

EXPENSE REIMBURSEMENT POLICY
for Brentwood UMC and its Daughter Campuses
Employees & Authorized Volunteers

Purpose:

The Brentwood United Methodist Church (BUMC) Expense Reimbursement Policy outlines consistent application of reasonable reimbursement procedures for Brentwood UMC and Daughter Campus staff and authorized volunteers. This policy defines acceptable expenses for reimbursement and outlines the process and procedures for submitting reimbursement requests.

Background and Overview:

While Brentwood United Methodist Church and its Daughter Campuses (referred to in this document as BUMC) are not a taxable entity under federal or state tax laws, BUMC uses these laws (as outlined in the Internal Revenue Service Accountable Plan) as the basis for determining what expenses qualify for reimbursement.

In summary, these federal income tax regulations state...

- A. You (as an employee) DO NOT report on your personal tax return the following types of expenses:
- Expenses paid or incurred by you on behalf of your employer for which you are required to account to your employer
 - Expenses that are charged directly or indirectly to your employer.
- B. "Adequate Accounting" is defined as the submission of the following...
- An account book, diary, statement of expense, or similar record maintained by the employee
 - Information submitted for each expense must include amount, time and place, business purpose, and business relationship
 - Expenses are recorded at or near the time of the expenditure

Any employee or authorized volunteer of BUMC shall be reimbursed for any ordinary and necessary ministry and professional expenses incurred on behalf of BUMC, if the following conditions are satisfied:

- Expenses are reasonable in amount;
- Employee documents the time, place, individual(s) entertained, ministry purpose, ministry relationship, and amount of each such expense with the same kinds of documentary evidence as would be required to support a deduction of the expense on the employee's federal income tax return; and,
- **Expenses are submitted on the BUMC Expense Report within 60 days after the expense is incurred.**

This policy relates to all ministry or professional expenses reimbursed to an employee out of their own personal funds or from purchases made by an employee using a BUMC credit card. BUMC and staff understand that these requirements are necessary to prevent the Church's reimbursement plan from being classified as a "non-accountable" plan. Under a "non-accountable" plan type, employee expense reimbursements would be taxable to the employee.

Expense Categories

A. Ordinary and Necessary Ministry and Professional Expenses

(Report using the BUMC Expense Report)

Ordinary and necessary ministry and professional expenses include the following:

- Use of personal automobile
- Conference/training costs
- Dues of ministry or professional organizations
- Periodicals/books/reference materials
- Other ministry and professional expenses considered ordinary and necessary to carry out staff responsibilities. (*Dollar limits for these expenses will be determined by the general operating budget as approved for each department of the church.*)

B. In-Town Expenses

Acceptable In-Town Expenses:

- **Regular Business/Ministry Expenses** -- Conducting business and ministry contact with and for ministry departments including the reimbursement for materials and supplies as authorized by appropriate Department Director.
- **Recognition of Lay Leadership/Volunteers** -- Recognizing and supporting lay leadership/volunteers through appropriate means such as cards, gifts under \$25 or, in certain circumstances, meals. *Gift cards are discouraged unless an alternative option is not reasonably available.* The use of gift cards will be carefully monitored and requires the approval of the applicable Department Director.
- **Staff Meal Reimbursements** -- Reimbursement for staff meals should be limited in frequency and be for the purpose of ministry planning or business purposes and for meetings which cannot be held on-campus and other than at meal time. Meal reimbursements are to be approved by the Department Director.

Documentation for reimbursement must include the name(s) of person(s), relationship, person's title/position and purpose of the meeting. When an employee's meal and the meals for others are on one receipt, the total meal costs can be included on the same form with employee name included in list of guests.

- **In-Town Seminars/Conference** -- Seminars/conference are to be approved by Senior Pastor, Executive Director or Department Director. If an in-town seminar or conference requires the employee to stay overnight at the site of the meeting, out-of-town travel procedures should be followed.
- **Membership due** -- Upon approval by Department Director or Executive Director.
- **Cell Phone Expense** -- Cell phone expenses incurred by employees as a requirement of their position *may* be reimbursed to the extent of the phones use for Church business. Documentation and prior approval by a Department Director or Executive Director are required before expenses can be reimbursed.

