

Lutheran Church of the Incarnation Council Meeting Minutes

December 12, 2022, 7:00 pm, via zoom

Council Members present: Carol Huegli (2023), Jeff de Ropp (2023), Ed Green (2023), Karl Larson (2024), Becky Linvill (2024), Jenny Fortuna (2025), Vern Holmes (2025), Bob Kerr (2025), Pr. Dan Smith, Damian Genetos (Financial Secretary)

A. Introduction: Carol

B. Opening Prayer: Pastor Dan

C. Pastor's Report: attached

D. Approval of November Council minutes & Annual Meeting Minutes: Jeff
Motion to approve both sets of minutes presented by Jeff, seconded by Damian, and approved 10-0-0.
Minutes will be posted to our website.

E. November Financial Report: Karl & Jeff

- 1) November Financial Report and QuickBooks ledger both attached

F. Council Action Items:

- 1) Communion Practice Change: Karen Slinkard, Chair Worship & Music. MOTION: Resume Communion celebration via intinction with the option of sealed cups for those that wish, effective January 1, 2023. Motion made by Vern, seconded by Karl. Discussion followed. There was reluctance at this time due to spread of Covid to approve the motion. Accordingly, Vern withdrew it. A new motion to reconsider the resumption of communion by intinction for the Lenten season was made by Vern, seconded by Damian, and approved 8-1-1. The Council will act on this motion at the February 2023 Council Meeting.
- 2) Re-budget Applegate income to Major Maintenance Reserve through May 2023 (and possibly longer). MOTION: All Applegate rent to be placed in Major Maintenance Reserve through May 31, 2023. Motion made by Jeff, seconded by Damian, and approved 9-1-0.

G. Churches & Taxes: Jeff. See attached.

H. President's Report:

- 1) Council Retreat. The retreat was rescheduled from January to February. Then following discussion, it became apparent that some Council members are not available any Saturdays in February. The goal of the Retreat, if/when it occurs, will primarily be to define volunteer roles and "term limits". The input of the current Committee chairs will be requested. Karl will send the Council a Doodle survey to identify majority availability on a Saturday, 9:30 am – 3:30 pm in the months of January—March 2023.

I. Committee and other Reports (10 min)

- 1) Stewardship: Vern Holmes
To date we have Financial Commitments from 23 giving units totaling \$184,500. We have Time & Abilities forms from 31 individuals. These have been put on a spread sheet for committee use.

Pastor's Report to Council

Lutheran Church of the Incarnation

Pastor Dan Smith

December 13, 2022

Thank you for a few weeks away to rest and recuperate while I was adjusting meds. I am doing much better. I appreciate your support! As I mentioned at the Annual Meeting, I am focusing generally on preaching, teaching and pastoral care. Here are a few items I can report on, and a few important events coming up on our church calendar:

Information Items:

- **Honoring our Neighbor's Faith** – adult forum class concluded this week; adult forum will be on break until after the first of the year.
- Teaching the winter unit of **Confirmation** together with Interim Pastor Bill Wong of Davis Lutheran Church, Sundays at 4:00pm at DLC.

Upcoming at LCI:

- **Wed, Dec. 14: Advent Midweek soup suppers and worship** – last one tomorrow, at LCI (soup supper at 6:00, Holden Evening Prayer around 6:45pm). We are responsible for this service – *still looking for someone to share their favorite Advent/Christmas hymns and tell the story about the hymns, where they come from, and why they love them. Let me know if you're interested!*
- **Sunday, Dec. 18, 10:00am: Children's Christmas program/Rooted worship**
- **Saturday, 12/24, 5:00pm and 7:00pm: Christmas Eve Candlelight Worship**
- **Sunday, 12/25, 10:00am – Christmas Day Meditation and Strings Concert** – Sue MacDonald's group "Fiddling after Forty" will play a concert as a thank you for the use of our building. I will be there to lead a simple, meditative service based on John 1:1-14.
- **Sunday, Jan. 1, 2021, 10:00am: Festival of Lessons & Carols** – note: we need readers, in case you're interested! Let me know or contact Lindsey Burns.

Other items:

Communion practices at LCI: we have been receiving communion with little cups and, very recently, in a "semi-circle" at the front of the worship space. Tonight we will discuss communion as we consider best practices and some possible minor changes, including changing back to intinction (dipping of the bread into the wine/grape juice), which was the practice at LCI until a few years ago. Karen Slinkard, our new Worship and Music Committee chairperson is with us to help lead the discussion.

From: Karen Slinkard, Chair of Worship & Music

Issue:

Holy Communion, plastic cups vs in tincture

Recommendation:

I propose returning our Communion celebration to the pre-Covid process of in tincture with the option of sealed cups for those that wish. The roll-out of the change would be an announcement at church on December 18 followed by a brief discussion in the Wednesday update on the 21st and 28th. The actual change would occur on January 1, 2023.

Background:

We changed our communion practices following direction from ELCA and the CDC when Covid-19 appeared on the scene in 2019. We modified the initial no communion to the sealed communion kits and finally to individual cups and bread from the presiding pastor. The plastic cups are recyclable, but the best case says only 30% of the recyclable plastic is actually re-used. Also, there is obviously some potential risk with the cups as someone must handle each cup to put them in trays and fill them. The NIH in the report cited below show that there have been no verified cases of infection transmitted by a common cup, even among priests who finish the cup after all members of the congregation have been communed! We are proposing in tincture and although the theoretical risk can never be zero, we feel that the risk is acceptable.

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7439816/>

MOTION: Resume Communion celebration via tincture with the option of sealed cups for those that wish, effective January 1, 2023.

