Economia©

A periodic publication of the Diocese of the South, Orthodox Church in America-Winter 2024

2023 YEAR-END FINANCIALS

Last year at this time, there was some evidence of an "inflationary pinch on household finances," suggesting a measure of caution in our expectations and forecasting. Well, much to our surprise, the 2023 results exceeded expectation by 11.7%, with Tithe Income totaling $1,384,781.46 versus the forecast of $1,240,000.00.

It goes without saying, yet should be said, nonetheless, that these results could not be realized except by the Grace of God and our faithful donors in every parish and mission. ⌖

Executive Summary

With Net Income at $157,175.08 and increased Parish Savings, Cash on Hand (Current Assets) reached a new high balance of $1,251,366.62, or an increase of $224,463.75 over 2022 year-end, nearly doubling Cash on Hand in the past two years and more than tripling it since 2017. It is clearly time to adopt an investment strategy to offset the opportunity cost of dormant cash and the greater Interest Expense incurred to retain the Savings Account balances that are a principal source of funding for invested assets.

Our increased Tithe Income could not have been more providential in a year when Missions and Parish Support exceeded Budget by over $30,000 and Legal Fees surpassed Budget by nearly $59,000. Absent these extraordinary expenses, Total Expense would be $18,515.63 over Budget, or the equivalent of 1.70%. It is helpful to keep in mind that the Annual Budget and Forecast is adopted more than six months before the preceding year matures, leaving more latitude for imprecision than would otherwise be the case. Moreover, unlike a commercial enterprise, there is no control over income and, on the expense side, we strive to accommodate needs as they arise, assuming there are sufficient resources to do so, even though some of those needs are neither known nor foreseen when the Budget is cast.

Nativity of the Lord Church, Shreveport, Louisiana Idyllic site (without the snow) of the February 2024 Clergy Conference

One of these needs this past year resulted in significant Legal Expense. While there was an expectation that such expense would be incurred, unlike recent years, the extent and scope of legal action was not foreseen. Thus, the $5,000 budgetary item was quickly outstripped by attorney fees totaling $63,991.95 for the year, brought about by a factional matter at Sts. Peter and Paul Church in Miami. It is not within this purview to discuss the particulars, but there is little doubt that we will be obliged to absorb additional fees. ⌖

Financial Dashboard Notes

The measures we track remained well within tolerances, with some marginal improvement. Liquidity increased thanks to the increased cash balances, as did the ratio of earnings to equity. Incidentally, when 2023 Net Income is now rolled up to Equity, that account will be little more than $50,000 shy of $2 million, an historic high, indicative of the strength of our Balance Sheet.

It might also be noted that the one expense category over which there is more direct control and which is less subject to variable conditions, namely Diocesan Administration, posted a modest 1.9% over Budget, despite the extraordinary Legal Expense. ⌖

Parish & Missions Support

For a number of years now, there has been a diocesan objective to strive toward returning 25% of Tithe Income to Parishes and Missions for such purposes as priest compensation support, interim clergy grants, supply priest stipends and travel expenses, parish and mission savings account interest, tithe credits, priest seminary debt, priest transfer expense and other parish expense supports. The results were just a bit short of that goal at 23%. Note that the total of Interest on Parish Savings includes only Interest Remitted (actually paid out), not Unrealized Gains, which is Interest Accrued but not yet paid out.

Among the many transactional activities occurring throughout the year, there were a few that stand out as selected examples, which have not been reported previously in our quarterly memoranda:

continued below

Email: treasurer@dosoca.org

-Dormition of the Theotokos
Norfolk, VA $52,888.94 (Increase Savings)

-Holy Ascension Mt. Pleasant, SC
$36,073.94 (Increase Savings)
-St. Innocent Macon, GA
$20,994.10 (Icon Withdrawal)
-St. Jonah the Wonderworker Alpine, TX
$27,635.12 (Increase Savings)
-St. Anthony San Antonio, TX
$24,037.96 (Increase Savings)
-Holy Nativity Shreveport, LA
$43,410.59 (Loan Payment)
-St. Symeon Birmingham, AL
$41,159.89 (Loan Payment)

Total Parish Savings balances on account with the diocese increased $130,988.17, while Church Friendly Loan (i.e. Individual Loans) balances declined $119,220.72 due to various withdrawals.

