The Church Treasurer's Manual

This Manual is produced for the use of the
Church Treasurers
with some added information for
Churches within the PCUSA.

Revised in 2020 by Edd Breeden
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This manual is intended as a reference guide to help you when you have questions. It is recommended that all Church Treasurers keep up to date on changes in the laws and policies as they do change from time to time and vary from state to state.

If at any time you find an error in spelling, grammar, content, or if you have thoughts on something that should be included in this manual, you have another way to do something and want to share it with others, etc. please email eddbreeden@gmail.com with what you have found so that we can keep the Manual as accurate, complete and helpful as possible.

Important Disclaimer

While this manual is provided in the hope it will assist you generally in answering questions, *this document does not attempt to render legal, accounting, or other professional advice or services* to you. Please consult a competent professional attorney or tax advisor who is familiar with your local and state non-profit laws and policies.

THE CHURCH TREASURER'S MANUAL

By Edd Breeden

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(Note: Companion Volumes by Edd Breeden are available on Amazon:
The Handbook for Church Treasurer's
and
The Volunteer's Audit Guide for Church's & Other Non-Profits, A Step-by-Step workbook for internal reviews of non-profit organizations.

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ABOUT THE AUTHOR, EDD BREEDEN

Edd received his Master of Divinity degree from Fuller Theological Seminary, Pasadena, CA. in 1974 and has pastored Presbyterian Churches in Minnesota and California since that time. His emphasis in seminary centered on Biblical languages and Bible Study and has continued through the years to seek a deeper understanding of the Scriptures. At times teaching four to five Bible studies each week, Edd has a solid grasp of the teachings found in the Scriptures and an ability to clearly unpack the meanings and applications for those who listen.

He lives in Danville, CA, with his wife. Married in 1968, they have four children and nine living grandchildren and love spending time with family and friends.

Edd grew up as an Air Force Brat, living in Ohio, Louisiana, Puerto Rico, and California. He attended Santa Barbara City College and later graduated from the University of California at Santa Barbara in 1970 with a bachelor's degree in mathematics.

He worked for a few years as a financial consultant from 1998 to 2002 and has been a licensed Tax Preparer since 2006. He is very familiar with the Financial side of Church work and brings his expertise to this manual. Originally written in 2004, Edd has periodically updated the Manual since 2009.

Edd is the author of a variety of books available online, including ***the Drunken Preacher***, an autobiography originally written for his kids and grandkids. His recent publication of Jesus; HisStory is a current language rendition of the gospels and acts. He has also written, as you can see from the titles on the next page, Biblical Commentaries on a number of Books of the Bible, Study Guides, Books on Topics of interest to Christians and Resources for Pastors.

He loves to write, teach, read, play golf, and listen to Country Western Music.

OTHER BOOKS BY EDD BREEDEN

Available in paperback and digital format.

- **Christian Living Titles.**
  - Discipleship Training Manual.
  - Prayer, A Practical Guide to Spending Time with God.
  - Unmasked and Loved, A Resource for Peer-Counselors, Co-Authored with the late Zelpha Blythe-Persson.
- **Commentaries.**
  - 40 Mornings with the Apostle John, A Study of the Revelations 1-3.
  - Ephesians Amplified.
  - Galatians Amplified.
  - Philippians Amplified.
  - Generous Living, Jesus Teaches about Wealth.
    - Vol. 1, Matthew. & Vol. 2, Matthew.
- **Study Guides, Bible Studies.**
  - Advent Study Guides.
  - 31 Days in December, A Christmas Devotional.
- **Pastor Helps.**
  - Christmas Eve Candlelight Service.
  - Christmas Sermons, Vol. 1, and Vol. 2
  - Worship Services for Special Occasions, Baker House Publishers, out of print.
  - Money, Money, Money Pt.2, Help for Stewardship preaching.
- **Church Helps**
  - Church Treasurer's Manual
  - The Handbook for Church Treasurers
  - The Volunteer's Audit Guide for Churches and Other Non-Profits
- **Basic Finances**
  - Grandson, Let's Talk about Money
  - Granddaughter, Let's Talk about Money
  - ***Money, Money, Money, What the New Testament teaches.***
- **Autobiographical**
  - The Drunken Preacher
- New Testament
  - Jesus, HisStory and Jesus, Letters from His friends

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INTRODUCTION

Welcome to Life as a Church Treasurer

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Practically speaking, the elected Treasurer should be the central contact for all Church finances. While the Treasurer may have a Financial Team surrounding them, they become the primary point of contact and oversight in all financial areas of the Church.

Depending on your Church's By-Laws, the Treasurer is elected by the Board or by the congregation and usually works for the Board. In this role, she or he serves to direct the Finance Committee and the rest of the Financial Team of the Church.

Above all the Treasurer is trusted to keep all of the financial information confidential except to the extent that the Board needs to know, or they authorize the Treasurer to disclose certain information to someone else.

The Table of Contents is designed as a list of responsibilities for the Treasurer. You will also find a List of Typical Treasurer Responsibilities in the Appendix of this Manual.

Your Church might not be doing or need to do all the items listed, but it would be helpful for you to be familiar with the total scope of Church finances as you and your team oversee the financial ministry of your congregation.

In states where the Church is a corporation, the Treasurer of the Church is usually also the Treasurer of the corporation. It is the responsibility of the Treasurer in consultation with the Secretary of the Board to create or maintain a current corporation status for the Church through updated filings and payment of required fees.

The Treasurer should be prepared to attend any committee or Board meeting when invited and also present at those meetings reports and recommendations in regards to the budget and Church's financial matters that pertain to that committee or group. (Be sure you communicate with the Board before you disclose information to a committee that does not directly pertain to their role.)

The Treasurer should be sure that at least one other authorized individual knows how to access all aspects of the financial information in case of an emergency need, when the Treasurer is out of town or unable to continue serving for some period of time.

Do not let me scare you off. I want you to succeed and be a blessing to God and to your Church. This Manual is designed to provide very practical help for you as you take on this important role in the life of the Church.

Blessings on you for your willingness to serve God is this way.

GENERAL RESPONSIBILITIES

NOTE: Companion Volumes by Edd Breeden include:

The Handbook for Church Treasurer's, a condensed version of this Manual for easy reference. and

The Volunteer's Audit Guide for Churches & Other Non-Profits, A Step-by-Step Workbook for Internal Reviews of Non-Profit Organizations.

If you find that something is missing from the Handbook or the Manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com. Please let us know your suggestions to make these resources better. Thank you.

Each time the congregation meets someone should announce, "the great programs of this church would not be possible without your generous contributions. We thank you for being so faithful and gracious."

Chapter One

Introduction to Church Finances

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Many functions of the Church have financial implications: contributions, ministries, missions, budgets, fundraising, personnel, insurance, taxes, investments, endowments, loans, and grants are the obvious ones, but programs cannot run smoothly without the financial support to make things happen. Well done, Treasurer, you have a great role to play. Hopefully, this Manual will help you carry out the necessary tasks with the least amount of anxiety.

Whether you are a volunteer or a seasoned financial officer you are placed in this position because of a great amount of trust in you as a person and in your reputation. Trust goes a long way to support you in your role, but it does not provide you with the expertise and training needed to carry out the job. This Manual is designed to give you a comprehensive training in how you might carry out the specific tasks you take on as the Treasurer.

If you feel you need a small reference guide to refresh your memory of some of the tasks, **The Handbook for Church Treasurers** is the "little brother" to this Manual. Both are available on Amazon.com, either as a download or a printed version.