Lutheran Church of the Incarnation Balance Sheet

As of November 30, 2022

Bank Accounts

4 MM - First Northern Bank	68,435.18
8 First Northern Bank - operating	87,809.59
Total Bank Accounts	\$ 156,244.77

Obligations

20115 MMPs	0.00
------------	------

Operating Reserves

20213 Worship/Music Reserve	5,212.37
20301 Pastor's Discretionary Fund	3,182.92
20500 Youth / Day Camp / Mt. Cross	4,276.03
20551 Mission Trip Fund	4,213.01
20614 Hospitality	1,361.36
20759 Major Maintenance Reserve	18,700.14
Total Operating Reserves	\$ 36,945.83

Protected Reserves

20760 Columbarium Fund	38,392.06
20776 Sanctuary Renovation	801.65
24151 Endowment Fund	30,043.12
Total Protected Reserves	\$ 69,236.83

Total of all bank accounts	156,244.77
Less all reserves & obligations	106,182.66
Operating cash surplus	50,062.11

Mortgage Principal Balance	482,988.78
----------------------------	------------

Undesignated Income

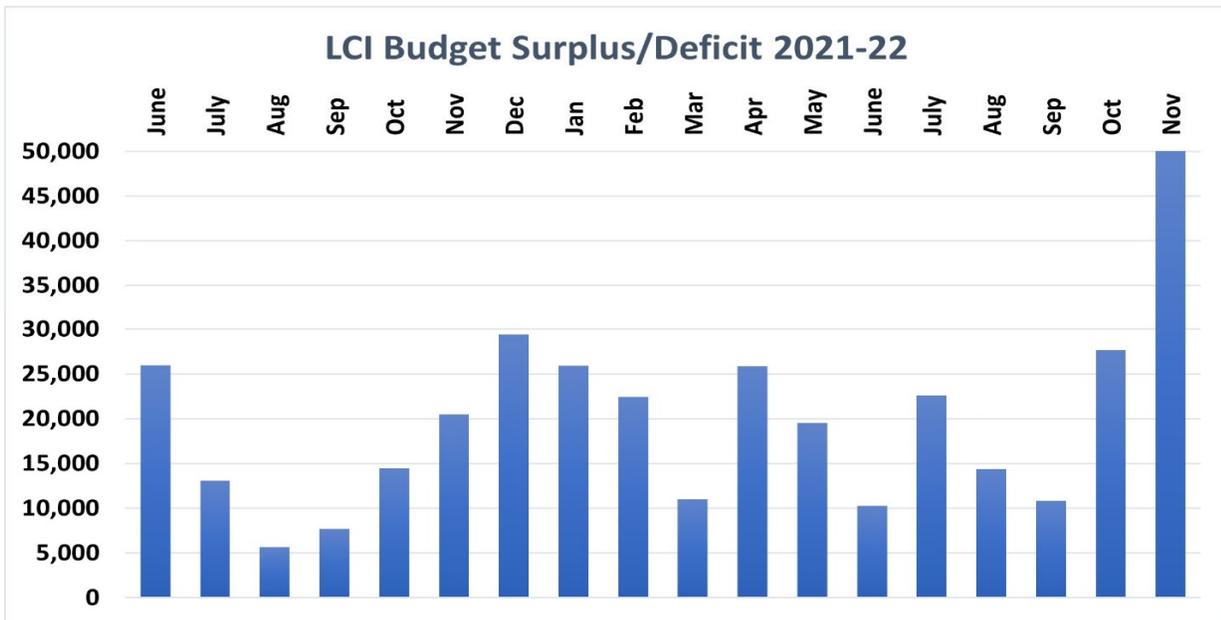
	Nov 2022	YTD
41000 Income		
41100 Offerings	43,469.41	258,282.08
41310 Rents Applegate Nursery	1,864.00	19,600.00
41320 Rents Other		1,276.00
41400 Other Misc Income	272.54	1,942.13
Total 41000 Income	45,605.95	281,100.21

Designated Income

Designated for Operating Reserves	500.00	14,642.54
Designated for Protected Reserves	5.81	28,889.73
Designated for MMPs	20.00	3,023.76

Total designated income **525.81** **46,556.03**

Total Income **46,131.76** **327,656.24**



Lutheran Church of the Incarnati

Spending vs Budget 1-1-22 to 11-30-22

	Actual	Budget	%
Expenses			
60000 Benevolence Funds			
60100 Synod Mission Support	10,147.70		
Total 60000 Benevolence Funds	10,147.70	9,500.00	106.8
61000 Worship			
61200 Altar Supplies	282.00		
61202 Music Licenses etc	1,839.08		
61203 Rooted services	88.29		
61209 Special Music	400.00		
61213 Piano Maint	200.00		
61215 Devotional Booklets	48.94		
Total 61000 Worship	2,858.31	5,630.00	50.8
6200 Witness			
62300 Social Justice Committee	400.00		
62301 Pastor Outreach	116.88		
Total 62000 Witness	516.88	1,525.00	33.9
64000 Learning			
64500 Sunday School	1,578.15		
64501 Confirmation Ministry			
64502 Adult Education-Bible Studies	152.02		
64551 Youth - LCI Activities	6.99		
Total 64000 Learning	1,737.16	6,715.00	25.9
65000 Congregational Events			
65600 Synod Assembly	1,009.08		
65603 Congregational Events	584.60		
65605 Hospitality	39.70		
65612 Professional Leadership	325.00		
Total 65000 Congregational Events	1,958.38	3,500.00	56.0
66000 Stewardship			
Total 66000 Stewardship	0.00	950.00	0.0
67000 Administration			
67700 Office Supplies & Equipment	4,674.94		
67701 Postage	179.50		
67703 Social Media & Advertising	712.00		
Total 67000 Administration	5,566.44	9,500.00	58.6
68000 Property General Maintenance			
68750 General Maintenance & Supplies	3,116.57		
68751 City Services	9,711.56		
68752 Telephone	1,345.26		
68753 Fire System	652.00		
68754 Utilities - PG&E	2,291.03		
68755 Utilities - Solar	4,150.00		
68756 Property Insurance	7,516.00		
68757 Cleaning Services	8,240.00		
20774 & 68772 Mortgage	30,550.00		
Total 68000 Property General Maintenance	67,572.42	81,560.00	82.8