- **Mileage/Auto Expense** -- All full-time and part-time employees will be reimbursed for the ministry use of their personal automobile and any other ministry and professional expenses, which are considered ordinary and necessary by the employee's Department Director. Mileage reports are to be submitted monthly and include the following: date, purpose, passengers (if any), and number of miles. See section titled "Mileage/Auto Expense Reimbursement" later in this document for further details.

Un-Acceptable In-Town Expenses:

Employees of BUMC will not be reimbursed from Church funds for the following items:

- Purchasing birthday or appreciation gifts for fellow staff members. This type of expenditure is more personal in nature and should be paid from personal finances.
- Flowers or items for staff members or their families. The Senior Pastor/Executive Director, will handle the purchasing of flowers or memorial in the event of a death or time of crisis of a staff member or an immediate family member.
- Alcoholic beverages.
- Golf, tennis, health club or other recreational activities.
- Items of a personal nature or for personal use.
- Parking or traffic tickets.
- Expenses related to an activity where an honorarium is personally received.
- Computer used primarily by family
- Meals with friends at which church matters are discussed

C. Out-of-Town Expenses

General Guidelines

Travel expenses for conferences or other ministry-related travel expenses are to be annually budgeted with costs to include all associated travel expenses. Reimbursements for out-of-town travel are allowable only for travel that is budgeted and approved in advance by the employee's Department Director or the Executive Director. If unbudgeted travel is required, such travel arrangements and reimbursement for expenses must be approved by BOTH the Department Director and Executive Director.

Expenses beyond the total amount budgeted must be approved in advance by the Department Director or Executive Director.

Employees are expected to use the most cost effective and efficient means of transportation for out of town travel. For example, if travel by air is the best transportation option and the employee chooses to go by car, reimbursement shall be restricted to mileage and the normal lodging, meals, and other costs that would have been incurred had the employee used the most direct form of public transportation.

BUMC will not pay transportation for side trips on a Church-related visit (such as to conduct weddings, funerals, revivals or similar functions). Travel of this nature is at the employee's personal expense.

Staff members may return ahead of schedule at the Church's expense by scheduled air carrier at coach rate if the circumstances of such return are unanticipated, pressing, and of an emergency nature. These circumstances should be fully explained in the filed BUMC Expense Report.

If the employee's family is traveling with the employee, the travel expense for the employee's family will be the employee's personal expense. It is best to have separate receipts for the employee's portion to be reimbursed.

The substantiation of travel and transportation expenses must always include sufficient documentation (receipts, etc.). "Estimates" will not be allowed under BUMC's reimbursement plan.

Acceptable Out-of-Town Expenses:

Expenses that will be considered appropriate for reimbursement include, but are not limited to the following:

- Conference/registration fees as approved by the employee's Department Director, or the Executive Director;
- Coach rate airfare—Lowest available using restricted reservations;
- Taxi fare, tolls and parking fees;
- A mid-size or economy rental car up at the most competitive price obtainable for the location rented or mileage for the use of a personal vehicle at the standard mileage rate allowed by the IRS. Refer to the Mileage/Auto Expense Reimbursement section below for more details.
- Reasonable hotel room charges;
 - Lodging costs shall include only the employee's expenditures for his or her own lodging and shall be supported by receipts. The actual hotel receipt is required to be submitted. Ministry-related meals and other acceptable incidental charges included in the hotel bill shall not be shown as lodging but shall be extracted and entered separately on the expense report for proper substantiation.
 - When hotel receipts include extra charges for the spouse or family members of the employee, such charges shall be deducted on the face of the receipts and only that portion of the hotel charges applicable to the employee shall be listed on the expense report. The only exception to this rule is when the spouse of an employee is serving in an official ministry capacity for the church, such as an elected delegate of the church at annual conference.
- Reasonable meal costs
- Telephone calls charged to the hotel bill may be allowed, but are strongly discouraged.

Un-Acceptable Out-of-Town Expenses:

The following are examples of items that will not be considered for reimbursement (this list is not all-inclusive):

- Air travel insurance
- House sitting or pet boarding
- Movies and entertainment
- Alcoholic beverages
- Golf, tennis, health club or other recreational activities
- Sight-seeing or souvenirs
- Personal needs (laundry, dry cleaning, toiletries, clothing, newspapers, over-the-counter medications, snacks, etc.)