If you find that something is missing from the Handbook or the Manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com. Please let us know your suggestions to make this resource better. Thank you.

The Treasurer

As mentioned in the Introduction, the Treasurer usually is the single person in the Church who oversees all the financial workings in the Church. You might not have to do all the work, if you have a Financial Team around you, but you will be the person the Board looks to for all the financial and legal issues related to operating a Church corporation.

Hopefully, you have a Financial Team to help you. A full team would consist of a Finance Committee, and a variety of people to help with the bookkeeping tasks as well as other aspects of the finances. In Churches, the team also consists of the ushers, those who count the weekly offerings, and the record keepers. Depending on the number of people you have working on this team, you will have the freedom to dole out some of the functions we talk about in this Manual; but all of them will need to be supervised by someone and that "someone" usually is the Treasurer.

This Manual provides a general overview of the jobs and additional resources to help you carry out the role. In many ways, the role of Treasurer is one of the most important roles in the Church because without a good financial support system the Church cannot move ahead with the mission work of the congregation.

It would, however, be impossible with one publication to answer every question that you might have. Every attempt has been made to give you information that will be practically helpful and the additional resources for more in-depth information and legal opinion. PLEASE seek out these additional resources and USE them if you need further assistance. If you find that something is missing from this manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com.

Each Church has its own unique characteristics, and this manual will give you a starting point from which you can adapt the information for your specific needs.

The resources and appendix of forms are current as of the latest revision of this manual (See revision date on the title pages). Where possible the location of forms on the internet will be noted; but realize the author has no ability to govern how a particular website might change their paging or content. Therefore, before you use a form that is printed in this Manual, please seek to find the most current version on the website of the listed agency.

NOW would be a good time to take a stroll through the list of Resources in Chapter Sixty-Four and the titles in the Appendix so that you will have an idea of what is available as you continue to read this Manual.

If your Church is part of a larger national group, consult their documents and resources to make sure you are operating in line with their guidelines.

Generally Accepted Accounting Procedures (GAAP)

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The GAAP are designed for Non-Profits and Churches that have a legal obligation to report in detail to their constituents, shareholders, partners and members. Churches would do well to follow these guidelines as much as possible so people who normally read for-profit financial reports will not be confused by the way the Church reports its financial information.

At the same time, it does make sense for Churches to report financial data in a form that makes the financial picture clearer to the Board and to the membership. The goal of most Church financial reporting is to communicate with the membership. GAAP format communicates clearly to those who are familiar with accounting and banking reports, like bankers and accountants. However, the average Church member is not always comfortable with spreadsheets and line-item budgets and traditional financial reporting.

If the Church is planning a building project or in need of a loan from a banking institution, they might have a need to rearrange their reporting to fit GAAP standards, since the banks are most familiar with that format. This might be the time for the Church to contact an accountant for an Audit or at least a Review that will convert the Churches reports into GAAP formatting.

You can find more information about GAAP on Wikipedia or on the website for the Financial Accounting Standards Board (FASB); this is the organization that develops, and revises GAAP as needed.

Chapter Two

The Financial Team

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The Financial Team consists of the people who have a responsibility over the flow of money and the physical assets of the Church, i.e. contributions, bank accounts, budgets, spending, buildings, etc.

This Team may only be the Treasurer in a small congregation and might consist of twenty people in a larger congregation. This group, regardless of how many people are involved, serve the Church under the guidance of the Treasurer, in most cases, who directly reports to the Board.

The Board confirms and authorizes all changes in policies, and the Treasurer implements those policies.

So, you understand the terms in this Manual, the following is a list of the members of the Financial Team and their functions. Your Church might give these positions different names or assign the tasks to different people, but all these functions will need to be incorporated into the work of the Treasurer and the Financial Team.

This Team keeps the financial work of the Church running smoothly, providing the basis for the internal controls to minimize opportunities for things to slip through the cracks.

A Full Team consists of the following functions:

Treasurer: the point person overseeing the financial operations of the Church. Typically, the Treasurer will review the record keeping, revenues, disbursements, the giving records, make sure people have statements of their contributions, reconcile the accounts regularly and make reports to the Church board and membership, and all of the necessary denominational and governmental reporting required of the Church.

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Finance Committee: designated by the Church or the Board to assist the Treasurer with oversight of the business side of the Church. This group might also be the Trustees of the Corporation. They might have the responsibility from the By-Laws to make sure the Church uses good procedures when handling the money and assets of the Church. This Committee recommends to the Board which bank and investment accounts need to be opened or closed. They can also have legal responsibility for the Physical Assets of the congregation. Usually the Church has a Property Committee (might be called Buildings and Grounds) which takes care of the maintenance around the physical property.

The role of the Finance Committee can be different from Church to Church. Some Churches place the responsibility of the financial affairs in the hands of the Treasurer, and the Finance Committee helps the Treasurer. In this case a Treasurer is at least a member of the Finance Committee if not its chairperson. Other Churches have the responsibility of the financial affairs of the Church in the hands of the Finance Committee, and the Treasurer helps them carry out their functions. In this case the Treasurer can be a member of the Finance Committee or an ex-officio member of the committee. For the purposes of this Manual, the responsibility rests in the Treasurer and the Finance Committee is the support helper in the work of the financial affairs of the Church.

The Finance Committee is organized to support the Treasurer in implementing the various financial policies of the Board. They can help the Treasurer in the budget development, overseeing investments, developing draft policies for Board approval, selecting and approving the remainder of the Financial Team members. They usually review the current financial report on a monthly (timely) basis and communicate with the Board when things seem out of order or when a group in the Church is reaching the limit of their budget for the year.

The Finance Committee will be the ones who will help the Treasurer keep the financial work of the Church running smoothly. To do so, they will recommend to the Board the various different internal controls, policies and procedures that need to be in place in order to minimize opportunities for things to slip through the cracks.

The Finance Committee usually does not make financial decisions unless they have been authorized to do so by the Board, but they are like the watchdogs who see something amiss and bring it to the attention of the Board. See the Appendix for guidelines in forming a Job Description for the Treasurer and a Job Description for the Finance Committee.

Some Churches expect the Finance Committee to also carry out the role of Stewardship or Fundraising. This is NOT recommended because of the difference between the spiritual gifts and abilities needed to oversee finances and policies and the spiritual gifts and abilities needed to interpret the ministry of the Church in a way that encourages generous giving are vastly different.

A Church with membership less than 75 might find it difficult to have both a Finance Committee and a Stewardship Committee, however, when the

Church reaches an attendance greater than seventy-five, they should think seriously about splitting the function between two committees. In either case, with one committee or two, I recommend the Church have at least one person designated as the chair of the Stewardship program so they can research trends in Stewardship programs and steer the Church towards a program that would meet the needs of the congregation.

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Ushers: The Ushers have the joy of welcoming people to church and helping them find a good seat. They are also the first contact with the offerings in most churches as they pass the plates during the Church services. In most cases the offering is returned to the front of the Church during the worship service, the Treasurer should define clearly who will pick up the offering from the Church. The next step, whether the offering plates are or are not returned to the front during the service, is to make sure they end up in a place of safekeeping until the offering can be counted.

Some Churches will give the Ushers the added responsibility of Counting the money, but most Churches leave that task to the Counters or the Financial Secretary. Having clear guidelines for your Financial Team at your Church is important. Then remember to refresh people's memories regularly as to their jobs and the expectations that are placed upon them.