	Actual	Budget	%
70000 Support Staff			
70701 Administrative Asst Pay	8,646.54		
70703 Youth Director Salary	16,411.48		
70706 Music Director Pay	17,510.42		
70710 Substitute Musician	550.00		
70711 Substitute Pastor	2,913.75		
70720 Workman's Comp	676.00		
70721 Payroll Taxes	8,530.68		
70722 Payroll Service Fees	1,675.35		
Total 70000 Support Staff	56,914.22	65,909.60	86.4
71000 Pastors Compensation Package			
71900 Defined Compensation			
71901 Net Salary	48,952.62		
71902 Elective Deductions	10,478.38		
Total 71900 Defined Compensation	59,431.00		
Benefits			
71903 Housing Allowance	40,700.00		
71904 Benefits- Retirement	10,013.08		
71906 Benefits- Disability	1,301.74		
71910 Benefits- Basic Group Life	901.23		
71911 Professional Reimbursements	1,205.71		
Total 71000 Pastors Compensation	113,552.76	125,560.60	90.4
Grand Total Expenses			
	260,824.27	310,350.20	84.0

Target after 11 months is 91.7% of budget spent.



Lutheran Church of the Incarnation

Transaction Detail by Account

November 2022

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
4 MM - First Northern Bank							
11/25/2022	Deposit			Monthly interest split between Columbarium & Endowment	-Split-	5.81	5.81
Total for 4 MM - First Northern Bank						\$5.81	
8 First Northern Bank - operating							
11/01/2022	Expense		Thrivent Financial (Mortgage)	THRIVENT FINANCL MORTG-PMTS 2000 THRIVENT FINANCL MORTG-PMTS 200016170:0	-Split-	-3,055.00	-3,055.00
11/01/2022	Expense		RAYMOND JAMES & BROKERAGE	monthly payment for solar panels; RAYMOND JAMES & BROKERAGE 513454 RAYMOND JAMES & BROKERAGE 5134549000022	68755 Property General Maintenance:Utilities - Solar	-350.00	-3,405.00
11/01/2022	Expense		The Belfry	Gift to Belfry (October Monthly Ministry Partner); XX9387 CHK PURCHASE 10/31 17:55 XX9387 CHK PURCHASE 10/31 17:55 SSP* BELFRYLEVN 530-75	20115 Special Benevolences	-120.00	-3,525.00
11/02/2022	Expense		MinistrySafe	training charges; XX9387 DDA RECURRE 11/01 04:04 MI XX9387 DDA RECURRE 11/01 04:04 MINISTRYSAFE LLC 8177377	64500 Learning:Sunday School	-20.00	-3,545.00
11/03/2022	Expense		Ace Hardware	drip irrigation parts; XX6573 CHK PURCHASE 11/02 14:58 XX6573 CHK PURCHASE 11/02 14:58 DAVIS ACE HARDWA DAVIS	68750 Property General Maintenance:General Maintenance & Supplies	-20.37	-3,565.37
11/03/2022	Expense		Home Depot	drip parts and gate parts; XX6573 CHK PURCHASE 11/03 15:21 XX6573 CHK PURCHASE 11/03 15:21 THE HOME DEPOT 1 WOODL	68750 Property General Maintenance:General Maintenance & Supplies	-77.45	-3,642.82
11/04/2022	Check	7068	Yolo County Financial Services	property tax 2022-23 Installment #2	68750 Property General Maintenance:General Maintenance & Supplies	-38.52	-3,681.34
11/07/2022	Expense		Certifix	mobile live scan service on 9/18/22, this charge is balance after initial down payment of \$550 on 8/23/22 ; XX7571 CHK PURCHASE 11/04 13:42 XX7571 CHK PURCHASE 11/04 13:42 CERTIFIX LIVE SC ANAHE	64500 Learning:Sunday School	-215.00	-3,896.34
11/07/2022	Deposit		Home Depot	return drip line for refund; XX6573 ADJ CREDIT 11/05 23:31 TH XX6573 ADJ CREDIT 11/05 23:31 THE HOME DEPOT # WOODLAN	68750 Property General Maintenance:General Maintenance & Supplies	19.99	-3,876.35
11/07/2022	Deposit		Home Depot	return gate latch for refund; XX6573 ADJ CREDIT 11/06 13:48 TH XX6573 ADJ CREDIT 11/06 13:48 THE HOME DEPOT 1 WOODLAN	68750 Property General Maintenance:General Maintenance & Supplies	68.71	-3,807.64
11/10/2022	Expense		Paychex	Paychex fee; PAYCHEX EIB INVOICE X99480000019 PAYCHEX EIB INVOICE X99480000019884	70722 Support Staff:Payroll Service Fees	-86.16	-3,893.80
11/14/2022	Expense		Paychex	mid-November payroll; PAYCHEX-RCX PAYROLL 996798000051 PAYCHEX-RCX PAYROLL 99679800005121X	-Split-	-6,337.08	-
11/15/2022	Expense		Jones Bros. Pest Control	bimonthly pest control service; Jones Bros Capit ACH Collec 4627 Jones Bros Capit ACH Collec 462760	68750 Property General Maintenance:General Maintenance & Supplies	-96.00	-
11/15/2022	Check	7069	BOS Sheet Metal, Inc.	final (25%) payment on replacement HVAC for sanctuary	20759 Major Maintenance Reserve	-12,970.00	-
11/15/2022	Expense		Paychex	mid-November payroll taxes; PAYCHEX TPS TAXES 99670800070382 PAYCHEX TPS TAXES 99670800070382X	70721 Support Staff:Payroll Taxes	-298.02	-
11/15/2022	Deposit			mid-November counter's deposit	-Split-	25,929.51	2,334.61
11/15/2022	Deposit		Paychex	refund of payroll taxes; PAYCHEX TPS TAXES 99734300001256 PAYCHEX TPS TAXES 99734300001256X	70721 Support Staff:Payroll Taxes	155.70	2,490.31
11/16/2022	Check	7071	Blake's Heating & Air Conditioning	HVAC autumn maintenance	68750 Property General Maintenance:General Maintenance & Supplies	-395.00	2,095.31
11/16/2022	Expense		INTUIT*QB	QuickBooks monthly recurring charge; 18004INTUIT QBooks Onl 8642515	67700 Administration:Office Supplies & Equipment	-55.00	2,040.31
11/18/2022	Expense		Portico Benefit Services	November pastor's benefits; PORTICO BENEFIT 8003522876 2PTNA PORTICO BENEFIT 8003522876 2PTNACEN74GFJB5	-Split-	-2,063.13	-22.82

