage only when it conforms to our congregational statement on marriage.

- **Use of Facilities**: This congregation reserves the right to rent or allow use of these premises only by individuals or groups not incompatible with our goals, values and statements and for purposes which are not incompatible with our goals, values and statements.

**Note**: A more cautious approach would be to restrict the use of facilities to activities initiated by the leadership, and organized by members which correspond to the [charitable] objects of the church. However many churches do wish to make their facilities available to the community for some activities. This requires a much more nuanced policy, and increases the chance that discrimination may be alleged. *(The above information is provided by the Evangelical Fellowship of Canada)*

4. **The Church Copyright Licence (CCLI)**

The CCLI allows a church to copy copyrighted songs for congregational use without violating the federal copyright law. This includes printing songs on bulletins, songsheets, transparencies, slides, powerpoint slides or congregational song books. It also covers recording worship services for a tape ministry. There is an annual fee for the licence based on the size of the church. Every two and a half years each licence holder is asked to complete a report of music used within a specified time period. Complete records of materials being used should be kept in order to simplify this reporting. Remember to indicate the licence number on all types of prepared materials.

5. **Audio Cassette Levy**

Churches that purchase 1000 or more audio tapes or CDs per year should register with the Canadian Private Copying Collective (416) 486-6839, to avoid paying a levy.

6. **Video Licence**

Churches that regularly show clips of movies or entire movies must purchase a video licence. There are a number of companies providing these licenses, please contact the AGC office for more information.
7. **Withholding Tax Requirements**

Subsection 153(1) and Subsection 105(1) of the Canadian Income Tax Act require withholding of 15% from payments of fees, commissions or other amounts paid to non-resident individuals, partnerships or corporations in respect of services rendered in Canada. Some examples of such payments are fees or other amounts paid to entertainers (musicians), athletes, travelling groups, lecturers (speakers) and consultants. If such non-Canadians are engaged for meetings, please contact your local taxation office for further details concerning the payment of this tax. (Also see Appendix - E1, E2).

8. **Use of T4As and T5s**

T4As (http://www.cra-arc.gc.ca/E/pbg/tf/t4a-flat/t4a-flat-fill-06b.pdf) are statements of Pension, Retirement, Annuity and other Income and may be applicable if an employee is given a retiring allowance. If Scholarships have been given to individuals they also must receive a T4A. If a church has raised money through the use of bonds or loans from church members, any interest paid to them must be reported as Interest Income on the T5 (http://www.cra-arc.gc.ca/E/pbg/tf/t5_flat/t5-flat-fill-06b.pdf). Copies of all T4As and T5s must be returned with Summaries to the CRA by February 28.

9. **Records Retention**

Financial records for businesses and charities must be retained for 7 years and be available at any time for a CCRA audit. They are never to be disposed of sooner without written permission from the government. Keep good, complete records. Document and date everything. Records from a church that closes must be kept on file at the office of the AGC.

10. **Investing Church Funds**

All charities have a duty to see to it that all of their resources are efficiently and productively used in pursuit of their charitable objects. The Trustee Act of Ontario was revised, effective July 1, 1999, to list some mandatory criteria that follow the “prudent investor” rule. Other provinces have or are considering similar legislation outlining charitable investing procedures. These seven mandatory criteria are:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio;
- The expected total return from income and the appreciation of capital;
- Needs for liquidity, regularity of income, and preservation or appreciation of capital, and
- An asset’s special relationship or special value, if any, to the purposes of the charity or to one or more of the beneficiaries.

Each of these criteria must receive the same degree of consideration when choosing an investment. In addition, because churches have the advancement of religion as their purpose for being a charity, morals and ethics may not be ignored in any financial activity or decision. Since there are now very clear investment rules laid out, charities are open to challenge from any member of the public regarding the suitability of investment decisions. To safeguard boards and officers of charities, it is wise practise to take the following steps:

a. Appoint an investment committee including board members and members of management.

b. The investment committee should be empowered and required to retain a qualified investment advisor. This person must have an understanding of laws governing charities and trusts and be able to advise the organization on appropriate policies.

c. With input from the investment adviser, the committee should develop an investment policy which reflects each of the seven mandatory investment criteria. Such a policy also should address non-financial concerns such as ethical or moral investment criteria. (The policy should indicate that the application of ethical or moral investment criteria to restrict investments should not be taken as authority to accept an investment portfolio mix which results in materially inferior investment returns.)

d. The investment committee should select an investment manager, i.e. a broker or appropriate financial institution, to take care of the actual investment activities and to report the results to the investment committee and its investment adviser in an agreed upon format and on an agreed upon periodic basis.
Appendix

- Partnership Payment Calculations
- T3010 Charity Return Working Instructions
- Suggested Job Description for a Senior Pastor
- Suggested “Letter of Understanding”
- Pastor’s Payroll Worksheets
- Determining Qualification for Clergy Residence Deduction
- Travel and Expense Record
- Ministry Travel Expense Record
- Employee Record
- Sample Employee Handbook
- Full and Final Release Statement
- Suggested Salary Schedule for Pastors
- Letter to Non-Residents Providing Services in Canada
- Waiver Information Form
ASSOCIATED GOSPEL CHURCHES
PARTNERSHIP PAYMENT CALCULATIONS
Based on your last fiscal year

This portion is to be used for calculation purposes only. It does not need to be returned to the AGC office. Refer to the GUIDE sheet for clarification of terms used below.

Total Income
$ _____________(a)

Deduct:

Mission Donations:
1) AGC Missions $ _____________(b)
2) Other Missions $ _____________(c)

Capital Donations:
1) Building Fund $ _____________(d)
2) Other $ _____________(e)

Total Donation Deductions:
(b) + (c) + (d) + (e) = $ _____________(f)

Total BASE for Partnership Payments
[(a) minus (f)] $ _____________(g)

Partnership Payment for fiscal 2007
4% of BASE (g) above $ _____________(h)

Please report amount (h) below, detach and return bottom portion to the AGC office:

________________________________________________________
Church Name_____________________________________________
City_______________________________________________________

Total Partnership Payment for fiscal 2007 will be [amount (h) above]; $___________________

Payment will be; o Monthly o Quarterly o Yearly

Please return to the
Associated Gospel Churches, 1500 Kerns Rd., Burlington, ON, L7P 3A7
or Fax to 905-634-6283 or e-mail the info to admin@agcofcanada.com

PLEASE RETURN BY FEBRUARY 15, 2007
ASSOCIATED GOSPEL CHURCHES
GUIDE to the CALCULATION OF PARTNERSHIP PAYMENTS

Thank you for your ongoing support of the AGC through your "Partnership Payments"! We deeply appreciate your participation! It is our lifeline to service the churches through the President, the Superintendents and office staff. The Constitution delineates the guidelines as follows:

It is the responsibility of every church to contribute the percentage determined by National Conference, of its previous year's general income (exclusive of gifts designated for missions or capital) for the support of the offices, personnel and operation of the AGC (2001 Constitution IX.A).

Partnership Payments are based on "previous year general income." "Previous year" refers to your church’s last complete fiscal year.

DEFINITION OF TERMS
Income: all revenue obtained through weekly offerings, bequests, interest on investments or other general donations.

Mission Donations
1) "AGC Missions": all gifts sent for Associated Gospel Churches mission efforts such as "Church Builders 2007" (for Church Planting) and any support payments sent to the AGC office for churches needing assistance.

2) "Other Missions": all gifts sent for the support of missionaries with duly recognized mission agencies (both foreign and domestic).

PLEASE NOTE: Previous Partnership Payments are NOT to be entered as mission donations.

Capital Donations
1) "Building Fund": all gifts received for the purchase of real property such as new buildings, additions, mortgage principal and interest, or manse. (General repairs to existing buildings are not to be included.)

2) "Other Capital Donations": all gifts received for the purchase or replacement of musical instruments, sound equipment or other major equipment that become assets of the church.

Percentage used to calculate payment: 4% was designated to be the rate of payment by a vote of National Conference, June, 1978.

REMINDER: Churches should ensure that audits are performed if they are required by corporate bylaws or the church constitution.

For additional clarification, contact:
AGC National Office (905) 634-8184 admin@agcofcanada.com

Once again, please accept our appreciation as we seek to partner together!
THE T3010A REGISTERED CHARITY INFORMATION RETURN

DOCUMENT OVERVIEW

This document provides an overview of the registered charity information return for the current form – the T3010A (05) - as it pertains to charities which were registered prior to March 23, 2004 and for fiscal years of such charities that commenced after March 22, 2004. (These dates relate to the timing of the Federal budget which triggered some significant changes in the T3010A (05) form.)

The changes made have little current effect on charities that were registered prior to March 23, 2004; HOWEVER, the manner in which the changes have been presented in the accompanying guide to the T3010A form (Form T4033A – “Completing the Registered Charity Information Return”) has resulted in confusion for the layperson. Many changes described in the T4033A booklet do not pertain to charities until fiscal years commencing after 2008 if the charity was registered prior to March 23, 2004. Accordingly, the focus of this summary is to outline the key principles and information on the new T3010A (05) form and to highlight the many sections that will not apply until after 2008.

Detailed line-by-line comments on the T3010A form are beyond the scope of this document. But the information contained herein will clarify various aspects of the return for the preparer before encountering the details of the form itself and will improve the preparer’s confidence level. Without such a “bird’s-eye view” the T3010A form can become a confusing ordeal.

DOCUMENT STRUCTURE

The following are the component parts to this section:

- **Part A** The Components of the T3010A Return
- **Part B** T3010A Changes Currently In Effect
- **Part C** T3010A Changes Not in Effect Until After 2008
- **Part D** Completing the Capital Gains and Disbursement Quota Worksheet
- **Part E** T3010A – Form Completion Resources

PART A - COMPONENTS OF THE T3010A RETURN

This part outlines the components of the complete T3010A return. These components are the same as the new format introduced by the Canada Revenue Agency (“CRA”) for the 2003 fiscal year of charities. They have been outlined here to emphasize some important facts to ensure the T3010A filed is complete (CRA has reported that a large number of T3010A’s are filed with one or more items missing). The complete T3010A return consists of **FOUR** distinct and physically separate parts:

1. **Registered Charity Basic Information**

   A double-sided page provided to each charity by CRA. It contains basic information about the charity contained in the CRA data base. Each charity is required to review the information and make any changes in the space provided. The form contains detachable bar code labels specific to each charity. The labels will be attached to the forms described below to identify your organization.