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Counters: "SUNDAY OFFERINGS" should be counted immediately after the service(s) by two or more persons. It is understandable in a small Church when one person collects the money, deposits the money, enters the information into the computer, writes the checks, and signs the checks, but this should be avoided if at all possible. Four reasons. One, leaving this work in the hands of one person increases the possibility of temptation to do something inappropriate with the money. Two, it produces anxiety in the one person because the whole weight of the Church's finances is on them: not to mention the overload of work on one person. Three, it opens the financial team up to suspicious accusations from the congregation. Four, it opens the Church up to potential fraud.

Counters assigned to count the offering should not be the Treasurer or Financial Secretary, if possible. The Counters will give the Treasurer and the Financial Secretary a copy of the Count Sheet used each week. The Count Sheet should list every contribution to the church by name of donor, type of contribution, amount, fund to which the gift was given (general, youth, building, etc.) The Treasurer will look over the Count Sheet for irregularities. The Financial Secretary will record this information in order to provide contribution statements to each donor at least once per year.

With the use of computer financial software programs, the offerings are often recorded into the accounting program directly; eliminating the Count Sheet used for many years by Churches. This allows the counter to list directly

into the software program, what date, how much, who gave, and for which account. This has eliminated the step of having to write it down and then someone else inputting the information into the accounting system, eliminating a multitude of errors.

The deposit should be taken to the bank for deposit as quickly as possible. However, the Counter should still provide the Treasurer with a copy of the deposit slip and the receipt from the bank for the deposit so the paperwork can be kept with the records. *See Appendix for Procedures for Counting Offerings.*

NOTE: Some members might prefer to pay their pledge on a monthly basis through an automatic debit from their checking account. The Board should seriously consider offering this method of payment. If a member sets up the automatic debit, the Church is assured payment on a regular basis. This might help with cash flow and budget planning. It is also more convenient for the giver and is the way that many people are already making payments to various Churches.

Many other options for money transfer are becoming popular. Some Churches have "buttons" available on their website that allow a person to donate while visiting the website. Others use a "PayPal" or "Venmo" or "Zelle" or other computer payment plan. Some even allow contributions by credit card. All these methods are changing the way people give to the Church and changing the work of the Counters and Financial Secretary. If your Church chooses to use any of these additional methods, please be sure to train the appropriate people in how to retrieve the data needed for the giving records and how to have the money transferred to the appropriate account, when needed.

Also, when choosing a new method or service provider for taking electronic gifts, be sure you can conveniently retrieve from the service the essential information; the date of the gift, the amount of the gift, the name of the giver, and the fund to which the gift is being given.

Most of these services charge a fee for their work and it is usually a percentage fee on each gift. Be sure to credit the full amount of the gift to the donor's records and take the service charge from a bank fees account or some other way of knowing how much it costs the Church to provide this service.

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Record Keepers - Financial Secretary: The Financial Secretary, who may be the same person as the counters, is the person who keeps the records of all donor gifts (offerings) for the purpose of issuing statements in a timely fashion. Remember the information needed for acceptable (IRS) receipts is the date of the gift, the amount, the name of donor, and the fund to which the money was deposited.

With the advent of computers and Church financial software the counting and recording often can be done at the same time. When a smaller Church does not have enough people to have Counters, their work ends up being done by the Financial Secretary. When a Church has both Counters and Financial Secretaries on the Finance Team, they might need to distinguish who does what tasks so that all of the needed work gets done without duplication.

This person is preferably someone other than the Treasurer and should not have authority to sign checks or even have access to the accounting side of the software or books. It is important in trying to protect the Church from incidences of fraud by not having the same person make deposits and also sign checks. When a person can do both, the chance of fraud rises significantly.

At the end of each quarter, in some Churches, the Financial Secretary totals the amounts received for each donor and mails copies of the statements to each person who either makes a pledge or contributes to the Church. Some Churches do not send out quarterly statements, but they are missing an opportunity to encourage donors to learn more of what the church is doing, to rethink their giving, and to possibly increase their amount of regular giving, or catch up on payments they might have missed, etc.

The quarterly statement is also a great opportunity to give the donors a thank you and even a progress report on various programs in the Church. Giving is often more motivated by seeing the fruit of the gift than the feel of obligation to give to the Church or even a need the Church might have. The more often you can thank people and tell them what good things their gifts are doing, the more willing they will be to financially be a part of the Church's life. ***One Church that I have attended makes it clear on a regular basis that the generous giving of the congregation is what makes the programs of the Church possible. You can never say thank you enough.***

Even if the Church does not send out quarterly statements, a year-end statement should be sent to each donor during January of the following year with the summary of all their gifts and pledges. These statements are the only record the donor has for IRS Tax purposes and should be designed with that in mind. More information about what to include on these statements is included at Contribution Receipts/Statements.

For IRS tax purposes, the gift must be recorded as given in the year it was actually received, not the date on the check. The one exception would be a check mailed and post-marked in one year but received early in the next; that check can be included in the donation records of the year the envelope was post-marked. Checks that are back dated to the

previous year and received on the 1st Sunday in January should be counted as contributions for the new year not the year just ended.

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Bookkeepers: The Bookkeeper has a variety of tasks which include receiving the information from the Counters or Financial Secretaries about the weekly deposit, collecting the bills from the mail, paying the bills in a timely fashion, processing reimbursement requests from Church members, making sure things get recorded in the right place in the computer software program and filing the records related to all income and expenses.

Depending on the size of your Church this position could be filled by more than one person, dividing the task into multiple jobs for Accounts Receivable, Accounts Payable, Human Resources, and so on.

In all cases, care should be taken to protect the bookkeeper from shouldering too much responsibility without some help or someone checking in on the process from time to time to have proper checks and balances.

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Building Committee or the Property Committee: This group has a variety of names in Churches and in some situations might be called the Trustees of the Corporation. Their focus is usually on the acquisition and disposal as well as the care and maintenance of all property owned by the Church. The job description can be increased to oversight of all building use as well.

Again, when you have the personnel available, this group should be separate from the Finance Committee since the expertise needed for care and maintenance is often quite different from the financial roles of overseeing the budgets and investments of the Church, i.e., the dollars and cents, and the documentation of the Church's finances and obligations.

Fundraising, Stewardship, Generosity Committee: Part of the financial network or team of a Church includes the role of fundraising. Since the raising of funds, often called Stewardship, requires different spiritual gifts from financial oversight, it is recommended to have a separate group of people to do this role; a Stewardship Committee or Generosity Committee as they are now becoming known as.

"Fundraising is best done by extroverted storytellers rather than by introverted spreadsheet lovers." Now, that might be a bit overstated, but the statement is used to emphasize the differences. Fundraising requires gathering and disseminating information about the Church's programs, the impact they are having on individual people, and the vision the various programs have for the future. These are the stories that motivate people to give generously towards God's ministry. As well, the Generosity Committee might need pastoral guidance, and they are called on to interpret and teach the Scriptural

instructions as to why and how generous giving is a spiritual discipline that benefits the giver more than the organization they give to. By contrast, the Finance Committee takes the facts of the income and disbursements and oversees the reporting and controls the money.

The newer programs for Stewardship in the Church involve a year-round training so that the members learn about the teachings of Jesus regarding money and how their giving impacts the work of the Church. Many people who are in the "older" generation learned to give to the Church out of obligation. The Church was their favored institution, and it required sacrifice on the part of the members to support the expenses of having the organization. Younger people have a desire to see that their giving to the Church is making a difference. Either in their own lives because Jesus taught that giving benefits the giver but mostly in realizing that their giving to the Church is helping to change lives; both spiritually and practically.

This new focus on generosity requires Stewardship training to be done by people who love to tell the stories of what is happening in the Church's programs and how they are making a big difference in people's lives.

