

Wabash Conference of the Free Methodist Church
Policy & Business Procedures for the Formation of New Churches
(working document)

Step 1: Church-Planting Projects

¶6810

- A. A church planting project is the first phase in the formation of most new churches.
- B. **Authority to Form.** Each church-planting project must have a sponsoring agency, which may be a local society or conference board or committee. The project comes into existence when the sponsoring agency announces its decision.
- C. **Accounting and Responsibility.** The church-planting pastor or lay project leader is accountable to the sponsoring agency that is responsible for providing assistance and support in the form of consultation, personnel, materials and/or finances.
- D. **Membership.** A church-planting pastor or lay project leader is responsible for preparing persons to become members of a new Free Methodist fellowship or society with assistance as needed from the sponsoring agency. Free Methodist members participating in the project retain membership in their home church.
- E. **Financial matters.** Full self-support should be attained as early as possible. The church-planting project may hold or disburse its own funds only if authorized by the sponsoring agency, which retains auditing responsibility.
- F. **Local Organization.** A church-planting pastor or lay project leader may appoint a ministry committee to provide counsel and direction.
- G. **Duration.** Church-planting projects are encouraged to move to fellowship or society status as soon as possible. Only under special circumstances approved by the sponsoring agency should a church-planting project continue more than two years if it has not progressed to the fellowship status (¶6820).
- H. **Conference Relationship.** A lay project leader shall have an honorary seat in the conference and may be named in the appointments at the discretion of the Ministerial Appointments Committee.

During the church-planting process:

- The church plant will receive a church number from the World Ministries Center.
- The church plant will need to track statistical data and complete the Free Methodist Annual Report (prepared each January).
- The church plant needs to apply for an Employer Identification Number (EIN) as soon as they have broken away financially from the sponsoring agency (i.e., taking offerings, paying their pastor, keeping financial records, issues contribution statements, etc.) To apply for an EIN, please visit this following link to IRS website: https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online?_ga=1.53747498.363132186.1474911608
- Once the EIN is acquired, contact the Wabash Conference office for a 501(c) (3) letter (Federal Tax Exempt Status) for church plant.
- The church plant should also incorporate at this time. This protects church leadership from liability issues. Each state (Indiana, Illinois and West Virginia) has different guidelines for incorporation. Visit the Secretary of State web site for your state to determine proper procedures.
- The church plant must register the church with the Secretary of State. Procedures for this process can also be found on the Secretary of State's web site. There may be an annual entity fee.

- The pastor and church leaders should attend clergy gatherings, training opportunities and Annual Conference.
- After the 2nd year of formation, the church plant will share in the financial support of denominational ministries (FMCUSA Home Ministry Fair Share/EPP-Equal Participation Plan). Currently, this is 3.2% of a church's annual income less allowable deductions (reported on the Annual Report).
- After the 2nd year of formation, the church plant will share in the financial support of the Wabash Conference. Our current Conference Apportionment is currently 6.8% of a church's annual income less allowable deductions

** See **CHURCH GOVERNMENT FILINGS page (page 5) listing requirements for all non-for-profit organizations in order to maintain their non-for-profit/exempt status.**

Step 2: Fellowship Status

¶6820

- A. Fellowship status is the second phase in the formation of most new churches. The Wabash Conference Board of Administration will serve as the fellowship's sponsoring agency.
- B. **Authority to Form.** The conference superintendent, with the concurrence of the sponsoring agency, may recognize a group as a fellowship when:
 1. enough prospective members have been adequately prepared for membership;
 2. these prospective members give public joint asset to the adoption of the *Book of Discipline* and individually answer the questions for adult membership;
 3. a document of agreement containing the denominational mission statement, the official name of the group and adequate statements of mutual responsibility and accountability between the fellowship and the conference has been signed by these prospective members, the superintendent and representatives of the sponsoring agency.
- C. **Accountability and Responsibility.** The pastor or lay project leader and the fellowship shall be accountable to the Wabash Conference superintendent and the sponsoring agency. The fellowship shall be guided toward becoming a Free Methodist society. A written report of progress and needs for further guidance shall be submitted to the superintendent and sponsoring agency each quarter.
- D. **Membership.** A fellowship may receive members in all relationships and shall report them in the same manner as societies.
- E. **Financial Matters.**
 1. A fellowship shall hold and disburse its own funds but the sponsoring agency shall retain authority to audit.
 2. Any real property acquired by a fellowship prior to recognition as a society shall be in the name of Wabash Conference or the Free Methodist Church - USA, rather than in the name of the fellowship.
 3. In the case of dissolution of a fellowship, the accumulated assets become the property of the sponsoring agency.
 4. A fellowship is encouraged to give a tithe of church income to conference and denominational ministries as the first step towards full participation in these financial responsibilities.

Conference Notes:

- The fellowship will share in the financial support of denominational ministries (FMCUSA Home Ministry Fair Share/EPP-Equal Participation Plan). Currently, this

is 3.2% of a church's annual income less allowable deductions (reported on the Annual Report).

- The fellowship will share in the financial support of the Wabash Conference. Our current Conference Apportionment is currently 6.8% of a church's annual income less allowable deductions
- The fellowship will pay the full pension rate (13.5% - as defined by the FMC USA Pension Plan).

- F. **Local Organization.** Members of the fellowship shall elect a local Board of Administration of no fewer than three members, including the secretary, treasurer and honorary delegate. The pastor in charge may nominate officers or members at large other than the delegate. The local Board of Administration may form other boards and committees as needed.
- G. **Duration.** A fellowship shall remain in this relationship no longer than three years unless the sponsoring agency grants an extension. In the event of the dissolution of a fellowship, letters of transfer shall be issued to members in good standing.
- H. **Conference Relationship.** A fellowship shall be represented in the annual conference by an honorary delegate who shall have a voice but no vote.

