Understanding Apportionments

For current Yellowstone Conference Churches

The current Yellowstone Conference method for determining Mission Shares/Connectional Giving/Apportionments is based on a formula that relies on two primary factors, a two-year average of operating expenses and a three-year average in membership. Both the amount of money spent by the church and the number of members the church has affect the amount it is apportioned. The amount is calculated by the conference based on year end reports and allocated for the following year. Meaning, your 2018 apportionments are calculated based on data from 2014-2016. Our current system is very slow to adjust to any changes happening at the local church.

In the proposed new conference, Mission Shares/Connectional Giving/Apportionments is based on a single factor - *Adjusted Gross Revenue* - which is calculated and paid on a monthly basis. It is both simpler to understand and far more responsive.

Some estimations done based on year end reporting show most Yellowstone Conference churches currently pay more than 13% of their income on apportionments with the average above 14%.

If the Mountain Sky Conference is approved the new system for apportioning churches will start January 2019. There will be many opportunities for Yellowstone Conference local church treasurers, finance committees, and pastors to get trained on the new system this fall. This way of apportioning has been in effect in the Rocky Mountain Conference for almost ten years so there are well developed systems of support available.

The Proposed Apportionment Rules

Church Mission Shares/Connectional Giving

The Church Mission Shares/Connectional Giving funding for the Mountain Sky Conference budget shall be a percentage of local church Adjusted Gross Revenue. The Mission Shares/ Connectional Giving percentage will be determined annually by the Conference Council on Finance and Administration.

For 2019 Church Mission Shares/Connectional Giving for a local church is 13% of Adjusted Gross Revenue. Churches will need to comply by fully reporting Gross Revenue and the allowable exclusions monthly.

Adjusted Gross Revenue is local church Gross Revenue less the following exclusions:

- Capital campaign income;
- Endowment donations;
- Bequest donations used for capital items or other non-operating expenses;
- Tuition received for services;
- Costs of goods sold for fund-raising;
- Funds restricted by donors to be passed through to other charitable organizations;
- Grants received from an organization of The United Methodist connection or approved by the Conference Treasurer;
- Cash expenditures to support new church growth initiatives approved by both New Church Development Committee and the Cabinet.

Special circumstances that a local church believes should result in an exclusion from Gross Revenue may be requested to be reviewed for decision by the Conference Treasurer.

Definitions

Gross Revenue is ALL revenue received by the local church: offerings, donations, fees, rents, bequests, distributions from endowment funds, memorials, pledges, and tithe payments, whether by cash, credit card, check, stock, or transfer of assets.

Adjusted Gross Revenue is Gross Revenue less capital campaign income, endowment donations, bequest donations used for capital items or other non-operating expenses, funds restricted by donors to be passed through to other charitable organizations, tuition received for services, costs of goods sold for fund- raising, grants received from an organization of the United Methodist connection, and approved cash expenditures to support new church growth initiatives. Adjusted Gross Revenue is the basis for calculating Church Mission Shares/Connectional Giving.

Church Mission Shares/Connectional Giving is thirteen percent (13%) of Adjusted Gross Revenue for a local church.

Capital Campaign Income is money received from campaigns that are defined as significant, short term fund-raising efforts for a stated project, such as a building, debt retirement, or special project with a useful life of at least ten years. Such campaigns usually have a campaign committee and may employ a professional fundraiser. The campaign normally lasts for a short time, however the donations to the campaign typically span a period of three to five years.
Costs of such a campaign including professional fundraiser expenses do not qualify for a “Costs or Goods Sold for Fund Raising” deduction since the revenue from the Stated Capital Campaign is already deductible from Gross Revenue.

Endowment Donations are donations by persons that are intended to become a part of an Endowment Fund. Such donations are often in the form of a bequest or memorial or may be a gift from an individual or an estate. An Endowment is a gift which should never be spent. It is designed to be invested and produce earnings. A contribution to an Endowment Fund should be included in Gross Revenue and then deducted as an Endowment Donation. Note: When distributions from the earnings on the Endowment Fund are given to the church, the amount received by the church is to be included in Gross Revenue and is subject to Mission Shares/Connectional Giving.

Bequest Donations Used for Capital Items or Other Non-Operating Expenses refers to non-Endowment donations received when the church is named as a beneficiary in a will or trust. The portion of these donations used for local church operating expenses is subject to Mission Shares/Connectional Giving. The portion that is not used for operating expenses should be deducted.

Restricted Pass-through Donations are non-operating funds that donors have restricted for transfer to charitable organizations outside the local church. The church collects these donations and then forwards them to the recipient charitable organization. Such donor-restricted donations are not under the control of, or use by, the local church and are not to be included in the basis for the Church Mission Shares/Connectional Giving.

Tuition Received for Services are payments made to the church for services provided at the church such as pre-school, child care, elder care, or other similar services. Normally such services are budgeted separately, usually by a non-profit organization affiliated with the church.

Costs of Goods Sold for Fund-Raising are those costs paid to purchase items sold to raise funds for the church through a special project or event. Typical examples include the discounted purchase and resale at face value of gift cards or the cost of food and supplies for a fund-raising dinner. Costs of goods sold for fund-raising are deducted from gross funds received as a result of the fund raising activity and only the net proceeds should be used in calculating the Church Mission Shares/Connectional Giving. For example, if 10 gift cards are sold for $1,000 and had a purchase price of $950, then $1,000 would be included in Gross Revenue and $950 would be deducted as a Costs of Goods Sold for Fund Raising.

Grants received from an organization of the United Methodist connection such as a New Church Development Grant from the Mountain Sky Conference may be deducted from Gross Revenue.

Support for Growth Initiatives includes actual cash expenditures made by the church to support a new church growth initiative, and are an allowable deduction from Gross Revenue. Individual churches may take this exclusion only with the prior approval of the Conference New Church Development Committee and the Cabinet.