Lutheran Church of the Incarnation

Transaction Detail by Account

November 2022

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
11/21/2022	Expense		Paychex	monthly charge for PayChex Time & Attendance module; PAYCHEX-OAB INVOICE 998229000192 PAYCHEX-OAB INVOICE 99822900019261X	70722 Support Staff:Payroll Service Fees	-59.00	-81.82
11/21/2022	Expense		Employment Development Department	Q3 Calif payroll taxes paid with debit card via EDD website since PayChex failed to pay Q3 taxes & they were delinquent; EMPLOYMENT DEVEL EDD EFTPMT 1560 EMPLOYMENT DEVEL EDD EFTPMT 156073632	70721 Support Staff:Payroll Taxes	-155.71	-237.53
11/21/2022	Expense		PG&E (2032234337-5)	PGANDE WEB ONLINE 33675037110322	68754 Property General Maintenance:Utilities - PG&E	-443.17	-680.70
11/22/2022	Expense		City of Davis	November city services bill; CITY OF DAVIS UT BILL 0010874500 CITY OF DAVIS UT BILL 001087450010861	68751 Property General Maintenance:City Services	-2,085.34	-2,766.04
11/22/2022	Expense		PG&E (1990567673-0)	PGANDE WEB ONLINE 34007474110722	68754 Property General Maintenance:Utilities - PG&E	-1.86	-2,767.90
11/22/2022	Expense		TOSHIBA FINANCIAL SERVICES	Monthly charge for Toshiba copier; Equipment Financ OnlineInv BGGBK Equipment Financ OnlineInv BGGBK2002705502	67700 Administration:Office Supplies & Equipment	-201.09	-2,968.99
11/23/2022	Check	7072	Elaine Gloystein	reimbursement for flowers for sanctuary dedication held Oct.30	65603 Congregational Events:Congregational Events	-41.14	-3,010.13
11/25/2022	Expense		AT&T - Phone	ATT Payment XXXXX2003EPAYV	68752 Property General Maintenance:Telephone	-123.17	-3,133.30
11/28/2022	Deposit			November PayPal giving 10-26-22 to 11-27-22; PAYPAL TRANSFER 1023743601398	41100 Income:Offerings	6,509.32	3,376.02
11/28/2022	Expense		Breeze ChMS	ChMS Breeze monthly recurring charge; XX9387 DDA RECURR 11/27 08:29 BR XX9387 DDA RECURR 11/27 08:29 BREEZE CHMS NASHVILLE TN	67700 Administration:Office Supplies & Equipment	-67.00	3,309.02
11/28/2022	Check	7074	Carl Hoppman	mileage reimbursement for substitute pastor preaching 11-20-22; 62 miles x \$0.625/mile = \$38.75	70711 Support Staff:Substitute Pastor	-38.75	3,270.27
11/28/2022	Check	7073	Christine Bruhn	reimbursement for food for sanctuary dedication held Oct.30	65603 Congregational Events:Congregational Events	-239.94	3,030.33
11/28/2022	Expense		Lutheran World Relief	Gift to ELCA World Hunger Relief (November MMP); XX9387 CHK PURCHASE 11/27 13:36 XX9387 CHK PURCHASE 11/27 13:36 ELCA CHICAGO IL 001222	20115 Special Benevolences	-20.00	3,010.33
11/29/2022	Expense		Paychex	end of November payroll; PAYCHEX-RCX PAYROLL 998840000028 PAYCHEX-RCX PAYROLL 99884000002869X	-Split-	-6,217.09	-3,206.76
11/29/2022	Expense		CrashPlan	Crashplan monthly fee; XX9387 DDA RECURR 11/27 21:49 DR XX9387 DDA RECURR 11/27 21:49 DRI*CRASHPLAN CRASHPLAN.	67700 Administration:Office Supplies & Equipment	-9.99	-3,216.75
11/29/2022	Expense		Wayfair	order placed by mistake- full refund due - placed in 27200; XX7571 CHK PURCHASE 11/27 18:49 XX7571 CHK PURCHASE 11/27 18:49 WF* WAYFAIR35893 BOSTO	27200 Other Liabilities	-343.63	-3,560.38
11/30/2022	Expense		Paychex	end-of-November payroll taxes; PAYCHEX TPS TAXES 99881500031648 PAYCHEX TPS TAXES 99881500031648X	70721 Support Staff:Payroll Taxes	-298.01	-3,858.39
11/30/2022	Deposit			end-of-November counter's deposit	-Split-	13,687.12	9,828.73
Total for 8 First Northern Bank - operating						\$9,828.73	
20115 Special Benevolences							
11/01/2022	Expense		The Belfry	Gift to Belfry (October Monthly Ministry Partner); XX9387 CHK PURCHASE 10/31 17:55 XX9387 CHK PURCHASE 10/31 17:55 SSP* BELFRYLEVN 530-75	8 First Northern Bank - operating	-120.00	-120.00
11/15/2022	Deposit			for MMP	8 First Northern Bank - operating	20.00	-100.00
11/28/2022	Expense		Lutheran World Relief	Gift to ELCA World Hunger Relief (November MMP); XX9387 CHK PURCHASE 11/27 13:36 XX9387 CHK PURCHASE 11/27 13:36 ELCA CHICAGO IL 001222	8 First Northern Bank - operating	-20.00	-120.00
Total for 20115 Special Benevolences						\$ -120.00	