   **NOTE:** This form should be carefully guarded. If it is lost there is no way to obtain another copy other than by contacting CRA, as it is a specifically generated form.

2. **Registered Charity Information Return**

   This is the main form consisting of 4 pages of questions and spaces for information including the financial information. A bar code label provided by CRA is attached to page 1 as the only thing that identifies the form with a specific charity.
3. Directors/Trustees Worksheet
   This worksheet is a separate form requiring specific information on each director/trustee. Completion of this form by any active charity will be required.

4. Qualified Donees Worksheet
   This worksheet is also a separate sheet that details any gifts given to any other qualified donee in the fiscal year. (Qualified donee is a term defined in the glossary of the T3010A guide and in the context of a church usually is a gift to another registered Canadian charity)

The above forms are the ones to be completed and filed with CRA.

**HOWEVER**, there is a fifth form (the T1259 – “Capital Gains and Disbursement Quota Worksheet”) that should be completed by the preparer if the task is to be done correctly. **This form is NOT to be submitted with the T3010A return.** If the form is not completed by the preparer, there is no check on the CRA calculation of the disbursement quota. By completing the form the preparer can compare the results to those of CRA’s “Notice of Confirmation” issued in response to the T3010A filing.

**PART B – T3010A Changes of Current Import**

**Enduring Property** is a new term used in the T3010A (05). While it is a new term, it includes two terms previously referred to separately – bequests and 10-year gifts. The new matter now covered under enduring property relates to items such as a bequest transferred from one registered charity to another where the receiving charity must uphold the restricted use. (This seldom occurs in the church context, but if it were to occur, the charity receiving such a transfer would not need to include the amount in the disbursement quota calculation until the fiscal period in which the funds were spent).

**Gifts Received from Other Registered Charities** – Such amounts received by a charity in one fiscal period will now form part of the disbursement quota for the next fiscal period. Prior to the T3010A (05) form such amounts were not part of the disbursement quota calculation at the 80% rate. Note that this is only for straight gifts. If the transfer involves enduring property, the comments under enduring property (see above) apply.

Although the above items require mention as the items of current import for the T3010A (05), the good news is that in the church context they seldom occur. For the most part a church transfers amounts out to another charity rather than receiving such amounts. However, having an awareness of the above information will avoid confusion when certain lines are encountered on the Capital Gains and Disbursement Quota Worksheet.

**PART C – Changes Not In Effect Until After 2008**

This part uses a table to more succinctly and clearly present changes and related comments. This will allow anyone encountering these topics in the T3010A guide to quickly recognize that they do not presently affect a charity that was registered prior to March 23, 2004.

High-profile charity lawyers and other experts have been highly critical of CRA and the Federal Finance Department about many of the changes outlined below because of the complexity they have introduced, especially in light of the significant percentage of laypersons who prepare and file the T3010A Charity Return. One hopes there will be a reversal of some provisions before they come into effect after 2008, but to this point there has not been an indication of such from the government.

In the context of the local church the good news is that the specific matters outlined below will seldom be encountered; however, to avoid confusion in completing the T3010A one must have an awareness of them.
New Disbursement Quota Rules

The disbursement quota of a charitable organization will include 3.5% of the value of property held by the charity and not used directly on charitable activities or administration where the value of such property exceeds $25,000. An example would be investment assets from bequests or 10-year gifts.

Note that this will only apply where investment assets exceed $25,000 and that it will not apply to any charitable organization registered prior to March 23, 2004 until after the 2008 year.

This issue adds complexity to the Capital Gains and Disbursement Quota Worksheet. See comments in Part D.

Capital Gains Reduction

A charity can use any capital gains realized on enduring property (for example, a bequest that is invested in shares and sold at a gain) to reduce its 3.5% disbursement quota requirement as outlined above.

Where applicable, this will require tracking such gains in a capital gains pool and applying the gains to reduce the disbursement quota requirement.

In the church context this will have little application. Where such organizations have enduring property it is most often invested in interest bearing deposits which will not result in capital gains.

Unfortunately this provision uses up many lines on the Capital Gains and Disbursement Quota Worksheet. See comments in Part D.

Given the delay until after 2008 for the above provisions, it is difficult to understand why CRA did not produce a special calculation worksheet for charities registered prior to March 23, 2004. Much of the confusion and frustration for the layperson results from the fact that CRA produced a “one-size-fits-all” worksheet, most of which does not yet apply to most charitable organizations.

The comments in Part D will assist in identifying how to better understand the Capital Gains and Disbursement Quota Worksheet.

PART D - The Capital Gains and Disbursement Quota Worksheet

The following information will guide you through dealing with an intimidating looking form. With the information that has been provided to this point along with specific comments on the form appearing below you will be able to conquer the form!

You will need to have a copy of the Capital Gains and Disbursement Quota Worksheet (Form T1259) to refer to as you work through the comments below.

<table>
<thead>
<tr>
<th>Form T1259 Reference</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1: Calculating the Capital Gains Pool and Capital Gains Reduction</td>
<td>Note that this section, which takes up the top one-third of the page, does not apply to charitable organizations registered as a charity before March 23, 2004 as per the note in bold below line 10 on the form</td>
</tr>
<tr>
<td>Step 2: Calculating the disbursement quota requirement</td>
<td>Most of the lines in this section of the form will be unused.</td>
</tr>
</tbody>
</table>
Line 12 will record the tax-receipted gifts in the **preceding** fiscal period.

Line 13 only applies in very special situations

Line 15 will apply if your organization issued tax receipts for bequests or 10-year gifts in the **preceding** fiscal period.

In most instances the sum of the amount at line 12 and line 15 multiplied by 80% will be the disbursement quota appearing at line 29.

**Note** that lines 30 to 39 will not apply to a charitable organization registered as a charity prior to March 23, 2004 as per information provided in this document.

<table>
<thead>
<tr>
<th><strong>Step 3: Calculating whether the registered charity met its disbursement quota requirement.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts included in this section are transferred from the lines of the T3010A form as noted. The determination of the disbursement excess or shortfall is arrived at on line 49. It is this information that you will want to compare with the “Notice of Confirmation” received from CRA.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Step 4: Estimating the disbursement quota requirement for the next fiscal period</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>This section will allow you to determine what will need to spent in the next fiscal period, and is beneficial in planning.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Keeping Track of Disbursement Excesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>This is an important schedule to maintain for planning purposes in the event a disbursement shortfall were to occur in a given year.</td>
</tr>
</tbody>
</table>

**PART E – T3010A Form Completion Resources**

This part consists of two checklists to assist you in filing accurate and complete T3010A returns. They can be photocopied and used as a working checklist.

- The checklist below identifies some common errors that occur and also some special issues relating to questions or requirements of the T3010A form in higher risk areas. It is not intended to be an exhaustive list.

- The checklist on the following page is to assist in ensuring all information is included in the T3010A Charity Return submission and that all matters are properly checked before and after filing.
<table>
<thead>
<tr>
<th>No.</th>
<th>Question / Information</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>T3010A Section C4</strong>&lt;br&gt;If any programs are carried on directly outside Canada have you ensured that your organization complies with the Income Tax Act requirements to direct and control such activities? Have you ensured that such programs do not involve passive transfers of funds? This is an area of concern by CRA and one for which compliance is being checked more closely, so care is in order.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td><strong>Section E – Financial Information</strong>&lt;br&gt;Have all funds in your organization been consolidated and reported in this section of the T3010A? (A common error that occurs is only reporting the general fund in the T3010A and failing to report other funds such as Sunday school, youth etc.) CRA requires all funds to be reported in the T3010A.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td><strong>Section E – Total Expenditures Line 4950</strong>&lt;br&gt;Has the total at line 4950 been allocated to the categories at lines 5000 through 5040? In the church context usually the total at line 4950 (or a major portion of it) is transferred to line 5000. If this is not done and line 5000 is left blank CRA will not pick up the expenditure for the purpose of calculating whether your organization met the disbursement quota.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td><strong>Section F1 Line 5400</strong>&lt;br&gt;If an amount is reported on line 5400 related to expenditures on programs outside Canada, does the amount include an amount sent outside Canada to individuals or ministries that do not have a formal reporting arrangement with your organization? If the answer to this question is yes, you may be in a situation where passive transfers have taken place. This should be addressed on a priority basis.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# T3010A COMPLETION CHECKLIST

## BEFORE FILING

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Has the information on both side 1 and side 2 of the CRA “Registered Charity Basic Information” sheet been reviewed and corrected where necessary?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>If you do not have the above sheet have you requested it from CRA Charities Directorate — AS REQUIRED?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 3. | Has a bar code label from page 2 of the Basic Information Sheet been placed on  
   a) Page 1 of the registered Charity Information Return?  
   b) The “Directors/Trustees Worksheet”?  
   c) The “Qualified Donees Worksheet”? |   |    |
| 4. | Does your T3010A filing package include the following forms and information attached together in the following order:  
   a) The Registered Basic Information Sheet  
   b) The T3010A Registered Charity Information Return (4 pages)  
   c) The Directors/Trustees Worksheet  
   d) The qualified Donees Worksheet  
   e) The financial statements for all funds included in the T3010A reporting for Section E? |   |    |
| 5. | Has the Registered Charity Information Return been signed by the appropriate official in Section H of page 4? |   |    |
| 6. | Have you ensured that all questions in the Return and Worksheets have been answered or marked N/A? Where a value is anticipated, has the value been supplied or “0” or “NIL” recorded in the space to indicate the line or box was considered? |   |    |

## AFTER CCRA ACKNOWLEDGES YOUR T3010A FILING:

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>Was the T3010A filing accepted by CRA without any outstanding issues?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Does the CCRA calculation of the disbursement quota and disbursement excess agree to your calculations?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Have you ensured any differences are resolved?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACKNOWLEDGEMENT

The information on the T3010A Registered Charity Information Return has been compiled and provided by Ron Gooding, C.A. of Charitable Solutions Inc.