Chapter Three

A System of Record Keeping

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Financial records should be as simple as possible depending upon the size of the Church and its assets. A Church with several buildings plus a large number of special funds and projects would of necessity use a more complex method than another Church which has one building and no special funds.

Your Church might also have Treasurers of other groups (Example: Sunday School Class Fund, or Women's Ministry), Financial Secretaries, and Counters all reporting to the Treasurer and Finance Committee. All these records should be kept in a secure location; a fire-proof filing cabinet is preferred. Just a reminder, the Treasurer, under the Board, is responsible for all financial information, records, based on the total revenue and total expenditures of the Church regardless of which Funds or sub organizations are involved.

The Treasurer should maintain a "filing system" of some sort that includes the paper trail of the inflow and outflow of monies of the Church, including all the permanent records of financial and property transactions. This might include the appropriate personnel records, unless they are being handled by the Personnel Committee of the Church.

The Treasurer should file a copy of all financial reports in the Church office so members can come to the office and review the latest statements. Other records could include the information about restricted funds; when they were given, who gave them, what they are to be used for and what happens to any monies left over. A complete list of records that need to be kept and how long a Church should hold on to the records is found in the Appendix. I have included the Suggested List of Records Retention list in two formats; one, listed alphabetically by record; two, listed by length of time to keep.

FINANCIAL RECORDS

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The computer bookkeeping systems will have a record of the contributions of members and other inflow of money as well as the checks that have been written to pay the various expenses of the congregation. (Be sure to

back up the financial software regularly and keep the backup files off site of the Church or in the Cloud.)

But beyond the computer bookkeeping system the Treasurer should maintain files related to this year's receipts and expenditures. This might include Count Sheets used by the weekly Counters, deposit records including the actual deposit slip from the bank, all copies of bills and corresponding checks written, and printout of bills paid online directly from your bank.

The expense files can be kept separated by months of the year or by individual vendors depending on how many checks your Church writes in any given month. I personally prefer the Vendor method because I usually have to go looking for something by the name of the vendor rather than a particular date.

With the changing of times, many financial records can be backed up onto "the Cloud." Whichever form of the cloud you choose to use, it would be helpful for you to also have a hard copy of your backup somewhere away from the finance office in case of fire or another major catastrophe.

PERSONNEL RECORDS

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As mentioned earlier, if the Board does not designate this responsibility to the Personnel Committee, the Treasurer should also maintain a set of personnel files related to all employees of the Church. Each employee should have an individual file with their information that includes their date of hire and termination, salary, evaluations, raises, and all paperwork necessary for payroll including their W-4 or W-9 information, the I-9 identification, etcetera. These files should include the paperwork for annual or more often personnel reviews and copies of letters related to their performance and decisions of the Board or Personnel Committee about their status. Note: Personnel files should be kept in a locked cabinet that at least two people have access to, but most people cannot access. For more detail on Personnel files please see Personnel Files.

PERMENANT RECORDS

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Permanent records include records of the Corporation, Articles of Incorporation, By-Laws, Annual Statement of Information filings, Filings of Religious and Welfare Exemptions, and Business Property Forms. In addition to Corporation paperwork, deeds of property, records of purchases, sales and upgrades of equipment, insurance policies, bank account and loan applications, equipment manuals, leases, auto registrations, etc. These records should be kept related to any assets that will be more permanent to the Church than a short-term usage (i.e., bills, payments, etc.) Some of these permanent records can be disposed of after a number of years or when the

product expires or is sold. For more information on how long to keep records you should refer to Suggestions for Records Retention in the Appendix. I have included the Suggested List of Records Retention list in two formats; one, listed alphabetically by record; two, listed by length of time to keep.

Permanent records need to be kept in a fire/theft protected safe or a bank safety deposit box. (Be sure the Board/Church gives authority to at least two people to enter the safe and safety deposit box, in case of one not being available when needed). The Treasurer will keep a current record in a safe location available to all authorized people.

VITAL INFORMATION

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The Treasurer should keep a folder under lock and key with all essential information for the Church regarding the finances: (It would be helpful to keep a copy in the safe or safety deposit box off site. ***Do not have this list on a computer file on your computer where it is susceptible to hacking. Note: when you type a file on your computer and then delete it, the data you have typed is not always deleted, just the direction in the computer to where to find the information. Please hand write these lists and store them in a safe place.***)

Be sure to adjust the information anytime you open new accounts, close accounts, change passwords, receive new restricted funds, etc.

- Federal ID#.
- State ID#s – Tax Exempt, State Withholding #, Local Withholding #.
- Bank(s), account number(s), online ID names and passwords.
- Investment firm , contact and phone # - Include any account numbers, passwords, and online ids.
- Loan information – how financed, account #, rate, term, secured by, payment information, etc. Include dates when started.
- Documents from all contributions that resulted in creating a restricted fund, including the name of the giver(s), the purpose of the fund, whether the principal can be used, under what conditions, how the money can be spent and the length of time the Church should maintain this fund. Much of this information should be reported annually to the Board and the membership to help the congregation remember the purpose of the fund and the terms of its use. For more information on Restricted Funds see Restricted Funds.
- List of Church software being used including version, serial numbers, secure passwords, and support phone numbers. Be sure to update this information every time a software or password is changed.
- Copies of all equipment invoices (particularly computer equipment and copiers), including serial numbers, date of purchase, cost, and warranty information.

- List of phone numbers/websites/ passwords, etc. used in the Treasurer's work, bank, investment firm, local and state tax office(s).
- Any other pertinent info for your congregation.

Chapter Four

Financial Policies and Procedures

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Most Churches function in the area of finances by the seat of their pants assuming everyone in a volunteer position knows what they should be doing and also knows how to do it correctly. If that were truly the case, there would be little need for a Manual like this one. One way to help the people on your Financial Team know how your Church wishes to do things is to have a Policies and Procedures Manual designed specifically for your Church.

A Policies and Procedures Manual would include the Job Descriptions for all of the positions, the various different policies needed for your Church, procedures you would like people to follow when counting the money, sending receipts, writing checks, and what are the internal controls your Church would like to have in place to avoid the possibility of fraud or misappropriation of finances.

The Policies and Procedures Manual would be written and prepared by the Finance Committee and presented to the Board for approval. Then the Treasurer and the Committee will proceed to implement the working of the policies and procedures. Obviously, a smaller Church might have less in their Manual, but it would still be helpful for all Treasurers of all Churches to be familiar with the kinds of policies and procedures that ought to be in place to protect the Church from fraud and to shield themselves from temptation, greed, or accusation.

POLICIES

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Policies do not need to be lengthy and in some fancy format; just a paragraph on a piece of paper in the Policies and Procedures Manual will do. Having something in writing and dated will help when something comes up and you will wish you had a policy in place. The policies that Churches could have in place would include the following: (Samples of all will be found in the Appendix.)

