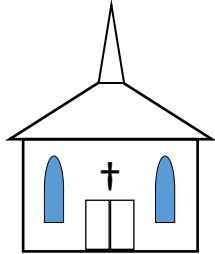


COMPASS Matching Grants: How do they work?

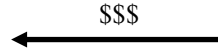
- 1.** Pastor enrolls in the COMPASS Journey or the COMPASS Quest program.

2.



Local church establishes a Ministerial Excellence Fund (MEF) for the pastor's grant.

- 3.** Upon completion of the COMPASS program, the COMPASS Initiative sends a check to the local church, matching the amount raised in their MEF.



Up to \$5,000 for the Journey
Up to \$1,000 for the Quest

NOTE: All MEF funds and matching grant funds are exempt from denominational allocations.

- 4.** Local church disburses all MEF funds and matching grant.



Debt relief funds are given directly to the pastor.

NOTE: This is taxable income for the pastor.

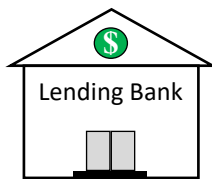
OR

Retirement funds are sent directly to pastor's Fidelity 403(b) account at Pensions and Benefits USA as an employer salary addition.

NOTE: This is non-taxable income for the pastor.

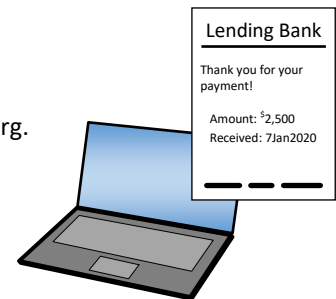


- 5.** Pastor uses grant money to pay down personal debts or student loans.



- 6.** Pastor emails copies of payment receipts to:

COMPASS@nazarene.org.



- 7.** Taxes



- a.** Local church reports grant income on pastor's W-2 or 1099.

Taxable Income: Debt relief funds

Nontaxable Income: Retirement contribution.

- b.** Pastor pays taxes on the debt relief portion of the grant money.

Matching Grant Disbursement Instructions - USA

Important details to note:

1. The matching grant must be handled as income for the church; however, these particular funds will not increase the church's denominational allocations. The Board of General Superintendents has granted an exemption for all COMPASS grant funds, so they should be handled as "Point to Point Giving."
2. The church must disburse all COMPASS grant funds within 30 days of receipt of the matching grant. This includes the base grant from the local church, if it has not already been disbursed.
3. The minister is responsible for any associated taxes related to receiving a grant.
4. Grant for Debt Relief
 - The church must disburse the grant funds that the minister will use for personal debt payments as regular taxable income for the pastor.
 - The minister must use these disbursed grant funds to make payments on his or her student loans or other debts within 30 days of receipt of funds.
5. Grant for Retirement Savings
 - The church must disburse the grant funds that the pastor will use for retirement savings directly into the minister's Nazarene Fidelity 403(b) retirement account through Pensions & Benefits USA.
 - This contribution must be coded as a pre-tax "employer salary addition."
 - The church must also report these grant funds on the minister's tax forms with code E as non-taxable income.
6. Payment Confirmation
 - The minister must send the debt payment confirmations to COMPASS@nazarene.org within 30 days of payment.
 - The COMPASS Initiative will confirm the additional 403(b) contribution directly with Nazarene Pensions & Benefits.

If you have any additional questions or concerns, please contact Bonnie Beam bbeam@nazarene.org or (913) 577-2715, or Pensions & Benefits USA at (888) 888-4656.