Charitable Solutions publishes guides to assist church treasurers in the preparation of the T3010A Charity Return. A section-by-section guide to the preparation of the T3010A form complete with a case study will be made available to Associated Gospel Churches at reasonable cost, or the entire T3010A Charity Return Preparation Manual can be purchased.

For information and prices on these resources, contact:

Ron Gooding, C.A.
1-888-315-5529
e-mail: charsol@golden.net

Charitable Solutions Inc.
17 Dunlop Place
Kitchener ON N2P 1J3
Suggested Job Description Outline for a Senior Pastor

Date to Review this Job Description: ___________________________
Date Revised: ___________________________

Purpose: To provide spiritual oversight, vision and leadership to assist in developing a healthy reproducing church.

Leadership Profile:

The Pastor will:

1. have a personal commitment to Jesus Christ which he clearly articulates, submitting to Holy Scripture as his authority for faith and life,
2. have ministry experience which has clearly evidenced the blessing of the Holy Spirit,
3. subscribe whole-heartedly to the Articles of Faith and Doctrine, mission and policies of the Associated Gospel Churches and have achieved appropriate Doctrine and Credentials approval,
4. be able to communicate his vision, work well with his fellow church leaders and apply the Word of God to all areas of life and the church’s ministry,
5. (Add additional items to suit your own situation)
6.  
7. 

Areas of Responsibility:

<table>
<thead>
<tr>
<th>% of Time</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>Have a balanced dynamic <strong>preaching/teaching</strong> ministry.</td>
</tr>
<tr>
<td></td>
<td>(Provide your own description here)</td>
</tr>
<tr>
<td>15%</td>
<td>Provide proactive <strong>leadership and leadership training</strong>.</td>
</tr>
<tr>
<td></td>
<td>(Provide your own description here)</td>
</tr>
<tr>
<td>15%</td>
<td>Provide <strong>pastoral care</strong> personally and through other trained care-givers.</td>
</tr>
<tr>
<td></td>
<td>(Provide your own description here)</td>
</tr>
<tr>
<td>10%</td>
<td>Disciple and equip others to do the same.</td>
</tr>
<tr>
<td></td>
<td>(Provide your own description here)</td>
</tr>
<tr>
<td>15%</td>
<td>Provide <strong>administrative management</strong> in operations</td>
</tr>
<tr>
<td></td>
<td>(Provide your own description here)</td>
</tr>
<tr>
<td>10%</td>
<td>Continue in his <strong>self-development</strong> to remain current and effective in ministry.</td>
</tr>
<tr>
<td></td>
<td>(Provide your own description here)</td>
</tr>
</tbody>
</table>
Organizational Relationships:

1. The pastor is directly responsible to the elders and indirectly responsible to the congregation of the church.

2. The pastor is responsible for the leadership of any support staff.
A SUGGESTED LETTER OF UNDERSTANDING

The following is a suggestion for formulating a contract with pastoral staff. Some items are standard items and others may be added as negotiable extra benefits. Not every item included here will be acceptable to every church; each should feel free to use what they find appropriate to their situation.

This suggested contract includes both a sample clause and comments or guidelines for alternatives. The comments or guidelines are included in italics. Similar contracts should be in place for all church employees.

A LETTER OF UNDERSTANDING

__________________________(Pastor) and ______________________ (Church) agree to the following:

II. STANDARD ITEMS

1. **Term:**
   This Letter of Understanding covers a term beginning _________ and ending _____________.

2. **Salary:**
   The church shall provide the pastor with an annual gross salary of $_____________ which includes the non-taxable Clergy Residence Deduction amount of $ ________________.
   This salary could be increased by a specified percentage over the years in the term of the contract or possible salary increases could be discussed annually, following an evaluation review. Clergy Residence Deduction is based on the lesser of 1/3 of total salary OR the fair market rental value of the residence.

3. **Government Deductions:**
   All required deductions will be made according to law.

4. **Health, Life and Long Term Disability Insurance Plan:**
   The church agrees to participate in the group plan of the Associated Gospel Churches.

5. **Car Allowance:**
   The church agrees to include $____________ in the gross salary for car maintenance.

6. **Travel Allowance:**
   Gas expenses for local church-related travel will be reimbursed upon presentation of receipts. In addition, the pastor will be reimbursed for travel to Regional and National Conference sessions.
   The church may then apply for a refund of Federal Excise Tax on gasoline. Include EITHER #5 or #6 - #6 is the preferred method of providing for travel expenses.

7. **Office Expenses:**
   The church will provide adequate office equipment and furniture, and pay the expenses of operating the church office, such as stationary, postage, telephone, duplicating, and other supplies.
   Secretarial help may be provided on a permanent or volunteer basis as circumstances permit.

8. **Vacation and Other Absences**
   The pastor will be given one full day off per week, plus a vacation of _____ weeks and all regular statutory holidays.
   Attendance at Conferences of those organizations with which the church has affiliation will NOT be considered as vacation.
   Guidelines for other absences to be detailed in this section could include: illness, personal days, bereavement, pregnancy/parental leave.
III. NEGOTIABLE ITEMS

1. Professional Growth:
The congregation will provide a fund of a maximum of $1000 annually for the pastor to apply toward subscriptions, the purchase of study books, and professional development. Any unused funds will be allowed to accumulate for the term of this agreement. The pastor will not be entitled to receive any of these accumulated funds in the event of his termination or resignation nor will he be allowed to carry them forward to a new term.

2. Study Leave:
The pastor is encouraged to take a leave with pay for professional study.

3. Pensions Plan:
The church will contribute $_______________ per year toward an RRSP for the pastor.

IV. DEFINITION OF GROSS SALARY PLUS BENEFITS

for the year 200_ :

Gross Salary (including Clergy Residence Deduction) $__________
Car allowance ($_________)

Other Benefits
RRSP Contribution $__________
Insurance $__________ (estimate)
Professional Development/ Growth Expenses $__________ (maximum)

V. RESIGNATION or TERMINATION

1. Resignation:
The pastor may resign with a letter to the Official Board and to the congregation to become effective in ____ month(s) time.  
Other requirements concerning this process may be outlined in a church constitution.

2. Termination:
The pastor must abide by the policies of the Associated Gospel Churches and adhere to AGC Articles of Faith and Doctrine. He must refrain from immoral, unethical and criminal behaviour. He must exhibit an acceptable level of performance as assessed by a yearly evaluation review.

Signatures

__________________________________   ____________________________
Pastor        Date

__________________________________
Chairman of the Board of Elders

__________________________________
Treasurer

This agreement becomes void with the pastor's termination or resignation.
**Pastor's Payroll Preparation Worksheet—Year 2007 Edition**

This form applies to all clergy situations where a housing allowance is paid by the employer OR where the employer provides accommodation. It includes information and guidance for full compliance with requirements of the Income Tax Act relating to the Clergy Residence Deduction.

I. Earnings (for payroll deductions at source)

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Box</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Gross salary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Housing allowance</td>
<td>Note N/A</td>
<td>1</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Value of employer-provided housing</td>
<td>Note</td>
<td>2</td>
</tr>
<tr>
<td>Add: taxable benefits re housing</td>
<td>Note</td>
<td>3</td>
</tr>
<tr>
<td>Total employer-provided housing</td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>(d) Other taxable allowances and benefits</td>
<td>Note</td>
<td>4</td>
</tr>
<tr>
<td>(e) Gross Earnings (sum of a+b+c+d)</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>(f) Less: Clergy residence deduction re home owned or rented by pastor</td>
<td>Note</td>
<td>5</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) Less: Clergy residence deduction re employer-provided home</td>
<td>Note</td>
<td>6</td>
</tr>
<tr>
<td>(h) Annual earnings (e minus f or g)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divide by pay periods per year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Earnings per pay period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j) Retirement contributions deducted at source</td>
<td>Note</td>
<td>7</td>
</tr>
<tr>
<td>Annual deduction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divided by pay periods per year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(k) Earnings for pay period for tax deduction purposes</td>
<td>(i minus j)</td>
<td></td>
</tr>
</tbody>
</table>
Pastor’s Payroll Preparation
Worksheet—cont’d

(I) Income tax to be deducted
(derived by looking up earnings per I (k) in Income Tax Tables)

Federal income tax to be deducted

Provincial income tax to be deducted

Total income tax deducted

II Canada Pension Plan (“C.P.P”) See NOTE 8 on page 7

(a) Earnings (as per I (h) above)

(b) Less: C.P.P. basic exemption for the year (3,500.00)

(c) C.P.P. contributory earnings, subject to maximum of $40,200.00 for 2007

(d) Contribution rate for 2007 4.95%

(e) Annual C.P.P. premium (maximum $1,989.90) Box 16

Pay Periods in year

(f) C.P.P. deduction per pay period

III Employment Insurance (“E.I.”)

(a) Gross earnings (as per I (e) above)

(b) Deduct: Group term life insurance premiums ( )

(c) Gross earnings for E.I purposes

(d) E.I. insurable earnings

( the E.I. premium is calculated on the lesser of the amount in III (c) and maximum insurable earnings for the year appearing below.)