- An Accountable Expense Reimbursement Policy describing what the Church will reimburse for employee expenses and how the employee can obtain that reimbursement. If not followed according to the Policy, the employee might find the reimbursement becomes additional income on their tax return records; W2. For example, if a check is paid to an individual, or a credit card charge is allowed, and the individual has not provided sufficient documentation to warrant the expense being "tax deductible," the check issued might need to be considered taxable income to the person receiving the check. These concerns are not just being fussy but governed by IRS tax laws and local employment laws and handling them wrongly can jeopardize the Church's tax-exempt status.
- A Benevolence Policy describing how the Church will receive money to give away to the needy in the community and what evidence the Church or Benevolence Committee might need before giving away the funds.
- A Cash Disbursement Policy or Check Writing and Signing Policy describing what authorization the Treasurer or Bookkeeper might need before they can write disbursement checks including who needs to give authorization for any expense. This might include a need for a filled-out Disbursement / Reimbursement Form and authorized signatures before a check can be written.
- A Check Writing/Signing Policy defining who is authorized by the Board to write checks, sign checks, and authorize electronic expenditures. The preference is to have at least two unrelated people, one preparing the check, and the other signing or authorizing the expense after it has been written/prepared, and before it is sent.
- A Conflict of Interest Policy describing what the Church means by conflict of interest and who can and cannot be called upon to do various tasks around the Church because of potential conflicts like relationships, backgrounds, etc. Obviously, the Church can write this policy in such a way as to allow family and relatives to help the Church with work, but caution should be used and people voting on these projects or expenditures who have potential conflicts should make the conflict known and recuse themselves from the discussion and the vote if necessary.
- A Credit Card Reimbursement Policy defining how credit card charges are verified by the people using the card. All receipts should be attached to the bills and the person charging should let the bookkeeper know the account which should be charged. Note: any charges of a personal nature should not be allowed and if they are made should be reimbursed to the Church within 30 days.
- An Ethics Policy describing how leaders in a congregation should be thinking first and foremost about the Church and the witness of Jesus Christ in all they do. How the leaders would do well to handle themselves with integrity in all their dealings with Church members and with the community.

- A Financial Review or Audit policy would include information on when a Financial Review or Audit would be necessary, who will select the committee or Auditor, and what is a reasonable amount of time for the review to be accomplished.
- A Gift Acceptance Policy which clearly defines the kinds of gifts that might be acceptable, which Restricted funds the Board is currently maintaining, how a giver might designate money to a different fund, and how long the Board will wait before they will use the money remaining in the fund on other projects.
- An Investment Policy describing what investment vehicles the Church can use for investing, what accounts can be opened and by whom, who is authorized to do any change of investments and or accounts. Also, the Investment Policy might include what the Church determines will be the "income" of the Investments and how much of that "income" can be spent in a given year for the various programs and projects of the Church.
- A Property Use Policy, including provisions for purchasing and selling as well as use by members and non-members. This policy would make provisions for people outside the congregation to use the facilities for short- or long-term use. The policy should include proper lease forms and a table of charges.
- A Personnel Policy describing all the benefits the Church offers to employees like vacations, sick leave, medical insurance, retirement plans, wages, grievances, etc. The Personnel Policy Manual would include hiring policies and practices which include drug testing, background checks, and the need to contact provided references. This Policy might also include the need for all staff, officers, and appropriate volunteers be trained in "safe Church practices" to prevent abuses of any type.

PROCEDURES

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This would include, but not be limited to, the following types of lists or information.

- Some practice to make sure no one person handles all aspects of a transaction from beginning to end, I.E., collects the money, counts the money, deposits the money, and writes the checks. You don't want a person writing their own paycheck or authorizing their own reimbursement check. (See information on Financial Secretary)
- The assurance that all cash receipts are deposited and recorded immediately. No later than the first banking day after Sunday or the Church event where the money was collected. Procedures for Counting Offerings.
- A Procedures for Counting Offerings describing the procedures the Church would like to have the counters follow to protect counters &

prevent fraud. These procedures need to be encouraged regularly and consistently. (See a sample in the Appendix)

- Deposits should be made daily if necessary or at a minimum weekly. Minimize the time that un-deposited checks / money sits around the Church. Even if you believe the amount is too small to deposit and want to wait for more money to come in, it is better to deposit the money regularly and not wait.
- Use duplicate deposit tickets, retain copies in the office, and keep all bank deposit receipts in a file with other financial records.
- Some way of defining who are and who are not the authorized signers on checking, savings, and investment accounts. These need to be approved by the Board and updated annually or at least every time a change has been made.
- A way to have all expenses approved by the chair of the committee under which the expense is made before the check is written. A written request form can be used that delineates who is requesting the money, for what reason, who is the check to be written to, where mailed, the amount of the check, and the accounts which the money is coming out of. See the Cash Disbursement Request Form in the Appendix.
- The requirement of having receipts for all petty cash expenditures.
- The use of serially numbered checks, sales receipts, purchase invoices, tickets, purchase orders, receiving reports, and debit or credit memos for all expenses to avoid fraud.
- Transactions be entered into the computer software program regularly, at least monthly, so that reports can be generated for each Board meeting. If you are still using a paper accounting system, subsidiary ledgers should be balanced to the general ledger accounts on a regular basis, at least monthly.
- The opening and review of Bank statements and cancelled checks on a monthly basis and reviewed by someone who is not a payee and /or not authorized to sign checks.
- The reconciliation of all accounts, banking, savings, investment, each month and updated in the computer system.
- Use of a Budget or forecast to detect whether goals are achieved.
- Review comparative financial statements in sufficient detail every month to disclose significant variations in revenue and expenses. This means the Finance Committee, or the Board, should see a detailed report of accounts, similar to a comparative Profit and Loss Statement, and a comparative Balance Sheet at each regular meeting.
- Investigate unusual items as soon as they arise, such as checks to unfamiliar vendors, checks for larger than normal amounts, and checks to or by employees or other insiders. If something is amiss, ask, “what happened and why?”
- The need for each employee to have a Job Description and receive an annual job performance review.

- It is essential that records are retained. See more about "Record Keeping" in Chapter 3. Also, the Appendix has recommendations for how long to retain records; and the lists are compiled both in Alphabetical Order and in the length of time to keep.

Chapter Five

Bookkeeping

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Software

With the arrival of the *computer and accounting software* most Churches have left behind the double entry "books" and begun to include all their accounting on the computer. In the past few years many of these alternatives have been reduced in price, and even eliminated the need for future upgrades by going to cloud based computing with a monthly charge. The Treasurer should be familiar with these options and not be afraid of changing to something that will suit your congregation better, rather than staying with an antiquated (even 3-year-old!) system that costs more than it should and does not work comfortably for your volunteers.

Some Churches prefer to use an official Church accounting software like ACS®, Shelby®, PowerChurch®, and Servant Keeper® to keep records of contributions and expenditures within strict accounting journals. Others prefer to use a more simplified checkbook program like Quicken® or QuickBooks®. Most of these software packages offer a place to keep track of income and expenses and they also offer a way to keep track of member giving. You can also choose to have a different software package that is designed specifically to track contributions to the Church and use it in conjunction with the accounting software. Whichever you choose, find a method that works well for your congregation and the staff or volunteers who need to work with it.

Accounting type software programs, like ACS®, Shelby®, PowerChurch®, CDM® and Servant Keeper® offer you strict parameters within guidelines that make accountants happy. These programs work well for experienced bookkeepers and larger Churches (over 150 members), and they usually cost quite a bit more than the more user friendly and popular programs.

Bookkeeping type software programs, like QuickBooks® or Quicken® provide a more simplified program for volunteers to work with. I have used these programs successfully for years with Churches as large as 150 to 200 giving units. You can track all the contributions, other income, and disbursements easily.

As I mentioned already, you will also find a number of software programs on the market designed just for keeping track of contributions and producing

statements. When you use a separate program like this, you will have the added step of entering the weekly deposits into the accounting system you are using. Rather than entering items one check at a time or one person at a time, you will lump together all of the pledges for that period (week) and all of the general fund, and all of the benevolences, etc together and make sure they total the actual deposit made into the bank.

Whichever choice you make, the goal is twofold; accurate records and comfort of your volunteer or employee who is doing the bookkeeping.