Lutheran Church of the Incarnation

Transaction Detail by Account

November 2022

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
20774 Mortgage - regular							
11/01/2022	Expense		Thrivent Financial (Mortgage)	principal	8 First Northern Bank - operating	-992.24	-992.24
Total for 20774 Mortgage - regular						\$ -992.24	
27200 Other Liabilities							
11/29/2022	Expense		Wayfair	order placed by mistake- full refund due - placed in 27200; XX7571 CHK PURCHASE 11/27 18:49 XX7571 CHK PURCHASE 11/27 18:49 WF* WAYFAIR35893 BOSTO	8 First Northern Bank - operating	-343.63	-343.63
Total for 27200 Other Liabilities						\$ -343.63	
20759 Major Maintenance Reserve							
11/15/2022	Deposit			Major Maint Reserve	8 First Northern Bank - operating	500.00	500.00
11/15/2022	Check	7069	BOS Sheet Metal, Inc.	final (25%) payment on replacement HVAC for sanctuary	8 First Northern Bank - operating	-12,970.00	-
Total for 20759 Major Maintenance Reserve						\$ -12,470.00	12,470.00
20760 Columbarium Fund							
11/25/2022	Deposit			interest	4 MM - First Northern Bank	2.91	2.91
Total for 20760 Columbarium Fund						\$2.91	
24151 Endowment Fund							
11/25/2022	Deposit			interest	4 MM - First Northern Bank	2.90	2.90
Total for 24151 Endowment Fund						\$2.90	
41000 Income							
41100 Offerings							
11/15/2022	Deposit			general funds	8 First Northern Bank - operating	23,295.51	23,295.51
11/28/2022	Deposit			general funds	8 First Northern Bank - operating	6,509.32	29,804.83
11/30/2022	Deposit			general funds	8 First Northern Bank - operating	13,664.58	43,469.41
Total for 41100 Offerings						\$43,469.41	
41310 Rents Applegate Nursery							
11/15/2022	Deposit			Applegate	8 First Northern Bank - operating	1,864.00	1,864.00
Total for 41310 Rents Applegate Nursery						\$1,864.00	
41400 Other Misc Income							
11/15/2022	Deposit			CA Dept of Transportation	8 First Northern Bank - operating	250.00	250.00
11/30/2022	Deposit			Nugget scrip	8 First Northern Bank - operating	22.54	272.54
Total for 41400 Other Misc Income						\$272.54	
Total for 41000 Income						\$45,605.95	
64000 Learning							
64500 Sunday School							
11/02/2022	Expense		MinistrySafe	training charges; XX9387 DDA RECURR 11/01 04:04 MI XX9387 DDA RECURR 11/01 04:04 MINISTRYSAFE LLC 8177377	8 First Northern Bank - operating	20.00	20.00
11/07/2022	Expense		Certifix	mobile live scan service on 9/18/22, this charge is balance after initial down payment of \$550 on 8/23/22 ; XX7571 CHK PURCHASE 11/04 13:42 XX7571 CHK PURCHASE 11/04 13:42 CERTIFIX LIVE SC ANAHE	8 First Northern Bank - operating	215.00	235.00
Total for 64500 Sunday School						\$235.00	
Total for 64000 Learning						\$235.00	