2007 Maximum Insurable earnings - $40,000.00

(e) E.I. contribution rate for 2007 1.8%

(f) Annual E.I. premium (maximum $720.00) Box 18

Pay periods in year
(g) E.I. deduction per pay period

*REFER NET PAY CALCULATION WORKSHEET AS FOLLOWS:

Page 3  IF .....you pay a housing allowance to your pastor.
Page 4  IF .....you provide living accommodation to your pastor.
Calculation of NET PAY

WHERE Housing Allowance is Paid to the Pastor

Earnings per pay period [from worksheet item I(i)]

Less: Other allowances/benefits per I(d)

\[ \frac{\text{Divided by pay periods per year}}{\text{pay periods per year}} \]

Gross pay before deductions

Add: Clergy Residence Deduction [from I(f)]

Divided by pay periods in year
Rental value per pay period → $_________

TOTAL PAY – per pay period after deductions

DEDUCT: Other deductions from pay (see note below*) (_________

NET PAY $_________

*Other deductions from pay (if applicable) would include items such as the employee’s pension plan contribution, and employee cost sharing in group benefits plans, etc. If you make deductions at source for employee retirement plan contributions, the amount calculated in Section I, line (j) should be deducted in arriving at net pay. (The amount so deducted is then remitted by the employer to the retirement plan or pension plan administrator.) See also Note 7 on page 7.
Calculation of NET PAY

WHERE a Home is Provided for the Pastor

Earnings per pay period
[from worksheet item I(i)] $__________

Less:
Other allowances/benefits per I(d) _______________

Note: Do not include any taxable benefits re housing reported at line I(c) in the above amount.

Divided by pay periods per year __________ (__________)

Gross pay before deductions ________________________

Less: Income Tax per worksheet I(l) ________________

C.P.P. per worksheet II(f) ________________

E.I.C. per worksheet III(g) ________________

Total Deductions __________ (__________)

TOTAL PAY – per pay period after deductions ________________

DEDUCT: Other deductions from pay (see note below*) (__________)

NET PAY ________________________

* Other deductions from pay (if applicable) would include items such as the employee’s pension plan contribution, and employee cost sharing in group benefits plans, etc. If you make deductions at source for employee retirement plan contributions, the amount calculated in Section I, line (j) should be deducted in arriving at net pay. (The amount so deducted is then remitted by the employer to the retirement plan or pension plan administrator.) See also Note 7 on page 7.
Notes to Pastor’s Payroll Preparation Worksheet

Note 1 – Housing Allowance Paid to Pastor

Amounts paid to a pastor are considered to be employment income regardless of whether they are labeled as salary or housing allowance. In many instances the terms “salary” and “housing allowance” are referred to in the pastor’s remuneration package. While this is appropriate for that purpose, the distinction is not recognized when the determination of employment income for tax purposes is made; it is all employment income. However, where a pastor qualifies under the “status” and “function” tests, a clergy residence deduction may be claimed against the income.

Note that where a housing allowance is paid to a pastor, NO AMOUNT is recorded in Box 30 of the T-4 (“Housing, Board and Lodging”). The same value used in line I(f) of the payroll worksheet would be deducted by the pastor on the annual income tax return. The exception to this would be in a period of changing market conditions when fair rental values at the beginning of the year are significantly different at the end of the year. In such cases the pastor would deduct the revised rental value on the tax return as long as the fair rental value was the amount to be claimed under the CRD calculation (see note 5 on page 6 and Appendix A on page 9).

NOTE: Periodically in the past, CCRA representatives have erroneously indicated that an amount should appear in Box 30. If this occurs, contact us for the wording of a response letter.

Note 2 – Value of Accommodation Provided

The value of accommodation provided should be based on a reasonable assessment of the value of the accommodation obtained by comparing market rental values for accommodation similar to that provided to the pastor. Where the church is renting on behalf of the pastor, the actual rent paid would be used.

Note 3 — Taxable Benefits Related to Employer-Provided Housing

Expenses of a personal benefit paid by an employer on behalf of an employee (pastor) are taxable benefits that are required to be included in the pastor’s income according to Section 6 of the Income Tax Act. When such benefits relate to housing provided by the employer, they should be added to the value of the accommodation provided as per note 2. The total value of the housing AND the taxable benefits should be included as income and reported in Box 30 of the T-4.

IMPORTANT: When taxable benefits re housing are included in the income of the pastor, they will also qualify as a component of the clergy residence deduction for the pastor under amendments to the Income Tax Act effective January 1, 2001.

Taxable benefits re housing usually include utilities paid by the employer but should not include property taxes or repairs to a church-owned residence.

See Note 9 on page 8 for guidance on the definition of utilities and how to determine amounts to be reported for purposes of determining the CRD.
Notes to Pastor’s Payroll Preparation Worksheet (cont’d)

Note 4 – Other Taxable Allowances and Benefits

Items paid on behalf of an employee (pastor) by an employer and which represent a personal benefit are considered to be elements of employment income. This is a basic premise of the Income Tax Act.

Appearing below are the more common items faced in determining employment income for a pastor.

**Employment Income Inclusions:**

Utilities and other housing expenses paid on the pastor’s behalf. (Note these are reported at line I (c) when they relate to employer-provided housing; otherwise they should be reported at line I (d).)

Interest on an employer-provided loan to a pastor at less than market interest rates.

Expense advances made to a pastor for which there is no requirement to account. This includes automobile travel reimbursed on a flat rate without detailed reporting of kilometres traveled and destinations.

Group term life insurance premiums paid by the employer on the employee’s behalf.

**Employment Income Exclusions:**

Travel allowances paid based on the actual kilometres traveled, as reported by the pastor from a daily travel logbook, multiplied by a reasonable rate per kilometre. Travel from a residence to place of work does not qualify as business travel.

The limit on tax-exempt automobile travel allowances for 2007 as announced by the Minister of Finance on December 27, 2006 will be 50 cents per kilometer for the first 5000 kilometres and 44 cents per kilometer for each additional kilometer (unchanged from 2006).

Costs paid by the employer for health premiums and pension costs of a group plan, except life insurance premiums.

Employer Health Tax (E.H.T.) premiums paid based on the pastor’s remuneration, if applicable.

Professional development costs such as seminars, books, etc. where the costs are job related and subject to accountability.

Note 5 — Clergy Residence Deduction — Home owned or Rented by Pastor

The clergy residence deduction for accommodation rented or owned by the pastor is the least of the following three amounts.

a. The clergy person’s total remuneration from the office or employment (salary plus benefits in Box 14 of the T-4).

b. One-third of total remuneration as determined in a) or $10,000 whichever is greater and

c. The total of the fair rental value of the residence and the value of utilities (but reduced by the amount of any deductions claimed in computing income from employment or from a business with respect to the same residence). The reduction will limit a pastoring couple to a single claim for the fair rental value of their home, and will reduce the claim where housing expenses are claimed for business purposes.

See Note 9 on page 8 for guidance on the definition of utilities and how to determine amounts to be reported for purposes of determining the CRD.

Appendix A (see page 9) provides detailed guidance on calculating the CRD under the present rules.
Notes to Pastor’s Payroll Preparation Worksheet (cont’d)

Note 6 — Clergy Residence Deduction — Employer-Provided Home

Where the pastor’s residence is provided by the employer, the amount of the CRD deducted at line I(g) will be the total value of employer-provided housing (including taxable housing benefits) included in income as per line I(c). As explained in Note 3 it is important that the amount includes taxable housing benefits paid on the pastor’s behalf as such amounts are now deductible as a component of the CRD.

Note: This is the only amount to be determined if the employer is providing housing to the pastor. The calculation in Appendix A applies ONLY to situations where the pastor rents or owns a residence.

Note 7 — Retirement Contributions Deducted at Source

Non-Contributory Pension Plans
Under this arrangement only the employer contributes to the pension plan. Such contributions are not taxable and therefore, are not reflected in the calculations.

Contributory Pension Plans
Under this arrangement employees contribute personally to the pension plan, usually as a percentage of salary. The amount of the employee contributions would be included in I(j) — in order to reduce income taxes withheld at source.

Registered Retirement Savings Plans (RRSP)
Where only the employee contributes to an RRSP, and such amounts are deducted at source and remitted to the RRSP administration, the amount is included at I(j).

Where an employer makes an RRSP contribution on behalf of the employee the amount is included as a taxable benefit at line I(d) and both the employer and employee contributions are included at I(j) if the amounts are remitted to the RRSP administrator by the employer. This will reduce income taxes withheld at source.

Note 8 — Canada Pension Plan Premium Pay Calculations

Using the number of pay periods in the calendar year will spread the CPP premiums evenly over the course of the year so that so that CPP premiums will be the same for each pay in the year as long as no changes are made to the pastor’s gross remuneration. This will agree with the CPP deduction tables, providing the correct information is used.

CAUTION:

Use of the calculation for CPP in section II on page 2 of the worksheet (as well as EI in Section 3) will negate any need for use of the CPP or EI tables published by the government. We frequently receive questions asking why the CPP deductions are short at the end of the year (by those persons who do not have, or have not used these payroll worksheets). The inevitable answer is that the wrong earnings number was used.

Use of the calculations in section II will ensure that mistakes do not occur and the payroll preparer will not ever need to use the government tables for CPP or EI. The calculation also indicates the total premiums of the year. This should be compared to the actual deductions prior to the final remittance for the current year.

In addition the information on page 2 guides the T-4 preparer regarding what information to report in Box 26 of the T4. One of the common T4 reporting errors is incorrect information in Box 26.
Note 9 — Utilities as a Component of the CRD

Utilities are to be considered as a component in the determination of the CRD. Note 5 and Note 6 provide guidance on how to use the value of utilities in determining the CRD to be claimed.

This note provides guidance on:
- The types of costs to include as “utilities”.
- The method of determining and reporting the value of utilities.

“Utilities” Defined

In IT-141R (Consolidated) released on December 6, 2001 defines utilities as follows:

“utilities” means amounts expended for services of electricity, heating (e.g., gas), and water and sewer.

Note that telephone service has been specifically excluded from the definition of utilities by CCRA. Similarly, care should also be taken to avoid aggressive stances that could jeopardize the availability of utilities as a component in determining the CRD. For example, one might argue that in the current environment cable and internet connections are utilities. To consider them as such for purposes of the CRD should be considered aggressive and inappropriate as they clearly fall outside CCRA’s definition of utilities regardless of the rationale.