Accurate Records

The goal of bookkeeping is to adequately keep track of all the income and expenses of a Church. On the Income side, the Church will need to keep track of who has given to the Church, what they gave, when they gave it, and what fund the gift was given for. This is so the Church can provide a statement of giving to the giver that will support their claim of donations on their tax return. A statement of giving also reminds the giver of what they have given and helps them decide what they might wish to give in the future.

On the Expense side, the Church will need to make sure the bills of the Church have been paid and any needed reimbursements to members have been made. I know many people do home bookkeeping by checking to see if the account has enough money to pay a bill and then pay it. They might not even balance the checkbook at the end of the month or ever, trusting the bank to keep accurate records. The treasurer of the Church does not have that freedom to be so loose with the books. They need to keep accurate records.

Once the Church has been given money or set aside money for specific causes or programs, (which we call Restricted gifts), the bookkeeping task requires some additional care. People who give money to the Church for a Restricted reason, trust the Church will use it for that reason and be able to give an account of how the money was used. Churches that cannot keep track of this flow of money will find that many people will withhold their contributions from an organization which handles money too loosely.

Backups

Keeping copies of the computer program in a safe place is essential in case the computer fails in some way and the data is lost.

In the cloud. When you use a cloud-based computer program, the program is continuously backed-up, and you can always retrieve your data from any computer as long as you have internet connections and the proper ID and passwords.

Desktop and Laptop Computer backups should be made *each* time the accounting/reporting software is used. Copies of these backups should be kept in a location that is different from the location of the computer. If you use flash drives or other portable backup devices, they should be rotated on a regular

basis so you will not be in danger of writing over something that might be needed in the future.

No one wants or expects a fire or other tragedy to come the Church's way, but if one does, it would be nice to know that some of the important data would be available after the tragedy.

Access to the data. More than one person should know the location of any backups, have access to them, and know how to use them if the need arises. No one ever expects to die or move away, but it happens often enough that it is best to have a second person who can quickly access and use your software program.

The "cloud" also offers a virtual off-site back up for financial and other Church records through a variety of vendors like Dropbox®, Sugar sync®, One Drive®, Box.com®,etc. This service allows your Church to have backup data on very secure and reliable computers at a remote location, and retrievable at any time the Church needs the data. The chances of a fire happening at your Church and at the "Cloud" location at the same time are very small, making your data more secure.

Who is Responsible for the Bookkeeping?

Whether your Church has the Treasurer do the bookkeeping or you have Bookkeepers who are volunteers or are hired, the Treasurer is the responsible party. The Treasurer has oversight of the Bookkeeper(s) and should check in on them and their work regularly so any discrepancies can be found and fixed in a timely manner. Many discrepancies will be resolved when the Treasurer does the Bank Reconciliation, but not all. The Treasurer should review the financials each month before the final report is printed and delivered to the Finance Committee and / or the Board.

Chapter Six

Documentation

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Regardless of what bookkeeping method is used, there should be supporting documentation for each written check or processed expenditure. Ideally, before the Treasurer writes a check, the following information should be submitted. This is ideally included on the Church's Reimbursement Request and Disbursement Form:

1. A copy of the receipt, bill, or invoice related to the expenditure.
2. The name of the person or company to whom the check should be written,
3. The address where the payment will be mailed or how the payment will be delivered or picked up,
4. The invoice number or date of bill, as appropriate; some information that will distinguish this payment from another of the same amount to the same vendor at another time.
5. The total amount(s) to be paid,
6. Which budget line(s) should be charged, and how much should each line be charged, i.e., total $120, $40 for office supplies, $80 for children's ministry,
7. Some explanation of the need/purpose of the expense, to give the Treasurer and bookkeeper enough recollection of the purpose so they can explain the expenditure to the Finance Committee or Board as needed,
8. The date of the request, and the date by which the payment needs to be made,
9. The name and signature of the person submitting the request,
10. The name and signature of the person authorizing payment. The person authorizing payment should never be the person or family member of the person requesting the payment or to whom the check is made out.

Having a form for people to fill out makes it easier for the bookkeeper to pay the check and send the check to the right place. It takes a while to get people used to using a form, but it does, in the long run, make the process uniform, the records more accurate, and when it comes time to do the annual review, things go far more smoothly.

The form will take time to put into use in a Church where the culture of the Church finances has been very relaxed. I used to receive notes of paper or bits of verbal information from people on Sunday morning indicating the need to write a check to "Bob, for $30.00." Which Bob, what account, what for? Those were the questions going through my mind, and even if I had time to ask them at that moment, without it being written on a piece of paper, would I remember five days later when I sat down to the computer to write checks?

Once I introduced a form into the system and trained the Church how to use the form, my job became less stressful and required less time. The form allows me to send it back to the person for more information. Rather than me having to look up the account numbers or addresses or even know if the Committee Chair approved of the expense. I could put all that leg work on the person requesting the reimbursement or expenditure. Every time I sent the paperwork back for more information, I trained the members to fill out the form and now when the forms arrive at my desk, they are complete, and I can easily write the check and get it where it needs to go.

Clear documentation makes it easier for everyone in the long run. When a question arises about a specific expense it is very easy to now go back and find the document and produce it so that others know who bought something, why they bought it, and who authorized the expense. This will go a long way to helping clear up questions and disputes in the future.

File these forms with receipts and the information about the check written to cover the expense with the corporate files. These need to be kept either by date or by vendor in a safe, fire-proof cabinet, and stored for 7 years.

Remember that clear documentation protects you. When disputes arise, you have the documentation to prove you followed the instructions of the person requesting and the person authorizing the expense.

Chapter Seven

Reconciling the Checking Account

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It is desirable for a person who does not have authority to sign checks or make deposits to do the bank reconciliation. This is usually the Treasurer's responsibility to either do the reconciliation or oversee someone who does.

Since banks have different cycles, you cannot always get your statement to run from the beginning of the month to the end. If the statement is dated the 15th of the month and you reconcile it on the 20th, you should only hand out reports that are dated through the end of the preceding month. That way you can be sure that the end of month balances have all been reconciled.

Financial Software allows you to do your reconciliation easily on the computer. If you use financial software, remember to regularly look for un-cleared items so you can see if checks need to be voided or reissued. The printout at the time of reconciliation, the reconciliation report, will offer you a list of un-cleared checks. And you can sort your register on some software packages to separate the cleared and uncleared checks.

When you find you have any un-cleared checks of more than three months old, you can assume people either have lost the check or decided not to cash it. Either way you would want to clear these items up regularly because un-cleared items will often skew your financial reports, especially if they include duplicate deposits or duplicate expenditures.

Reconciling serves as a mini audit along the way which might catch two payments for the same bill, new vendors receiving money who might not be appropriate and even missing deposits or payments that cleared the bank but never were entered into the computer; or vice versa. All this will serve to keep your reports up to date, more accurate, and will make your annual review easier.

Fraud alert: We recently had a church administrator provide false bank accounts to the Treasurer. That way the Treasurer felt the bank statement and the computer were reconciled. However, when the fraud was finally identified, the Church found that the bank statements from the administrator were not accurate. The Treasurer should always download the bank statement directly from the bank website. In this case too much trust was placed in the hands of

one person, the administrator, who took advantage of the Church and deceived the Treasurer. Total loss was over $25,000.

Chapter Eight

Conflict of Interest

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Part of the Articles of Incorporation of Churches includes the fact that individuals are not allowed to directly benefit from the work of the Church. While some people involved with non-profits do benefit from the non-profit because they are paid to do the job of the director or some other staff position, individuals are not to be the beneficiaries of the profits of the organization. This goes one step further to include relatives or even good friends of people in the Church who benefit directly from contracts or business arrangements that the Church engages in. This brings about a need in the Church for a Conflict-of-Interest Policy stating how the Church prefers to handle business transactions that involve Church members and their families.