** See **CHURCH GOVERNMENT FILINGS page (page 5) listing requirements for all non-for-profit organizations in order to maintain their non-for-profit/exempt status.**

Affiliate Congregations

¶6830

- A. Congregations established outside of Free Methodist sponsorship and wishing to become part of the Denomination may enter as Affiliate Congregations.
- B. **Authority to Recognize.** A conference superintendent, with the concurrence of the conference Administrative Committee, may receive a congregation in an affiliate relationship when:
 - 1. the members of the congregation have received adequate orientation to the doctrine, organization, and mission of the Free Methodist Church;
 - 2. a document of affiliation has been signed by the governing board of the congregation, the superintendent, and representatives of the conference, affirming the Articles of Religion and the mission statement of the Free Methodist Church and describing mutual responsibilities; and
 - 3. the members have given public joint assent to the document of affiliation and questions for church membership.
- C. **Accountability and Responsibility.** The pastor and board of the affiliate church shall meet periodically (at least twice a year) with the conference superintendent or designated liaison to review and strengthen the connectional relationship and shall participate in conference fellowship, mentoring and reporting procedures. The pastor and board shall consult with the Ministerial Appointments Committee of the conference regarding any proposed changes in pastoral leadership during the affiliate status.
- D. **Membership.** An affiliate congregation may receive members in all relationships and report them in the same manner as societies.
- E. **Financial Matters.**

1. An affiliate congregation is encouraged to contribute generously to conference and denominational ministries as the first steps towards full participation in these responsibilities.

Conference Notes:

- The affiliate will share in the financial support of denominational ministries (FMCUSA Home Ministry Fair Share/EPP-Equal Participation Plan). Currently, this is 3.2% of a church's annual income less allowable deductions (reported on the Annual Report).
 - The affiliate will share in the financial support of the Wabash Conference. Our current Conference Apportionment is currently 6.8% of a church's annual income less allowable deductions
 - The affiliate will pay the full pension rate for the senior pastor (13.5% - as defined by the FMC USA Pension Plan).
2. Staff members are eligible but not required to participate in the denominational pension program during affiliate status if an alternate retirement plan is already in effect.
 3. Those churches who hold property at the time they join the Free Methodist Church may be given the option by the Board of Bishops, with legal counsel, whether or not to adopt the trust clause for their existing property. Denominational assistance for capital improvement shall be in the form of loans repayable if the church chooses not to become a Free Methodist Society.

- F. **Local Organization.** The governing board of an affiliate congregation shall be guided by the *Book of Discipline* and the mission of the Free Methodist Church in its decision and the development of new ministries but may retain its existing bylaws until recognition as a society occurs.
- G. **Duration.** The normal duration of this relationship shall not exceed three years from the adoption of the document of affiliation. At the end of this period the congregation would become a society, terminate the affiliate relationship or request the conference to grant an extension of time for clarification and development of denominational relationships.
- H. **Conference Relationship.** An affiliated congregation shall be represented in the annual conference by an honorary delegate who shall have a voice but no vote.

** See **CHURCH GOVERNMENT FILINGS page (page 5) listing requirements for all non-for-profit organizations in order to maintain their non-for-profit/exempt status.**

CHURCH GOVERNMENT FILINGS **

All nonprofit organizations are required to file these reports every year in order to maintain their non-for-profit/exempt status...

Nonprofit Organization's Annual Report

- INDIANA – due on the 15th day of the 5th month following the end of the tax year (form NP-20) <http://www.in.gov/dor/3506.htm>
- ILLINOIS – due prior to the first day of the corporation's anniversary month each year (form NFP 105.10/105.20) http://www.cyberdriveillinois.com/publications/business_services/nfp.html

State Property Tax Forms and Exemption Applications

- INDIANA – normally due annually by May 15. Some townships require a 103/104 form annually even if there are no changes, or if you have been approved as exempt. Some counties require updated form 136 periodically. Check with your local government agency so that you don't risk this exemption! Forms are available at www.in.gov/dlgf
- ILLINOIS – annually complete Form CDF-7, Commercial Distribution

Fee Sales Tax Exemption Certification – to be renewed every 5 years (search sales tax exemptions at <http://tax.illinois.gov/publications>)

Secretary of State Business Entity Report

- INDIANA – due annually the month in which the corporation was formed <http://www.in.gov/sos/business/2427.htm>
- ILLINOIS – due by the 1st of the anniversary month in which the corporation was formed each year (Domestic/Foreign Corporation Annual Report – form C54) http://www.cyberdriveillinois.com/departments/business_services/business_not-for-profit/home.html

State Department of Revenue (report of payroll earnings and withholdings)

If your organization has employees (a pastor is an employee), the organization must file the Employer's Quarterly Tax Return

- INDIANA – form 941 due quarterly
- ILLINOIS - form IL-941 due quarterly. Instructions are available online at <http://tax.illinois.gov/taxforms/withholding/prioryears/il-941.pdf> and IRS instructions are available at <http://www.irs.gov/pub/irs-pdf/i941.pdf>. The form is available online at <http://tax.illinois.gov/TaxForms/Withholding/2015/IL-941.htm>.

While every attempt has been made to ensure the accuracy of the information presented here, no guarantee is given. Be sure to seek the advice and assistance of a qualified tax preparer for your needs.