Determining the Value of Utilities Used In Payroll Calculations

Utilities costs should be determined based on costs paid in a calendar year. The challenge becomes how to use a total value for utilities that will not require an adjustment at the end of a calendar (tax) year for payroll deduction and T-4 reporting purposes.

Payroll and T-4 preparation is much smoother, easier, and understandable if utilities and fair value residence values can be established at the beginning of the year in such a manner than no adjustment is necessary at the end of the year.

Assume it is January 1, 2007 and you want to prepare payroll amounts and deductions for the coming year, including the calculation of the CRD to which a “qualified employee” will be entitled (and assuming full-year employment). The following steps should be taken:

- Obtain the fair value rental of the minister’s residence based on a reliable source (a real estate appraisal letter is best). Such source should not be more than two years old or more recent if market conditions have changed. (Obtaining the fair rental value should be the responsibility of the minister and not the employer)
- Set a value for utilities based on the actual costs in the calendar year 2006. This will be a known figure that will not require adjustment at the end of 2007. Of course, this sets up a one year reporting lag for the value of utilities from that point onward.

Adjustments would need to be made when a minister concludes employment during the calendar year. At that point specific determinations would need to be made. However, in situations where a minister is employed from year to year, this method will be practical and consistent and will significantly reduce the effort in regard to payroll and T-4 matters.

Communication between the minister and employer will simplify these steps and add to the understanding of these matters by the minister when income tax return time arrives.
Calculating the Clergy Residence Deduction

(This calculation applies ONLY where the pastor rents or owns a residence.)

The Clergy Residence Deduction ("CRD") is the LESSER of A and B where:

A. is the greater of I and II

   I. $1000 \times \frac{\text{number of months}}{\text{as a qualified person}} = \text{maximum $10,000} \quad \text{I}

   AND

   II. One-third of the remuneration for the year, or portion thereof, during which the person was qualified.

       \text{\$________________________ II}

       (One-third of the amount reported on line I(e) of the Pastor’s Payroll Preparation Worksheet.)

   The greater of I and II is \text{\$________________________ A}

B. “Rental value” of residence for CRD purposes

   Fair rental value of residence \text{\$________________________ *}

   Add: Value of utilities \text{\$________________________} \rightarrow \text{\$________________________ B}

   \text{CRD \rightarrow lesser of A and B \quad \$________________________}

   CRD to be reported on Page 1 line (f)

* Where part-year “qualified” employment occurs, seeking professional advice on this calculation is recommended. Actual rent paid would be used here where the pastor’s residence was rented.

NOTE:

The CRD claim on the pastor’s income tax return will be subject to the limitation that it cannot exceed the income from qualified employment in the tax year.
Determining Qualification for the Clergy Residence Deduction

There are 2 components to determine eligibility for the Clergy Residence Deduction; the Function test and Status test. Each individual must pass both of these "tests" as follows;

1. Function - The church determines the function ie - does the person teach, preach, perform spiritual duties, etc. In other words, what is their role in their given context?

2. Status - The denomination determines the status. There are 2 ways in which an individual can pass the "status test". They can either be a "Member of the Clergy" or a "Regular Minister".

In terms of being a **Member of the Clergy**, this would be someone who has been specifically set apart as a spiritual leader by their denomination. The government itself does not require ordination, however, they base their requirements on the criteria determined by each individual denomination as to how they would "set apart" someone as a spiritual leader. In our AGC context, this would be ordination. Anyone who has been ordained by the AGC, or had their previous ordination recognized is a Member of the Clergy and thus passes the "status test".

All other pastoral staff, including those in more administrative type roles, would qualify as a "**Regular Minister**" as long as they meet the following criteria approved by the AGC Board in 1998;

98.38 Moved that with regard to "regular ministers"

The Associated Gospel Churches recognize the following individuals to be considered in "regular ministry" within the Association.

Any individual who has minimally:

1. Completed the Associated Gospel Churches Compatibility Questionnaire, and
2. Been approved by letter from a regional Doctrine and Credentials Committee with a copy in the AGC office, and
3. Been voted on at the Board or congregational level for a ministry position in a local church, and
4. Is presently and actively employed in a church and/or Fair Havens Ministries and/or administrative position within the Association.

Any individual who is not ordained and has not satisfied all of the above requirements is NOT eligible for the Clergy Residence Deduction. All of their employment income would be subject to Income Tax and CPP. Call the AGC office for further clarification.
TRAVEL AND EXPENSE RECORD

Month of _____________________, _________    Employee ___________________________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Odometer Start</th>
<th>Odometer Stop</th>
<th>KM travelled</th>
<th>Gas/Parking $</th>
<th>Meals $</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Totals

Totals to be carried to "Ministry Travel Expense Report".
MINISTRY TRAVEL EXPENSE REPORT

Submitted by: ________________________________________________________________

For the month of: ____________________________________________________________.

*Information below per totals on attached “Travel and Expense Record”*

Visitation ________________ km
Meetings ________________ km
Other Ministry ________________ km
Total kilometres ________________ (A)

Ministry travel cost: $ ________________ (B)
Total kilometres at (A) x $ .___ per km
Parking $ ________________ (C)
Meals $ ________________ (D)
Total reimbursement (B + C + D) $ ________________

____________________________________________  ____________________________
Signature of Claimant      Date

____________________________________________  ____________________________
Approved for Payment      Date
EMPLOYEE RECORD

NAME ________________________________________ SIN # __________________________
Position _________________________________________ Job Description/contract? Yes No
Hiring Date _________________________________ Termination Date __________________________
Starting Date _______________________________

Salary Package:

<table>
<thead>
<tr>
<th>DATE</th>
<th>SALARY</th>
<th>HOUSE</th>
<th>BENEFITS</th>
<th>VACATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reason for Termination:

_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________

9/99
- SAMPLE -

EMPLOYEE HANDBOOK

for the Employees of the

______________________________________CHURCH

This is a working document to be updated as required for the day-to-day operation of the Church.

Revised April, 2006
1. **Employment Classifications**

   a. **Permanent, Full-Time Employee**
      An employee who has received a written offer of full-time employment and has successfully completed a three month probationary period, will be classified as a permanent, full-time employee. Full-time employees work not less than 25 hours a week, and are salaried.

   b. **Permanent, Part-Time Employee**
      An employee who has received a written offer of part-time employment with a regular number of hours or days to be worked per week, which hours average less than 25 hours a week, and has successfully completed a three month probationary period, will be classified as a permanent, part-time employee. While the classification of the employee is part-time, the nature of the work being performed is considered to be on-going. Permanent, part-time employees may be salaried or hourly rated. Hourly rated employees will be compensated for approved overtime in accordance with the applicable Employment Standards Act. Salaried permanent part-time employees may be eligible for lieu time in recognition of excessive hours of work during peak periods (See: Lieu Time).

   c. **Temporary Employee**
      An employee who has received a written offer of temporary employment for a specific period of time not exceeding six months will be classified as a temporary employee. Such an employee may be hired to cover a leave of absence, etc., or may be hired to help deliver seasonal programs offered by the ministries of _______________ Church. A temporary employee may work full-time hours for the period of the assignment or may work parts of days.

   d. **Volunteers**
      The _______________ Church recognizes the invaluable assistance provided by volunteer workers. Volunteers must be approved by the Board, or the immediate Supervisor if applicable, and are not remunerated for their services. However, volunteers may be reimbursed for approved expenses incurred in carrying out their assigned tasks.

2. **Probation**
   All new permanent staff are required to successfully complete a standard three month probationary period which will permit an assessment of the skills and abilities of each new staff member in the role. The Pastor, or the immediate Supervisor if applicable, will provide a probationary appraisal of the staff member's performance within the first three months of employment. A decision to continue or terminate the employment of probationary staff will be determined by the results of the appraisal.

3. **Job Descriptions**
   At the commencement of employment, all staff will receive a written Job Description which clearly outlines the duties and responsibilities of the position.

4. **Employment Contracts**
   An offer of employment may initially be made orally. If accepted, the offer shall be communicated in a formal letter (contract) which fully outlines the term and conditions of employment (starting date, salary, benefits [group insurance, pension, housing allowance, board and lodging, expenses, etc.], vacation time) including the fact that employment by the _______________ Church requires that the employee's lifestyle not evidence unethical or immoral conduct or behaviour that in the opinion of the _______________ Church is unbecoming of a Christian and contrary to biblical principles. It shall also be a condition of employment that an employee affirm in writing the mission of the _______________ Church. (Include in appendix) A copy of this Employment Contract must be signed by the employee, and placed along with the job description and the Employee Record form in their personnel file.
5. **Performance Appraisal**
   Each permanent employee will receive an annual appraisal of his/her performance, which may include specific goals to be achieved within the evaluation period. The appraisal is to be an inter-active process between the staff member and her/his Supervisor.

   If the result of the annual appraisal indicates that a staff member's overall performance is less than competent, then a specific Improvement Plan will be established. The intention of such a plan is to assist the staff member to improve performance to an acceptable level within a specified period of time. Should the staff member not be successful in improving performance, a decision may be made concerning demotion or termination.

6. **Termination**
   a. **Voluntary Termination**
      Staff wishing to resign a position are expected to provide written notice of resignation. It is considered basic courtesy to provide an employer with notice equivalent to the regular pay period. Staff who hold senior pastoral or management positions are asked to provide at least one month's notice.
   b. **Involuntary Termination and Dismissal**
      Staff may be terminated by the ____________ Church because of:
      - redundancy of the incumbent's position or lack of work;
      - unsatisfactory work performance;
      - breach of contract, i.e. unethical or immoral conduct that would damage the reputation of the ____________ Church;
      - misconduct, i.e. theft, damage to property of the ____________ Church, harm to other staff, etc.;

   In all cases of termination, appropriate notice and/or warning of termination will be given in accordance with current provincial employment standards legislation. Factors such as length of service, position, education, experience, etc. will be considered in giving of notice of termination. In the case of #4 above, no warning needs to be given.