The persons involved most often in Conflicts are officers, pastors, other employees, and volunteers, i.e., the treasurer, and their families. This includes people who have been in those positions over the previous 5 years as well. These are usually called “interested persons.”

Having a policy stating that key personnel and their families cannot benefit from the benefits of the Church can create some natural conflicts, especially in the smaller Churches. What is wrong with taking advantage of working with family members for various Church projects because the family members often offer the services or products of their companies at a significantly reduced price? Nothing is the conflict is fully disclosed.

A Conflict-of-Interest Policy in a Church does not have to say you cannot do Church business with your family members. But it should define that a person of interest has a duty to disclose how they are connected to the business or transaction, and should, after the Board or committee has had a chance to discuss their “interest,” avoid being a part of the vote on the matter. If the remainder of the Board or committee agrees to move ahead with the contract, knowing the conflict, then the Interested Person is free to proceed with the project.

The real concern here goes back to the perception of those donors who contribute to the Church in good faith that their funds will be handled with integrity. If a donor perceives their gift to the Church is just going to pay your

family members and give them increased business, they might not be as willing to contribute in the future.

The National Council of Nonprofits says, "*A policy governing conflicts of interest is perhaps the most important policy a non-profit Church can adopt...." Some states require all non-profits to have a clearly stated policy governing Conflicts of Interest. California passed a Non-profit Integrity Act in 2004 which states that if a non-profit allows a transaction with such a conflict and the organization suffers damage, the directors may be held liable for the damage suffered.*

A Conflict-of-Interest Policy generally requires the non-profit to:

- Explicitly define what would constitute a conflict-of-interest.
- Explicitly require each director (here Board member) to annually self-certify that they have no conflict-of-interest or to identify any potential conflicts.
- When a potential self-dealing transaction arises, the affected director should identify the conflict-of-interest. The Church should then assess the potential conflict and the economic impact. Then they must, with that knowledge, decide whether or not to allow the director to be involved in the discussions, vote, and involvement with the transaction (it may be beneficial, even with a conflict) and whether or not to consummate the transaction.
- Note that this means a director does not automatically have to recuse themselves from a transaction involving a potential conflict of interest. And recusal by itself does not automatically resolve any conflict-of-interest.

A sample Conflict of Interest Policy can be found in the Appendix of this Manual.

Chapter Nine

Passwords and Keys; Office Security

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I am well familiar with the practice of many Churches, and the atmosphere is far more trusting than is beneficial in our current social environment. In the mid-nineteen hundreds, the culture was shocked whenever anyone did anything out of the ordinary to a Church, i.e., graffiti, theft, vandalism, etc. That is not the case in the early two thousand's; Churches are attacked all the time in our current cultural setting. Protect yourselves with a few simple, even though inconvenient, steps.

Church members tend to be very trusting of others. Women leave their purses all over the place, unattended, in every Church in America. The computers are seldom under lock and key. And if there are keys, often the duplicate keys are in a cabinet, and all the members have been issued keys anyway. Think about security for your financial records and safeguards for those who handle the Church's money.

The office where the financial records are kept should always be locked when not in use. The keys to this office should only be given to a few people in the Church who need access to this area.

A box with all **the keys** of the Church should also be locked, and just a few people should have a key or know where the hidden keys are located. Hidden keys should not be in a desk drawer or at least not out in the open in the drawer.

Where possible, **change the location of "hidden" keys** at least once per year. It does seem to be a bit unnecessary to go to these extremes, but once your Church has undergone a breach of financial information, you will be thinking differently about these types of concerns.

Protect **your computers** as well. Secure them to the desk wherever possible. Protect the information on the computer with passwords before anyone can access the computer, and then again, a different password for each person using the financial software.

A thought about **passwords.** To make them recognizable to you and not to someone else try one of these two ideas:

- Pick a sentence that you will remember, like, I started being treasurer at first Church in 2016. Then, your password is just the first letter of every word; Isbtafci2016.
- Or choose your favorite Bible verse and do the same with it. i.e., John 3:16, For God so loved the world; password, J316FGsltw.
- Use the keys on the keyboard that you type comfortably, like, asdfgjkl, and add a symbol, a capital letter, and another symbol; asdfghjkl@J#.

Be sure your computers have up to date **anti-virus software** to prevent internal problems that will cause a loss of data or worse, the destruction of your whole hard drive.

Protect your **Finance Team volunteers or employees** by having Internal Controls, clear Procedures, and appropriate Policies so they are protected if they do something wrong, but they were following the Church designed protocol. Also, provide adequate insurance to protect them and the Church in financial matters.

Do not store computer or program passwords on the computer itself; if the computer can be hacked, the passwords can be found. You are mainly protecting your members' identity information and your financial data. Keep your passwords **handwritten on a piece of paper** that is kept in a safe place, under lock and key where two or three people know the location and what to do with the information. The best practice for passwords is to change them at least annually. Even though this is a difficult and cumbersome thing to do, it is necessary for good protection.

File cabinets which house financial records should be lockable, especially if they include personnel files and written down passwords. The next level of protection would be to have your file cabinets fire-protected; especially if they contain important papers that cannot be readily replaced, i.e., deeds, policies, articles of incorporation, by laws, etc. Often Churches will have a **safe deposit box** at their bank that contains the originals of these documents and copies kept safely at the Church site for reference.

Remember to have at least two people in your Church who know the location of and have access to all the Financial Records in case something happens to the Treasurer.

Chapter Ten

Suggestions for Records Retention.

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I have been to some Churches where they have kept the Church records in closets all around the building. One Church had the complete Sunday School Attendance Records dating back to the early 1930's: every class, every Sunday, every child's name. I even fell into the "trap" of keeping my own records. When I moved the last time, in the early two thousand's, I ran across financial records in my home dating back to the mid 1960's; canceled checks, check registers, and even the handwritten accounting sheets that my wife and I had used in the early days of our marriage. Enough is enough. I took most of it to a local shredder before we moved to the new house.

Seldom does anyone go through the Church's old records and decide what to throw out and what to keep. Most people are afraid to throw away something that someone else might think is valuable; hence they throw away nothing. A good rule of thumb is this; if it relates to property or a capital expenditure, don't throw it out; everything else, keep it at most 7 years.

A good practice is to store your papers in boxes with dates on them; list the year on the outside of the box. Then if the date is more than 7 years in the past, shred the contents and be done with it. Don't put your important papers in these boxes; put them in a permanent filing cabinet where you can keep them as long as is needed.

The kinds of things you should keep permanently include Articles of Incorporation, audit reports, current loan documents, deeds, yearend financial statements, property records with costs, actual stock certificates, etc.

The kinds of things you could keep at most 7 years include: Budgets, employee expense reports, employment applications, correspondence, bills, etc. But trying to keep these things separated so you can dispose of them sooner than 7 years is more work than most people would like to go through.

My suggestion is simple; if it relates to something nailed down or permanent, keep it in the permanent file until the item is no longer owned by the Church. Otherwise put it in the box with this year's date on it and shred it in seven years.

For a detailed list of how long you might keep a particular item, see the Appendix where I have provided a list in two sorting methods; Alphabetical by type of document and by Length of Time to keep before shredding or trashing.

Chapter Eleven

Annual Church Financial Review

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What is the Annual Review?