Mileage/Auto Expense Reimbursement

(Report using the BUMC Mileage Report)

All requests for mileage reimbursements for the use of an employee's personal automobile used for church-related activity should be made by completing a BUMC Mileage Report. Mileage reimbursement shall be made at the standard mileage rate as allowed by the IRS. Properly substantiated mileage logs will be reimbursed by attaching them to the BUMC Expense Report. The use of your personal vehicle for ministry purposes must be substantiated at the completion of each trip.

Proper substantiation will be as follows:

- Date – Date of trip
- Destination – Name of hospital, restaurant, family, meeting, activity, etc.
- Purpose of trip – Visitation, planning meeting or other ministry-related reason for trip
- Miles driven – Actual number of miles driven

Ministry-related mileage includes, but is not limited to, the following:

- Hospital visits—pastoral care staff only
- Visitation---pastoral care staff only
- Off church premises ministry functions
- Trips to vendors
- Self-improvement seminars
- Transporting guests as requested by Department Director or Executive Director

The mileage for trips will generally be charged to the applicable ministry program budget account, which most appropriately defines the purpose of the trip (i.e. youth retreat).

Mileage that *will not be reimbursed* includes, but is not limited to, the following:

- Functions for resigning or departing employees
- Meetings or meals with other employees
- Transporting employees for personal reasons
- Trips where an honorarium is personally received
- Travel with another employee, not driving your personal vehicle
- Trips primarily personal in nature
- Commuting to and from the employee's home, no matter how many times in a day, or the reason for the trip
- When the mileage is "estimated" and not properly substantiated

Cash Advance for Travel

Any employee receiving a cash advance for travel will be required to submit an accounting of the travel including supporting documentation on the approved BUMC Expense Report by the 5th business day after travel is completed. Any excess funds will be returned when the BUMC Expense Report is filed.

BUMC Expense Report

Overview and Guidelines:

Each employee incurring expenses on behalf of the church shall prepare and submit a BUMC Expense Report for the above allowable expenses WITHIN 60 DAYS after the expenditures are incurred. Failure to submit a report within this time frame may result in expenses not being reimbursed.

As required by the expense report, the date, place, ministry purpose, ministry relationship (if entertainment related), amount, and budget account to be charged must be shown for each expenditure. Each entry must contain a clear and concise statement indicating the expenditures' ministry purpose (i.e. counseling meeting). If the expense is entertainment or meals, there must be a disclosure of the ministry relationship (i.e. name of individual(s) entertained). Entries should be made on the expense report daily, reflecting actual cash expenditures for each day.

All expenditures must be supported by a receipt. If a receipt is not practical to obtain (i.e. cash tip to baggage man at airport), substantiation of the expense must be thoroughly documented on the expense report. **A receipt will always be required where an employee reimbursement is for \$25 or more.** If no receipt can be reproduced for this amount of a reimbursement, then the reimbursement will not be made. If management elects to pay, it will be treated as a taxable reimbursement to that employee. It is BUMC's practice of stewardship and operational integrity that all employees are expected to submit receipts whenever possible with their expense report no matter what the dollar amount is for the expenditure. Consult with the Director of Finance for procedures if you are missing a receipt.

The Church shall not include in an employee's W-2 form the amount of any ministry or professional expense properly substantiated and reimbursed according to the preceding paragraphs, and you as the employee should not report the amount of any such reimbursement as income on your IRS Form 1040.

Ordinary and necessary ministry and professional expenses, as noted above, will be reimbursed from funds appropriately allocated and approved in the annual General Operating Budget of BUMC. If, at any time, a Church expense reimbursement exceeds the amount of ministry or professional expenses properly accounted for by you pursuant to this reimbursement policy, you must immediately return such excesses to BUMC.

Expense Report Approvals:

All completed expense reports are to be printed, signed and submitted to the authorized supervisor/manager for approval, with all receipts properly attached WITHIN 60 DAYS of the expense.