7. **Retirement**
   The ____________ Church requires that employees retire at the end of the month following attainment of 65 years of age. Upon approval of the Board, retirees may continue their employment on an annual basis, up to age 70.

8. **Harassment**
   The ____________ Church recognizes the right of all staff and volunteers to work in an environment that is free from harassment, which is defined as "vexatious comment or conduct that is known or ought reasonably to be known to be unwelcome" (Human Rights Code Section 10.1).

   Harassment, including sexual harassment, will not be tolerated. (Add “Sexual Abuse Policy” to the Appendix)

   Complaints arising from "a course of vexatious comment or conduct" will be investigated by an independent party, in an environment of confidentiality, and within 90 days. Where a complaint of harassment is substantiated, the offender, regardless of seniority or position, will be subject to appropriate disciplinary measures up to and including dismissal.

   Employees will always be afforded due process in the investigation of any alleged harassment. An accused person will always be presumed innocent until proven otherwise.

9. **Pay Periods**
   Full-time and part-time staff are generally paid semi-monthly (or whatever pay period is employed by the church). A wage statement is issued to each employee, detailing earnings and deductions. The ________________ Church does not grant pay advances.
10. Vacation
   a. Vacation Entitlement
      • Part-Time and Temporary Staff
        Part-time and temporary staff will receive vacation pay at the rate of 4% of earnings.
      • Full-Time Permanent Staff
        All permanent, full-time employees are required to take an annual vacation.

        Vacation time is accrued during the year as follows:
        - After one full year of continuous service - 10 working days entitlement (equivalent to 4% of total wages).
        - After three full years of continuous service - 15 working days entitlement (equivalent to 6% of total wages).
        - After ten full years of continuous service - 20 working days entitlement (equivalent to 8% of total wages).

        Employees who have worked for less than one year receive vacation pay at the rate of 4% of gross pay for the part of the year worked. An additional vacation day will be allowed when a statutory holiday falls within the vacation period.

        Vacation accrues over the calendar year as follows: 0.83 days per month (10 days per year); 1.25 days per month (15 days per year); and 1.65 days per month (20 days per year). An employee whose employment by the __________ Church began on or prior to the 15th day of the month will accrue a vacation credit for that month. An employee whose employment began on or after the 16th day of the month would not be entitled to receive vacation credit for that month.

        Approval of vacation requests will be at the discretion of the Board and will not be unreasonably withheld. Staff are encouraged to use their vacation credits before December 31 of each year. A maximum of five unused vacation days may be carried over into the next vacation year. Where there are more than five days unused vacation time on December 31, they will be paid out by the second pay period in January.

        If an employee is seriously ill during vacation, such an illness of three days or more may be considered sick leave and not vacation, if a physician's verification is provided. Exceptions to the vacation entitlement may be made at the time of employment, or at other times by the Board in light of special circumstances.

   b. Statutory Holidays
      The ___________ Church observes the following statutory holidays:
      - New Year's Day
      - Good Friday
      - Victoria Day
      - St. Jean Baptiste Day (Quebec only)
      - Canada Day
      - Civic Holiday (British Columbia & Ontario)
      - Labour Day
      - Thanksgiving Day
      - Remembrance Day (Alberta, B.C., Manitoba, Saskatchewan, Nova Scotia)
      - Christmas Day
      - December 26 (Boxing Day)

      All staff will be paid for statutory holidays if they meet the guidelines of the applicable Employment Standards Act.

11. Overtime (Employees paid hourly)
    When an employee works more than 44 hours in a week he/she is entitled to 1 1/2 times the regular hourly rate of pay for the extra hours or time off with pay may be awarded in place of overtime pay.

12. Lieu Time
    Subject to the approval and discretion of the Board, lieu time may be granted to permanent salaried employees in recognition of excessive hours of work during peak periods. Lieu time must be taken within 60 days, and may not be accumulated beyond that period.
13. **Group Insurance Plan**
   All permanent, full-time employees under age 70, who work a minimum of 25 hours a week, will be enrolled in the AGC group insurance plan following the probationary three month period. The plan provides term life, accidental death and dismemberment, long term disability (LTD), comprehensive health care, travel insurance and basic dental care coverage. Dependent coverage is also available. LTD Benefits cease at age 65 and Life Insurance is reduced to half. All other benefits cease at age 70.

14. **Sick Leave and Personal/Family Days**
   Full-time permanent staff are provided up to 5 days of sick leave and 5 days of personal/family days at full pay per calendar year. Sick leave may be accumulated up to a maximum of 30 days. Sick leave is calculated on the calendar year and staff joining the organization during the year have their sick leave pro-rated. When an illness requires an absence of three days or more, a doctor's note may be required in order to ensure that earnings are not interrupted.

15. **Extended Absence for Illness**
   If serious illness or accident requires extended absence, staff will use their accumulated sick leave at full pay first, and when that is exhausted, the _________________ Church will continue to provide sick leave at two-thirds pay for a period of up to 17 weeks.

16. **Doctor’s Appointments**
   Staff are encouraged to schedule appointments at times that will not interfere with the regular work schedule. However, when that is not possible, employees will be allowed up to two hours for such appointments without deduction from pay or requirement to make up time.

17. **Leaves of Absence**
   a. **Bereavement**
      Three days leave of absence with pay will be granted to permanent, full-time staff when a death occurs within the immediate family, i.e., parents, spouse's parents, spouse, child, brother, sister, grandparent.

   b. **Jury Duty**
      The _________________ Church recognizes that jury duty is a civic responsibility and so will provide the necessary time off to any staff member who receives a summons to jury duty, and will continue to provide wages subject to the following guidelines:
      - **All Staff:**
        a. Proof of summons is provided to the Board.
        b. Statement of attendance from the Jury Office is provided once jury duty is completed.
      - **Full-Time and Permanent, Part-Time Staff:**
        The Province of Ontario provides the following stipend to individuals summoned to jury duty:
        1-10 days @ $ 2.75 per day
        11-49 days @ $ 40.00 per day
        50+ days @ $100.00 per day
        Staff will receive their regular wages while attending jury duty, less the above stipend.
      - **Temporary Staff:**
        Temporary staff, identified as those who are employed for a temporary assignment less than six months in duration, are not eligible to receive wages while on jury duty. Decisions concerning the application of this policy outside the Province of Ontario rest with the Board.

   c. **Pregnancy/Parental Leave**
      The _________________ Church will permit unpaid pregnancy and parental leaves in compliance with the Employment Standards Act (Ontario) or such comparable legislation as may apply in other jurisdictions.

   d. **Moving Day**
      One paid day per calendar year will be granted to permanent, full-time staff who are moving their primary residence.
e. **Personal Absence**

Personal absences may be approved in advance by the Board, and arrangements made to take this time off without pay or to make up the time before the end of the next pay period.

18. **Ministry Use of Personal Vehicle**

The ______________ Church will reimburse employees for the authorized ministry use of their personal vehicles based on $.40 per kilometre, or such other rate as may be established from time to time in consultation with the Finance Committee.

19. **Pre-Existing Benefit Arrangements**

Existing vacation and sick leave benefit arrangements in effect at the time this policy is completed, but which differ from the policy, will continue to be honoured.

*(attach an Appendix featuring sample job descriptions, employment contracts, lifestyle & morality policies, sexual harassment policies, abuse prevention policies, etc. A few are provided below, others may be found in Appendix D of the Church Administration Handbook)*
SUGGESTED “Lifestyle & Morality” declaration:

Any person who applies for employment in _____________ Church will be asked to sign in agreement with the following:

a. I believe that I possess the spiritual qualifications for ministry as set out in I Timothy 3:2-7 and Titus 1:6-9. (pastoral staff only)

b. I believe that I possess the moral qualifications for employment in _____________ Church. (i.e., have a reputation for sexual purity and respect for life). I understand that such things as fornication, sexual addiction, adultery, homosexuality (approving, promoting or practicing), incest and other sexually deviant behavior, or the support of abortion, euthanasia, etc. will bar a person from employment at ________________ Church.

c. I believe that I possess the ethical qualifications for employment in _____________ Church. These include financial integrity, family stability, and a consistently good reputation in the community.

d. I will endeavor to avoid both publicly and privately those questionable pursuits which are not wise because they destroy personal testimony, tend to bondage, or adversely influence other believers.

e. I understand that a failure to maintain the above standards while in employment with ________________ Church will be cause for a review of my employment status.

Please sign below to show that you agree with and are willing to abide by the above standards.

Signature: __________________________________________________________________________

Name (please print): __________________________ Date: __________________________
SUGGESTED “Sexual Abuse/Sexual Harassment Prevention” Policy

The ______________________ Church accepts that:

1. Sexual abuse/sexual harassment is a sin. (Matthew 18:6; Ephesians 5:3; I Thessalonians 5:22)

2. Sexual abuse/sexual harassment is a breach of trust and an abuse of power and authority by a person in a position of leadership.

3. Sexual abuse/sexual harassment causes permanent physical, emotional and spiritual harm to the victim as well as the perpetrator.

Therefore, the ____________________Church will not tolerate sexual abuse or sexual harassment on the part of staff, volunteers or members, and is committed to providing safe environments for worship, ministering, and fellowship for all members and adherents.

All church staff and volunteers should be prepared to provide a criminal reference check to determine their suitability for ministry to vulnerable persons (ie. children, youth, handicapped, seniors).

I am in agreement with this policy and will provide a criminal reference check.