Donations Portal

The portal continues to serve as a convenience for travelers and shut-ins to make timely offerings to their parish or mission. Nineteen parishes benefitted in 2023 from 648 transactions totaling net donations amounting to $172,311. However, this facility is planned to sunset by the end of the year

Savings Account Rate

Pursuant to our diocesan policy, the rate of interest for Savings Accounts is adjusted each year based on the previous year's average ten-year Treasury Yield. Accordingly, effective January 1 of this year, the new annual rate for 2024 is increased to 5.00%, compounded monthly, which equates to 5.12%.

Financial Review Activity

The Financial Review team determined that the method and means of maintaining a sound review process would be enhanced and made more compatible to the capacity of volunteers by functioning in a manner similar to a corporate internal audit function, which is to say that rather than attempting to conduct a full scope or global review each year the team will select one or more operational areas to review each quarter, continuing sequentially throughout the year.

Accordingly, the team has selected Insurance Coverages and Network Security as the target objectives for the First Quarter of 2024. It was also decided that, since both of these operational areas at the parish level pose potential exposures for the diocese as well, the scope of review for these areas should be expanded to include parishes and missions. Therefore, the team will survey parishes and missions to enable that evaluation in addition to the diocesan operations.

The following individuals comprise the members of the team who were confirmed by the Assembly:

-Christopher Naughton, St Athanasius Church, Nicholasville, KY
-Tom Rosenblatt, Christ the Saviour Mission, McComb, Mississippi
-Michael Mezmar, St. George the Great Martyr Church, Pharr, Texas

IRS Mileage Reimbursement Rate

Effective January 1 this year the IRS rate is increased to 67.7 cents per mile.

Donation of Property

The potential gift of Caribbean island property is a work in progress. The property consists of nearly an acre on the island of Nevis, a part of the St. Kitts and Nevis Federation. A local attorney conducted a title search confirming that there were no liens or encumbrances. The next step will be to engage a capable, stateside attorney to confirm those findings and administer a transfer of clean title and deed.

Accountable Reimbursement Arrangements

Review of the the four specific requirements for business expense reimbursements.

Most ministers and lay church employees incur expenses when performing their duties. The tax treatment of these expenses depends on whether a person is an employee or self-employed, whether the expenses are reimbursed by the church, and whether any reimbursed expenses are paid under an accountable or a nonaccountable reimbursement plan. Here are a few important details to understand about business expense reimbursements.

Unreimbursed Business Expenses

These expenses were no longer deductible by employees as itemized expenses on Schedule A (Form 1040) after 2017.

Employee Business Expenses Reimbursed Under a Nonaccountable Arrangement

These expenses were no longer deductible by employees as itemized expenses on Schedule A (Form 1040) after 2017.

Avoid Limitations with an Accountable Arrangement

The limitations on the deductibility of employee business expenses (summarized above) can be avoided if the church adopts an accountable reimbursement plan. An accountable plan is one that meets all of the following requirements:

Only Business Expenses are Reimbursed.

No reimbursement is allowed without an adequate accounting of expenses within a reasonable period of time—not more than 60 days after an expense is incurred.

Any excess reimbursement must be returned to the employer within a reasonable period of time—not more than 120 days after an excess reimbursement is paid.

An employer's reimbursements must come out of the employer's funds and not by reducing the employee's salary.

Under an accountable plan, an employee reports to the church rather than to the IRS. The reimbursements are not reported as income to the employee, and the employee does not claim any deductions. This is the best way for churches to handle reimbursements of business expenses.

If the requirements of an accountable reimbursement arrangement are not met, then the church's reimbursement of an employee's business expenses must be reported by the church as taxable income to the recipient.

Richard R. Hammar is an attorney, CPA and author specializing in legal and tax issues for churches and clergy. Reprinted with permission from Church Law & Tax Report