Expense reports shall be submitted for approval as described below:

- Employee reports (with reimbursable accounts) will be approved by your immediate supervisor
- Other employee reports will be reviewed and approved by your immediate supervisor AND the Department Director.
- Department Director reports will be approved by the Executive Director
- Executive Director reports will be approved by the Senior Pastor and/or Finance Director or Church Treasurer

- The Senior Pastor report will be reviewed by the Finance Director. If there are questions regarding the Senior Pastor's expenses, the Finance Director will consult the Chairperson of the Staff Parish Relations Committee and/or the Executive Director.
- Volunteer reports will be reviewed and approved by the staff person authorizing the expense and then approved by the Department Director.

After approval, all expense reports will be forwarded to the Finance Department for processing.

Disbursement of Reimbursement Funds:

Authorized volunteer's reimbursement will be by BUMC check. Employee reimbursement will be deposited to the employee via their payroll deposit on the 15th and last day of the month.

For payment on the 15th, the expense report must be submitted with approvals by the 10th.

For payment on the last day of the month, the expense report must be submitted with approvals by the 26th of the month.

BUMC Credit Card Purchases

There are two types of BUMC credit cards: 1) staff-issued credit cards -- issued to a specific staff person including their name on the card and 2) general BUMC credit cards -- available for use by any staff person or approved volunteer. All purchases made on BUMC credit cards are restricted to ministry business. BUMC credit cards must not be used for personal purchases.

Staff-Issued Credit Card Payment Procedures:

- A credit card statement will be emailed to the staff person each month.
- It is the responsibility of the staff person (or their designee) to print out the monthly summary of charges, gather receipts/documentation, and note general ledger account numbers for each purchase.
- *Statements with documentation must be submitted to the Finance Department by the 8th of each month.*
- A purchase order is not required for purchases on staff-issued credit cards.
- Purchases made on a staff-issued credit card *should not* be included on the travel reimbursement form.

General Credit Card Procedures:

- General credit cards may be "checked out" in the Finance Department.
- A purchase order must be submitted before the credit card is checked-out.
- After the purchase is made, the receipt and credit card must be returned *immediately* to the Finance Department.
- Refer to the Purchase Order Guidelines for further information on proper documentation procedures and processing.

Credit Card Guidelines:

- DO NOT include credit card charges on your Travel Expense Report.
- Purchases must meet the same substantiation requirements as expense reimbursements (date, location, business purpose, person(s) involved, business relationship and amount).
- Include the actual receipt from vendor(s) with credit card statement.
- You, the employee, are responsible for payment of all charges that are not properly documented on a BUMC credit card.
- If you are missing a receipt, consult the Director of Finance for proper procedure for reimbursement.

Gifts/Honorariums for Employees

Under no circumstances should an employee receive a gift or honorarium paid from BUMC funds for services they rendered while serving as a staff member of Brentwood United Methodist Church. Church funds would include not only general operating budget funds, but also any restricted or specially designated funds.

A gift or honorarium would be defined as any of the following types of payments:

- Cash gift
- Gift certificate
- Farewell gift (The Staff Parish Relations Committee may provide an appropriate gift for staff members leaving the church's employment. Any additional gifts should be paid for from personal funds.)
- Other forms of tangible gift (i.e. flowers, pen and pencil set, birthday cake, etc.)

If an employee feels led to assist another ministry of BUMC, it is proper for that ministry to reimburse, from program funds, any out-of-pocket expenses that the assisting employee might incur relating to his/her service, but no funds are to be used to pay for any honorarium or "thank you" gifts.

Computers, Equipment & Other Items

Any computer, equipment or other "tangible" items/property purchased through an accountable reimbursement policy is the property of the Brentwood United Methodist Church unless a different agreement is made with approval by the Executive Director.

Tangible items would include computer, iPad, tablet device, printer, iPhone or other smartphone, etc. Items of a personal nature, such as robes, personal religious supplies, books, etc. are not considered "tangible" in this instance, and would not fall under this policy of ownership.

Upon the termination of the employee/employer relationship, BUMC, at the approval of the Executive Director, under the guidance of the SPRC and/or Finance Committee, may sell the property to the employee at fair market value. The church may 'gift' these items to the employee. If so, the gift is a taxable event and the value of the gift for income tax purposes is the current fair market value.