Lutheran Church of the Incarnation

Transaction Detail by Account

November 2022

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
65000 Congregational Events							
65603 Congregational Events							
11/23/2022	Check	7072	Elaine Gloystein	reimbursement for flowers for sanctuary dedication held Oct.30	8 First Northern Bank - operating	41.14	41.14
11/28/2022	Check	7073	Christine Bruhn	reimbursement for food for sanctuary dedication held Oct.30	8 First Northern Bank - operating	239.94	281.08
Total for 65603 Congregational Events						\$281.08	
Total for 65000 Congregational Events						\$281.08	
67000 Administration							
67700 Office Supplies & Equipment							
11/16/2022	Expense		INTUIT*QB	QuickBooks monthly recurring charge; 18004INTUIT QBooks Onl 8642515	8 First Northern Bank - operating	55.00	55.00
11/22/2022	Expense		TOSHIBA FINANCIAL SERVICES	Monthly charge for Toshiba copier; Equipment Financ OnlineInv BGGBK Equipment Financ OnlineInv BGGBK2002705502	8 First Northern Bank - operating	201.09	256.09
11/28/2022	Expense		Breeze ChMS	ChMS Breeze monthly recurring charge; XX9387 DDA RECURRE 11/27 08:29 BR XX9387 DDA RECURRE 11/27 08:29 BREEZE CHMS NASHVILLE TN	8 First Northern Bank - operating	67.00	323.09
11/29/2022	Expense		CrashPlan	Crashplan monthly fee; XX9387 DDA RECURRE 11/27 21:49 DR XX9387 DDA RECURRE 11/27 21:49 DRI*CRASHPLAN CRASHPLAN.	8 First Northern Bank - operating	9.99	333.08
Total for 67700 Office Supplies & Equipment						\$333.08	
Total for 67000 Administration						\$333.08	
68000 Property General Maintenance							
68750 General Maintenance & Supplies							
11/03/2022	Expense		Ace Hardware	drip irrigation parts; XX6573 CHK PURCHASE 11/02 14:58 XX6573 CHK PURCHASE 11/02 14:58 DAVIS ACE HARDWA DAVIS	8 First Northern Bank - operating	20.37	20.37
11/03/2022	Expense		Home Depot	drip parts and gate parts; XX6573 CHK PURCHASE 11/03 15:21 XX6573 CHK PURCHASE 11/03 15:21 THE HOME DEPOT 1 WOODL	8 First Northern Bank - operating	77.45	97.82
11/04/2022	Check	7068	Yolo County Financial Services	property tax 2022-23 Installment #2	8 First Northern Bank - operating	38.52	136.34
11/07/2022	Deposit		Home Depot	return gate latch for refund; XX6573 ADJ CREDIT 11/06 13:48 TH XX6573 ADJ CREDIT 11/06 13:48 THE HOME DEPOT 1 WOODLAN	8 First Northern Bank - operating	-68.71	67.63
11/07/2022	Deposit		Home Depot	return drip line for refund; XX6573 ADJ CREDIT 11/05 23:31 TH XX6573 ADJ CREDIT 11/05 23:31 THE HOME DEPOT # WOODLAN	8 First Northern Bank - operating	-19.99	47.64
11/15/2022	Expense		Jones Bros. Pest Control	bimonthly pest control service; Jones Bros Capit ACH Collec 4627 Jones Bros Capit ACH Collec 462760	8 First Northern Bank - operating	96.00	143.64
11/16/2022	Check	7071	Blake's Heating & Air Conditioning	HVAC autumn maintenance	8 First Northern Bank - operating	395.00	538.64
Total for 68750 General Maintenance & Supplies						\$538.64	
68751 City Services							
11/22/2022	Expense		City of Davis	November city services bill; CITY OF DAVIS UT BILL 0010874500 CITY OF DAVIS UT BILL 001087450010861	8 First Northern Bank - operating	2,085.34	2,085.34
Total for 68751 City Services						\$2,085.34	
68752 Telephone							
11/25/2022	Expense		AT&T - Phone	ATT Payment XXXXX2003EPAYV	8 First Northern Bank - operating	123.17	123.17
Total for 68752 Telephone						\$123.17	
68754 Utilities - PG&E							
11/21/2022	Expense		PG&E (2032234337-	PGANDE WEB ONLINE 33675037110322	8 First Northern Bank - operating	443.17	443.17

Lutheran Church of the Incarnation

Transaction Detail by Account

November 2022

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
11/22/2022	Expense		5) PG&E (1990567673-0)	PGANDE WEB ONLINE 34007474110722	8 First Northern Bank - operating	1.86	445.03
Total for 68754 Utilities - PG&E						\$445.03	
68755 Utilities - Solar							
11/01/2022	Expense		RAYMOND JAMES & BROKERAGE	monthly payment for solar panels; RAYMOND JAMES & BROKERAGE 513454 RAYMOND JAMES & BROKERAGE 5134549000022	8 First Northern Bank - operating	350.00	350.00
Total for 68755 Utilities - Solar						\$350.00	
68757 Cleaning Services							
11/14/2022	Expense		Paychex	janitorial - Yolo EcoClean	8 First Northern Bank - operating	670.00	670.00
11/29/2022	Expense		Paychex	janitorial - Yolo EcoClean	8 First Northern Bank - operating	250.00	920.00
Total for 68757 Cleaning Services						\$920.00	
68772 Mortgage (est 2015) Interest							
11/01/2022	Expense		Thrivent Financial (Mortgage)	interest	8 First Northern Bank - operating	2,062.76	2,062.76
Total for 68772 Mortgage (est 2015) Interest						\$2,062.76	
Total for 68000 Property General Maintenance						\$6,524.94	
70000 Support Staff							
70701 Administrative Asst Pay							
11/14/2022	Expense		Paychex	office admin	8 First Northern Bank - operating	484.18	484.18
11/29/2022	Expense		Paychex	office admin	8 First Northern Bank - operating	484.18	968.36
Total for 70701 Administrative Asst Pay						\$968.36	
70703 Youth Director Salary							
11/14/2022	Expense		Paychex	youth director	8 First Northern Bank - operating	745.98	745.98
11/29/2022	Expense		Paychex	youth director	8 First Northern Bank - operating	745.98	1,491.96
Total for 70703 Youth Director Salary						\$1,491.96	
70706 Music Director Pay							
11/14/2022	Expense		Paychex	music director	8 First Northern Bank - operating	361.80	361.80
11/29/2022	Expense		Paychex	music director	8 First Northern Bank - operating	361.81	723.61
Total for 70706 Music Director Pay						\$723.61	
70711 Substitute Pastor							
11/28/2022	Check	7074	Carl Hoppman	mileage reimbursement for substitute pastor preaching 11-20-22; 62 miles x \$0.625/mile = \$38.75	8 First Northern Bank - operating	38.75	38.75
11/29/2022	Expense		Paychex	subst pastor: Carl Hoppman 11/20/22	8 First Northern Bank - operating	300.00	338.75
Total for 70711 Substitute Pastor						\$338.75	
70721 Payroll Taxes							
11/15/2022	Deposit		Paychex	refund of payroll taxes; PAYCHEX TPS TAXES 99734300001256 PAYCHEX TPS TAXES 99734300001256X	8 First Northern Bank - operating	-155.70	-155.70
11/15/2022	Expense		Paychex	mid-November payroll taxes; PAYCHEX TPS TAXES 99670800070382 PAYCHEX TPS TAXES 99670800070382X	8 First Northern Bank - operating	298.02	142.32
11/21/2022	Expense		Employment Development Department	Q3 Calif payroll taxes paid with debit card via EDD website since PayChex failed to pay Q3 taxes & they were delinquent; EMPLOYMENT DEVEL EDD EFTPMT 1560 EMPLOYMENT DEVEL EDD EFTPMT 156073632	8 First Northern Bank - operating	155.71	298.03