Signature: __________________________________________________________
Name (please print): __________________________  Date: ____________________
FULL AND FINAL RELEASE

FOR VALUABLE CONSIDERATION as set forth in letter dated _____________________ attached the performance of the covenants in the letter, I being of lawful age, for myself, my heirs, administrators, executors, successors and assigns hereby fully and forever release, acquit and discharge the said _______ (Church Name) _____________________________, their employees, servants, agents, trustees, elders, deacons, volunteers from any and all actions, causes of action, claims and demands of whatsoever kind or nature on account of any and all known and unknown injuries, losses and damages by me sustained as a result of my employment with _____________________________ (Church Name) _____________________________ and the termination thereof for which injuries, losses and damages I claim the said _____________________________ (Church Name) _____________________________ to be legally liable, which liability is expressly denied, it being understood and agreed that the acceptance of the consideration as set out above is in full accord and satisfaction of a disputed claim and that the payment of said consideration is not an admission of liability.

It is expressly understood and agreed that this release and settlement is intended to cover and does cover not only all now known injuries, losses and damages, but any future injuries, losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof:

AND I hereby declare that I fully understand the terms of this settlement; that the amount stated herein is the sole consideration of this release and that I voluntarily accept the said consideration for the purpose of making a full and final compromise, adjustment and settlement of all claims for injuries, losses and damages resulting or to result from said termination.

AND I, in consideration of a similar undertaking by _________________ (Church Name) do hereby agree to keep confidential the terms of this settlement save for such disclosure as required of me by law, including reporting to Canada Revenue Agency.

AND FOR THE SAID CONSIDERATION I further agree not to make any claim or take any proceedings against any other person or corporation who might claim contribution or indemnity under the provisions of The Negligence Act and the Amendments thereto from the person, persons or corporation discharged by this release.

IN WITNESS THEREOF, I have hereunto set by hand and seal this day of ___________ (date) ______________, having read and understood this document.

__________________________  __________________________
Name                        Signature

Witnesses:

__________________________  __________________________
Name                        Signature

__________________________  __________________________
Name                        Signature
SUGGESTED SALARY SCHEDULE FOR AGC PASTORS
(June 2006)

Components of a Salary Package
A salary package should comprise some or all of the following: reimbursement for services (salary), reimbursement for automobile expenses, group insurance premium payments (all or in part). A church will also want to provide incentives that will benefit both the pastor and the church, such as: RRSP payments or similar pension arrangements, a book allowance and a continuing education grant. Vacation time and days off should also be stipulated in the total package.

A portion of a pastor's salary is considered to be non-taxable through the Clergy Residence Deduction (CRD). At the present time the Canada Revenue Agency (CRA) allows for an amount which represents the lesser of either the fair market rental value for the home in which the person resides OR 1/3 of the person’s salary.

Automobile expenses are reimbursed to the pastor on a per kilometre basis, when his car is used for church business only. A log should be kept in the automobile to register all business travel kms. It is important to note that travel from his home to the church office is not considered business travel. The church's annual budget will provide for the pastor's car expenses and he ought to keep within this allotment.

The AGC office will supply information concerning the group medical and insurance coverage offered to pastors and other church workers.

Reasonable Objectives
The following will guide churches seeking to be fair to the pastoral staff God has given to them as pastors and assist in discussions about pastors' salaries. The examples given will explain the methods to be applied and used in arriving at reasonable salary figures for pastors involved with churches in a variety of circumstances. The tables are based on the surveys done by the Fellowship of Evangelical Baptist Churches (FEBC) and the AGC with adjustments based on some other factors.

Let us assume a pastor with a family of two children. Living costs will vary across the country and from rural, town and city setting. However, what follows here is an attempt to be fair in the majority of circumstances. Where possible, we encourage churches to err on the generous side of compensating their pastoral staff as much as possible given the church’s resources.

1. Select a figure from which to work to construct the compensation package.

2. This amount should recognize years of experience, education and other essential preparation for ministry. (3% for every completed year of full-time service up to ten years is recommended.) Most of our survey results in the Senior Pastor category have had at least 10 years of ministry experience, whereas the other pastoral staff categories often have less than 10 years.

3. Consider the pastor's housing. If a parsonage is provided, add its rental value and utilities as a book figure to determine the total income for T4 reporting and for income tax purposes. If the pastor buys or rents housing, add the fair rental value, as determined by a qualified appraiser. If this amount is greater than 1/3 of the pastor’s Gross salary, then the 1/3 figure must be used for the non-taxable Housing amount.
In Addition to Salary and Housing (as calculated in the graphs)

1. Car expenses are best calculated on a per kilometer basis for church related travel. The maximum rate allowed by the CRA at the present time is 50¢ per km. The AGC is paying 40¢ per km. at present. In all circumstances, a log of kilometers traveled for church purposes must be kept.

2. Is your church enrolled in the AGC Health Insurance and Disability Plan for your staff?

3. Is there to be a contribution to a pension plan, or an RRSP?

4. If your Pastor(s) have less than 10 years experience, consider a 2% increase per year for experience.

5. Cost of living increases must be considered for pastors since housing and related costs are always increasing. Please consider keeping pace with the cost of living increases.

6. A budgeted amount for attendance at Conference and professional seminars will undoubtedly benefit the pastor’s ministry to the church, as will educational and book allowances.

The result of the above will be the total salary, allowances and benefits package.

Example 1 – Full Compensation package for new pastor with no career pastoral ministry experience – assuming a minimum of 3 years education past high school

<table>
<thead>
<tr>
<th>Salary (Including CRD)</th>
<th>42,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pastoral Benefits</td>
<td></td>
</tr>
<tr>
<td>Car Allowance (per km)</td>
<td>4,000</td>
</tr>
<tr>
<td>Health &amp; Dental Benefits (Family) &amp; LTD</td>
<td>2,820</td>
</tr>
<tr>
<td>Church matching pastor's RRSP contribution</td>
<td>500</td>
</tr>
<tr>
<td>TOTAL cost to Church</td>
<td>49,320</td>
</tr>
</tbody>
</table>

Example 2 - Compensation package for pastor with 5 years completed of full-time ministry

<table>
<thead>
<tr>
<th>Salary (including CRD)</th>
<th>42,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increment (10% of 30,000)</td>
<td>3,000</td>
</tr>
<tr>
<td>Gross Salary</td>
<td>45,000</td>
</tr>
<tr>
<td>Pastoral Benefits</td>
<td></td>
</tr>
<tr>
<td>Car Allowance (per km)</td>
<td>4,000</td>
</tr>
<tr>
<td>Health &amp; Dental Benefits (Family) &amp; LTD</td>
<td>2,820</td>
</tr>
<tr>
<td>Church matching pastor's RRSP contribution</td>
<td>1,000</td>
</tr>
<tr>
<td>TOTAL cost to Church</td>
<td>52,820</td>
</tr>
</tbody>
</table>
Example 3 - Compensation package for pastor with 18 years of full-time experience

Salary (including CRD) 42,000
Increment (20% of 30,000) 6,000
Gross Salary 48,000

Pastoral Benefits
Car Allowance (per km) approx 4,000
Health & Dental Benefits (Family) & LTD 2,820
Church matching pastor's RRSP contribution 1,500
TOTAL cost to Church 56,320

*Values will vary by region and type of housing. Remember that the non-taxable Housing amount (the Clergy Residence Deduction - CRD) is the lesser of the fair market rental value of the home OR 1/3 of salary. Where an employer provides a home for the employee, the cost to the employer is reported as income on the employee’s T4, and then claimed through the CRD form T1223

NOTE
The above examples do not include other Pastoral benefits such as book allowances, educational development allowances, and ministry expense allowances. These are usually handled on a receipt basis with a per year limit. Many churches choose to reimburse other staff positions in a church at a percentage of the senior pastor's salary. Associate pastors, for example, at 80%, others at 75%, depending on their responsibilities, required training, etc.

Survey of Salaries (Including Housing Allowance) 2006
We are grateful to the Fellowship of Evangelical Baptist Churches (FEBC) and the annual work they do to put together their document “Determining a Pastoral Compensation Package Using Fellowship Averages”. With their permission, we have put together their 2005 averages, adding 2% for inflation, and our recent survey results averages to give you the following information. This has allowed for a larger sample and we trust more helpful information. We were encouraged that where we were able to make a direct comparison, the AGC averages were slightly higher and those in the FEBC. We were also encouraged that since our last survey in 1998, most of our churches have adjusted their salary packages upward to keep pace with inflation.

In our calculations, we have taken some small liberties to make adjustments because our information was inadequate and our church size breakdowns were too fine for the data we received. These are generally bracketed with “approx.” Please note that these are averages. There obviously are much lower and higher salary packages. We trust these will be helpful. Should you have any questions, please write, e-mail or call the AGC office.
### NATIONAL AVERAGES OF SALARY PACKAGES FOR AGC AND FEBC SENIOR PASTORS INCLUDING HOUSING

<table>
<thead>
<tr>
<th>Location (Church Size)</th>
<th>West</th>
<th>Ontario and Nova Scotia</th>
<th>Quebec (all figures approx)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>31,820</td>
<td>41,375</td>
<td>29,000</td>
</tr>
<tr>
<td>Town (under 100)</td>
<td>31,820</td>
<td>41,375</td>
<td>29,000</td>
</tr>
<tr>
<td>Town (over 100)</td>
<td>33,000 (approx)</td>
<td>48,500 (approx)</td>
<td>31,000</td>
</tr>
<tr>
<td>City (under 100)</td>
<td>34,000 (approx)</td>
<td>47,500 (approx)</td>
<td>30,200</td>
</tr>
<tr>
<td>City (over 100)</td>
<td>35,530</td>
<td>54,000 (approx)</td>
<td>34,200</td>
</tr>
<tr>
<td>City (over 500)</td>
<td>49,910</td>
<td>76,000 (approx)</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Metro City Area (under 100)</td>
<td>--------</td>
<td>46,000 (approx)</td>
<td>30,200</td>
</tr>
<tr>
<td>Metro City Area (over 100)</td>
<td>54,000</td>
<td>60,000 (approx)</td>
<td>46,350</td>
</tr>
<tr>
<td>Metro City Area (over 500)</td>
<td>--------</td>
<td>78,000 (approx)</td>
<td>---------------------------</td>
</tr>
</tbody>
</table>