Lutheran Church of the Incarnation

Transaction Detail by Account

November 2022

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
11/30/2022	Expense		Paychex	end-of-November payroll taxes; PAYCHEX TPS TAXES 99881500031648 PAYCHEX TPS TAXES 99881500031648X	8 First Northern Bank - operating	298.01	596.04
Total for 70721 Payroll Taxes						\$596.04	
70722 Payroll Service Fees							
11/10/2022	Expense		Paychex	Paychex fee; PAYCHEX EIB INVOICE X99480000019 PAYCHEX EIB INVOICE X99480000019884	8 First Northern Bank - operating	86.16	86.16
11/21/2022	Expense		Paychex	monthly charge for PayChex Time & Attendance module; PAYCHEX-OAB INVOICE 998229000192 PAYCHEX-OAB INVOICE 99822900019261X	8 First Northern Bank - operating	59.00	145.16
Total for 70722 Payroll Service Fees						\$145.16	
Total for 70000 Support Staff						\$4,263.88	
71000 Pastors Compensation Package							
71900 Defined Compensation							
71901 Net Salary							
11/14/2022	Expense		Paychex	pastor salary	8 First Northern Bank - operating	2,225.12	2,225.12
11/29/2022	Expense		Paychex	pastor salary	8 First Northern Bank - operating	2,225.12	4,450.24
Total for 71901 Net Salary						\$4,450.24	
71902 Elective Deductions - FSA, Pension							
11/18/2022	Expense		Portico Benefit Services	elective contributions	8 First Northern Bank - operating	952.58	952.58
Total for 71902 Elective Deductions - FSA, Pension						\$952.58	
Total for 71900 Defined Compensation						\$5,402.82	
71903 Housing Allowance							
11/14/2022	Expense		Paychex	pastor housing	8 First Northern Bank - operating	1,850.00	1,850.00
11/29/2022	Expense		Paychex	pastor housing	8 First Northern Bank - operating	1,850.00	3,700.00
Total for 71903 Housing Allowance						\$3,700.00	
71904 Benefits- Retirement							
11/18/2022	Expense		Portico Benefit Services	employer paid retirement	8 First Northern Bank - operating	910.28	910.28
Total for 71904 Benefits- Retirement						\$910.28	
71906 Benefits- Disability							
11/18/2022	Expense		Portico Benefit Services	disability	8 First Northern Bank - operating	118.34	118.34
Total for 71906 Benefits- Disability						\$118.34	
71910 Benefits- Basic Group Life							
11/18/2022	Expense		Portico Benefit Services	group life	8 First Northern Bank - operating	81.93	81.93
Total for 71910 Benefits- Basic Group Life						\$81.93	
Total for 71000 Pastors Compensation Package						\$10,213.37	

Churches & Taxes

1

Capin Crouse

Chris Purnell
Amanda Wilhite

2

Batts Morrison Wales & Lee

Sophie Chevalier
Michele Wales

3

Church Law Center

Myron Steeves

4

Other Resources:

- IRS Publications 598 & 1828; instructions for form 990-T
- CA Board of Equalization Publications 48 & 149
- Church & Clergy Tax Guide, Richard Hammar
- Church Finance, Michael Batts

5

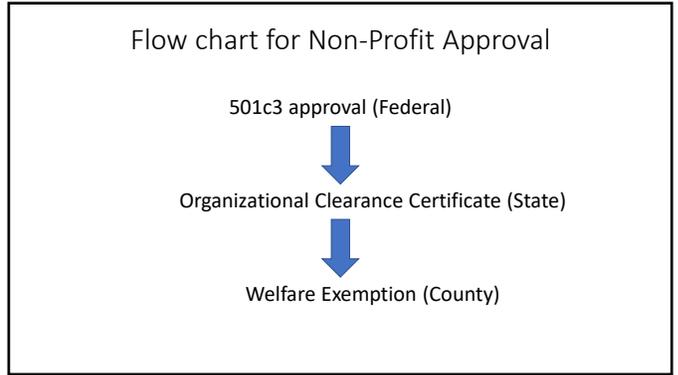
Best Practices Can Provide Unexpected Benefits

- Pastor salary classified as Independent Contractor since...
- Moved Pastor to W-2 salary 1/1/2020 in response to AB5.
- In March 2020 the pandemic commenced in the US
- PPP program followed; awarded funds based on 2019 W-2 salaries.
- We got ca \$24K in each of two PPP funding cycles = \$48K total
- Missed another ca \$32K
- Not aligned with best practices/guidance but no harm from this classification (or so we thought)

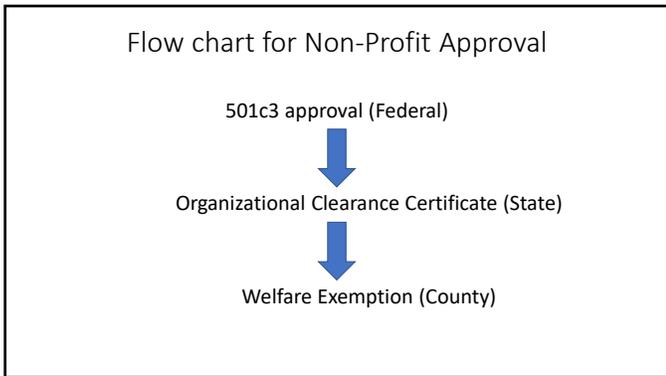
6

Churches & Taxes

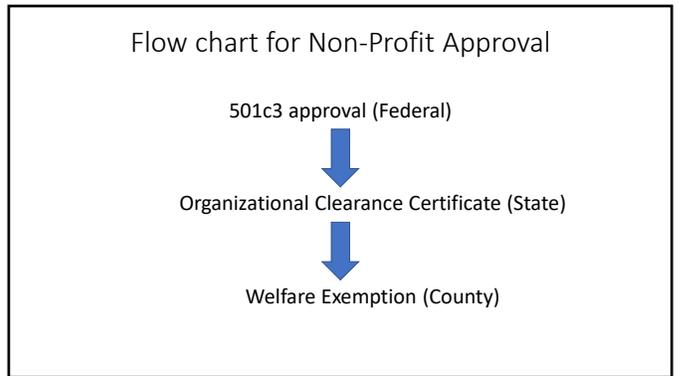
7



8



9



10

- Churches pay:
- Payroll taxes, both Federal and State (Soc Sec, Medicare, UI, SDI, ETT) for all employees except pastor
 - Sales Tax

11

- And in some cases churches pay:
- Business income tax (federal & state)
 - Property tax (county)*
- *Churches in CA *not* exempt from some special assessments

12

Why this sudden interest in taxation?

In June 2022 the Yolo County Assessor requested* (demanded?) that we submit documentation to establish/maintain our property tax exemption:

- Religious Exemption
- Welfare Exemption
- Business Property Statement

*Why was the request made? Apparently, we had an empty or nearly empty file.

13

What is at stake?

- Without property tax exemptions we would have to annually pay 1% of our assessed property value of approx \$1.7M
- Thus, we would need to pay \$17,000 per year plus any special assessments

14

California Property Tax Exemptions (applicable to churches)

- Church Exemption
- Religious Exemption
- Welfare Exemption

Sources:

California State Board of Equalization, Publication 48
Myron Steeves, attorney, Church Law Center

15

California Property Tax Exemptions

Church Exemption

Use property solely for religious worship and "incidental and necessary uses of the property that support the primary religious worship use", which includes parking, church offices and operations. Also allows for *incidental* use by "nonprofit, charitable groups".*

* If rent is charged can only be for basic cost of operations (utilities, custodian)

16

California Property Tax Exemptions

Religious Exemption

Expands church exemption to include operating a school by the church.

Local examples: St. James, Grace Valley

Full Religious Exemption form submitted once then renewed annually (in theory).

17

California Property Tax Exemptions

Welfare Exemption

Available to churches that use their facilities for worship services (see Church Exemption) while also allowing for various other uses that are non-profit in nature and promote the common good.*

If the property is rented the *nature of who it is rented to becomes critical*. In general, renting to a for-profit group/person will result in loss of the Welfare Exemption, i.e then property tax must be paid. Generally, **both** lessor and lessee must have the Welfare Exemption as non-profits.

Full Welfare Exemption form submitted once then renewed annually (in theory).

18

California Property Tax Exemptions

Welfare exemption

Our relationship to Applegate falls under the Welfare Exemption. Since Applegate is a CA registered non-profit, and has its own Welfare Exemption, we are able to jointly establish the LCI property as exempt from property tax.

Note: Renewals of Religious & Welfare Exemptions along with a Business Property Statement should be filed with the County Assessor every year...which is where we got in trouble...

19

Business Property Statement (BPS)

- All commercial businesses and non-profits in CA have to file a BPS annually
- List of all tangible property we own with its value
- Also list *property we lease or lease out to others*
- We had not filed a BPS for decades!
- We were thus “in trouble” with the County

20

Business Property Statement (BPS)

- County Assessor demanded that we document all real and “personal” property owned by the church, with its \$\$ value, since our inception in 1967.
- This took quite awhile...
- But was done and the resulting documents (70 pages) filed with the county 10/7/22

21

Religious & Welfare Exemptions

- Religious & Welfare Exemption paperwork was also requested by the County Assessor.
- In terms of documentation, we were “starting over” with the County.
- Religious & Welfare Exemption forms also submitted 10/7/22.

22

Flow chart for Non-Profit Approval



23

Religious & Welfare Exemptions: where do we stand?

- Uncertain. We do not have an Organizational Clearance Certificate (OCC) from the State.
- However, though for 2022-23 we received our first property tax bill ever (TMK) it was for only \$77.04, i.e two special assessments

24

Unrelated Business Income (UBI) Why bother?

- One of the questions on the Welfare Exemption form acts us whether we have taxable UBI.
- Since we didn't really know the answer to that question, it seemed wise to investigate further.

31

Unrelated Business Income (UBI) Is Complicated!!!

- Income not from donations and not directly connected to our stated purposes as a church, i.e income from operating like a business
- Example: rental of parking lot is UBI
- Columbarium fees are not UBI, because they fit with commonly understood functions of a church: baptism, marriage, burial.
- Funds from state for cleaning Highway 113 are not UBI, as the work is done by volunteers.

32

Unrelated Business Income (UBI) Is Complicated!!!

- Passive rent income of a building is not UBI
- **Unless the property being rented is debt financed!** i.e has an unpaid mortgage
- Explained in IRS Publication 598, pp. 16-21
- Net UBI of rent calculated from this formula:
- We are helped in that our acquisition indebtedness is small

$$\frac{\text{average acquisition indebtedness}}{\text{average adjusted basis}} \times \text{gross income from debt-financed property}$$

33

Unrelated Business Income (UBI) Is Complicated!!!

- And we can claim building **depreciation** via straight-line method over 39 years.
- Rent income for the year after acquisition indebtedness calculation minus annual depreciation = a negative number for all years back through 2016
- Statute of limitations for churches is only six years so we are GOOD!

34

Unrelated Business Income (UBI) Is Complicated!!!

- If we ever collected more than 32K per year in rent we would have to start paying taxes as adjusted rent income would exceed allowable depreciation.
- Churches pay federal corporate tax rate of 21%.
- Alternatively, pay off the mortgage!!!!

35

Take home lessons:

- Churches are not broadly exempt from government regulation
- Stay informed!
- Key areas are tax law and labor law
- Be respectful of how complicated tax laws are!
- Get EXPERT advice when unsure
- Don't assume that doing nothing and laying low is the best plan!

36