### NATIONAL AVERAGE OF SALARY PACKAGES FOR AGC AND FEBC OTHER PASTORAL STAFF INCLUDING HOUSING

<table>
<thead>
<tr>
<th>Location (Church Size)</th>
<th>West</th>
<th>Ontario and Nova Scotia</th>
<th>Quebec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>--------</td>
<td>47,500</td>
<td></td>
</tr>
<tr>
<td>Town (under 100)</td>
<td>44,000</td>
<td>47,500</td>
<td></td>
</tr>
<tr>
<td>Town (over 100)</td>
<td>35,000 (approx)</td>
<td>47,500</td>
<td></td>
</tr>
<tr>
<td>City (under 100)</td>
<td>44,000</td>
<td>47,500</td>
<td></td>
</tr>
<tr>
<td>City (over 100)</td>
<td>51,000</td>
<td>51,000</td>
<td></td>
</tr>
<tr>
<td>City (over 500)</td>
<td>40,000 (approx)</td>
<td>48,000</td>
<td></td>
</tr>
<tr>
<td>Metro City Area (under 100)</td>
<td>40,000 (approx)</td>
<td>40,000 (approx)</td>
<td></td>
</tr>
<tr>
<td>Metro City Area (over 100)</td>
<td>40,000 (approx)</td>
<td>48,000</td>
<td></td>
</tr>
<tr>
<td>Metro City Area (over 500)</td>
<td>58,000</td>
<td>58,000</td>
<td></td>
</tr>
</tbody>
</table>
### Church Income vs. Average Salary (Sr. Pastors) 2006

<table>
<thead>
<tr>
<th>Income</th>
<th>Attendance</th>
<th>Avg. Income</th>
<th>Avg. Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;100,000</td>
<td>&gt;100</td>
<td>71,630</td>
<td>32,235</td>
</tr>
<tr>
<td>100 – 200</td>
<td>&gt;100</td>
<td>147,000</td>
<td>42,000</td>
</tr>
<tr>
<td>200 – 300</td>
<td>100-200</td>
<td>130,000</td>
<td>48,585</td>
</tr>
<tr>
<td>300 – 400</td>
<td>100-200</td>
<td>245,975</td>
<td>53,975</td>
</tr>
<tr>
<td>400 – 500</td>
<td>200 – 500</td>
<td>367,415</td>
<td>57,530</td>
</tr>
<tr>
<td>500 – 1,000</td>
<td>200 – 500</td>
<td>635,130</td>
<td>66,280</td>
</tr>
<tr>
<td>1 million +</td>
<td>500 +</td>
<td>2,093,000</td>
<td>76,990</td>
</tr>
</tbody>
</table>

### Church Income vs Average Salary (Other Ministry Staff) 2006

<table>
<thead>
<tr>
<th>Income</th>
<th>Attendance</th>
<th>Avg. Income</th>
<th>Avg. Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 – 300</td>
<td>100-200</td>
<td>254,640</td>
<td>40,465</td>
</tr>
<tr>
<td>300 – 400</td>
<td>200 – 500</td>
<td>368,000</td>
<td>38,280</td>
</tr>
<tr>
<td>400 – 500</td>
<td>100-200</td>
<td>410,000</td>
<td>31,200</td>
</tr>
<tr>
<td>500 – 1,000</td>
<td>200 – 500</td>
<td>633,315</td>
<td>46,100</td>
</tr>
<tr>
<td>500 +</td>
<td>1,000,000</td>
<td>48,950</td>
<td></td>
</tr>
<tr>
<td>1 million +</td>
<td>500 +</td>
<td>2,542,345</td>
<td>57,145</td>
</tr>
</tbody>
</table>

### Ministry Staff Focus Avg. Salaries 2006

<table>
<thead>
<tr>
<th>Position</th>
<th>National Avg.</th>
<th>West</th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Childrens</td>
<td>45,530</td>
<td>NA</td>
<td>45,530</td>
</tr>
<tr>
<td>Worship</td>
<td>50,700</td>
<td>NA</td>
<td>50,700</td>
</tr>
<tr>
<td>Youth</td>
<td>43,970</td>
<td>41,000</td>
<td>44,715</td>
</tr>
<tr>
<td>Part time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associate</td>
<td>24,000</td>
<td>23,000</td>
<td>24,500</td>
</tr>
<tr>
<td>Childrens</td>
<td>7,450</td>
<td>26,000</td>
<td>12,075</td>
</tr>
<tr>
<td>Worship</td>
<td>14,500</td>
<td>NA</td>
<td>14,500</td>
</tr>
<tr>
<td>Youth</td>
<td>15,080</td>
<td>15,800</td>
<td>14,000</td>
</tr>
</tbody>
</table>

### Admin Staff Avg. Salaries 2006

<table>
<thead>
<tr>
<th>Position</th>
<th>Avg. Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full time</td>
<td></td>
</tr>
<tr>
<td>Office Manager</td>
<td>30,750</td>
</tr>
<tr>
<td>Secretary</td>
<td>37,250</td>
</tr>
<tr>
<td>Custodian</td>
<td>30,875</td>
</tr>
<tr>
<td>Part time</td>
<td></td>
</tr>
<tr>
<td>Secretary</td>
<td>$13.30 /hr</td>
</tr>
<tr>
<td>Custodian</td>
<td>8,670</td>
</tr>
</tbody>
</table>
Pulpit Supply

Based on information received, and real needs of those providing “Pulpit Supply”, we would suggest the following:

<table>
<thead>
<tr>
<th>Church Attendance</th>
<th>One Service</th>
<th>Second Service Same Sermon</th>
<th>Second Service New Sermon</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 or less</td>
<td>125</td>
<td>75</td>
<td>100</td>
</tr>
<tr>
<td>100 – 200</td>
<td>150</td>
<td>75</td>
<td>100</td>
</tr>
<tr>
<td>200 – 500</td>
<td>150</td>
<td>100</td>
<td>125</td>
</tr>
<tr>
<td>500 +</td>
<td>175</td>
<td>100</td>
<td>150</td>
</tr>
</tbody>
</table>

Example: Church of 200 – 500 Sunday attendance in two services;
- Sunday, First am Service: 150.00
- Second am Service, same message: 100.00
- 250 km return travel @ 40¢/km: 100.00
- Meals: 20.00
- Motel/Hotel: 100.00
- Total remuneration: $470.00
LETTER TO NON-RESIDENTS PROVIDING SERVICES IN CANADA

It is suggested that a covering letter, such as the following, along with the WAIVER INFORMATION FORM be sent at least two months in advance to all non-residents who will receive compensation for providing services.

IMPORTANT - We are required by the Canada Customs and Revenue Agency under Subsection 153(1) and Subsection 105(1) of the Canadian Income Tax Act to withhold 15% from payments of fees, commissions or other amounts paid to non-resident individuals in respect of services rendered in Canada.

However, under certain terms and conditions, this requirement may be waived or reduced by the CCRA provided certain information is submitted to them well before the commencement of such services.

It is imperative that you fill out the enclosed WAIVER INFORMATION FORM which is included and return it to us at least 5 weeks prior to your ministry engagement as we cannot properly make a cheque payable to you without this completed form.

If your Canadian income exceeds $5,000 during the calendar year, we will be obligated to withhold tax when we issue a cheque in payment of your fees. In the event that you do not wish to divulge the amount of all engagements in Canada in the current year (item #7 of the waiver form), we will be required to withhold tax. If you have already ministered in Canada during the current calendar year, and the amounts total less than $5,000 we must obtain clearance from the CCRA for an exemption or a reduction of withholding tax before we can issue you your honorarium cheque.
WAIVER INFORMATION FORM

INFORMATION REQUIRED FROM NON-RESIDENT PERSONS RENDERING SERVICES IN CANADA WHERE COMPENSATION IS LESS THAN $5,000 (CAN.) FOR THE PURPOSES OF APPLYING FOR A WAIVER OF WITHHOLDING TAX UNDER CANADA CUSTOMS & REVENUE AGENCY TAX REGULATION 105(1).

IMPORTANT: COMPLETE AND RETURN AT LEAST FIVE WEEKS PRIOR TO YOUR ARRIVAL.

(Please print or type the following information)

1. PROFESSIONAL NAME OF INDIVIDUAL OR GROUP (IF APPLICABLE);
   ________________________________________________________________

2. LEGAL NAME OF NON-RESIDENT RECIPIENT: ________________________

3. PERMANENT ADDRESS (COUNTRY OF RESIDENCE): ______________________
   ________________________________________________________________

4. TYPE OF ENGAGEMENT (SPEAKER/SPECIAL MUSIC, ETC.): ________________

5. DATES COVERED BY ENGAGEMENT: ________________________________

6. NAMES OF INDIVIDUALS IN GROUP (IF APPLICABLE): ________________
   ________________________________________________________________

7. DETAILS AND FEES OF ALL ENGAGEMENTS IN THE CURRENT CALENDAR YEAR IN CANADA (PRIOR AND FUTURE). DO NOT INCLUDE ANY FEES OR EXPENSES TO BE RECEIVED FROM THIS ENGAGEMENT:
   __________________________________________________________________
   __________________________________________________________________
   __________________________________________________________________
   __________________________________________________________________

NOTE: SECTION 7 ABOVE MUST BE COMPLETED IN ALL CASES FOR WAIVER CONSIDERATION

I HEREBY CERTIFY THAT THE GROSS FEE [HONORARIUM, TRANSPORTATION, HOTEL, MEALS, ETC.] RECEIVED FOR SERVICES PROVIDED IN CANADA DURING 20__, INCLUDING THAT WHICH I WILL RECEIVE FROM THIS ENGAGEMENT:

_______ WILL NOT EXCEED $5,000 CANADIAN

_______ WILL EXCEED $5,000 CANADIAN

___________________________________  ______________________
SIGNATURE OF NON-RESIDENT PERSON     DATE

RETURN TO: __________________________________________________________________________