The Treasurer should make provision for the Church's financial records to be reviewed annually by a committee of the Church or if appropriate by a local CPA. Most denominations and bylaws require the local Church to carry out a full financial review of all books and records relating to finances once every year. Again, this can mean going to a CPA and having an official Audit or Review, but it can also mean having a review of the books performed by members of the congregation.

When the Review is finished, the report will be submitted to the Board for their implementation and recorded in the minutes of the Church Board. This has often been referred to as an "audit." The term, "audit" scares people or makes them think they must spend a lot of money. But in most cases, all you need is a Review of the Church's finances.

While this review is to protect the Church from some possible fraud, it also serves the purpose of helping the Church improve the management of cash and physical assets. Often during regular reviews, the Treasurer or the Board become aware of procedures that have been overlooked for a period of time and now need to have some attention paid to them. This could be a payment that has been missed, a renewal which was overlooked, a process that is cumbersome or needed, or even a possible area of fraud being committed.

Note: a statistic about fraud: 85% of all fraud is committed by a person who is deeply trusted and left alone to do their work. Don't put one of your friends in a position of temptation like this. Review the financial procedures and accounts of the Church on an annual basis. A regular review also protects the finance team from accusations of the members, or if they are accused, they can easily be acquitted by referring to last year's report of the review committee.

A review consists principally of looking over all aspects of the Church finances and determining that the financial picture being presented to the

Board and the congregation is accurate. Also, the review can look at the procedures and the documentation of the financial process.

The goal of the annual financial review is to look for proper accounting, guard against incidences of fraud, protect and support the finance team, and locate procedural errors or habits that need to be corrected in a timely fashion.

Monthly Reviews

With the introduction of computer financial software, Churches now have the opportunity to do mini reviews on a monthly basis with the issuing of Financial Reports to the Board and Finance Committee. Some people on these boards look at the reports in detail while others just glance over them. But they will, from time to time, raise questions about the information presented in the reports; what is included in this number? why is the income so low, why are the youth spending so much of their budget now? etc.

The result of the monthly review helps the Treasurer correct items mid-year rather than waiting for the end of the year review. They will have the chance to move expenditures from the wrong categories, question the amount of some expenditures, and even begin to ask questions about the flow of income to the Church and whether the Church can cover coming expenses.

The results of these monthly reviews, including any suggestions for changing future procedures, should be recorded in the minutes of the Board so the findings will be on record. And the Treasurer will be able to take these suggestions from the Board and implement them in a timely fashion for the Church.

Annual Audit or Financial Review

Let's define a few terms; Audit, Review, Internal, or External.

In accounting terms, ***the objective of an Audit*** is to have an accounting specialist, CPA or equivalent, review the Church's financial documents and express an opinion about the financial condition of the Church and the accuracy of the financial records. This often requires the person to come to the Church, spend a few days looking over the records of the Church, and then write up a report for the Church's records. The Audit is a time-consuming process and usually costs the Church a good sum of money.

A financial review, on the other hand, does not express an opinion but, instead, reviews the financial picture of the Church and comments on items that seem to need attention. Seldom does a review require an onsite visit by the person doing the review; but it might. A financial review is not usually as extensive as a full Audit and likewise, not as costly. A review can also be done by a person outside of the Church or a committee within the Church. We will discuss this more later in this chapter, Internal or External Review.

What do your By-Laws say?

The By-Laws of the Church often specify the need for an annual "audit." This was often the case with older By-Laws because the monthly report to the Board included the balance of funds in the checking account at the beginning of the month and the end of the month. Not much more was reported and with this small amount of oversight, the need for someone to review the overall picture annually was a must.

If your By-Laws require an "audit," you can assume the old term did not always require the hiring of a CPA firm to do the job. Most Churches believe they can comply with the By-Laws by having a person or committee make an adequate review for the Board and the organization. The Church is free to have an "Internal Review" done by an individual or committee of people who have some knowledge of accounting procedures. To avoid conflicts of interest the individuals involved in the review by necessity should not be related to the Treasurer.

An annual financial review does not imply that someone has or might be doing something wrong but it is a way to have the Church stay current with good financial practices. During the course of the review the committee might find a need for the Church to have a policy written in a particular area, or to have an existing policy revised or followed more closely.

For a complete review by a committee of members, there is now a great step-by-step workbook available. This 92-page workbook takes the committee through the needed steps for a thorough review with adequate space to make notes and answer needed questions. **The Volunteer's Audit Guide for Churches and Other Non-Profits** is available on Amazon books and is located under the author's name Edd Breeden. I wrote this booklet to make the review process easier for volunteer Church members.

If you have any further questions, please feel free to contact Edd by email at eddbreeden@gmail.com.

The Work of the Review Committee

The Review Committee will look at a variety of areas of the Church's finances as well as a number of areas which might be called financial procedures. This process should include a review:

- of the bank accounts, statements, and the financial records of the Church.
- of handling the offerings and donations; including the depositing of monies into the bank.
- of the check writing and cash flow.
- of all financial reports distributed throughout the year.
- of record keeping and safeguarding of valuable papers, including tax filings, property deeds, mortgage, and insurance paperwork, etc.

- of payroll files and processes.

The Committee, once it has completed its work, will then make a written report to the Board. Preparing reports can be a difficult task if you try to do it as a Committee; I recommend you have one or two people on the Committee produce the Report by following the guidelines in the book and then have the Committee as a whole edit it into its final draft. Then send the Report to the Board for them to respond to.

The report to the Board should include any recommendations that would enable the Board and future review committees to better understand the financial condition of the Church. During the review, the committee might come across some procedures which should be changed or some procedures that should be added to the Church's policies. These should be included in the report as recommended action items for the Board to work on in the coming year.

External or Internal Review Which to Choose?

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External Review

An external audit or review is done by an independent auditor, usually an accounting firm. It is important to use someone well versed in Church and clergy tax laws and Church or non-profit finances. The issues presented by the Church and other non-profits are significantly different from for-profit businesses. Accounting firms not familiar with non-profits might overlook some of these important differences.

When you hire someone outside the Church to perform your audit or review, discuss with them exactly what you are looking for and what the costs will be. Accountants, CPAs, draw a distinction between an Audit and a Review; the former being much more complete and costing a significantly larger amount.

An external person can come into your organization with fresh eyes and see things you might overlook in both your actual accounting and in your processes. Having this new perspective from time to time might be well worth the amount of money you would pay someone to spend time in your office and look through your books and your procedures.

One type of External Review that does not involve a CPA firm would be having another Church's Finance Committee come to your Church and do the review. They will also provide some fresh eyes on your books and procedures with a much lower cost. You might even choose to trade services with them; you will review their finances while they review yours.

The goal of an external review is to have someone else look at what you are doing and how you are doing your financial work. They will in turn help you improve your processes and make your accounting more accurate.

Internal Review

An internal review is normally conducted by a committee of Church members versed in accounting procedures (as long as they are not related to the Treasurer.)

Boards can establish a review committee in conformity with the requirements of the by-laws of the Church and the laws of the state. This review committee could function on an ongoing basis to do reviews of the financial system a little at a time. To do this the committee might choose to look at how the Finance Team handles the Church accounts in general. Then at their next meeting they might look over the Income side of the finances and save the Disbursements for another meeting. This would require more meetings but would allow the committee to meet for less time at each meeting. A well-run Internal Review should take a church of 200-300 members with a committee of about 12, close to 20 hours, provided the committee chair has previously gathered from the Treasurer all the documents and materials needed for the review. In the next chapter I have listed what the Treasurer can do on a monthly basis in preparation for the Annual Review. This makes everyone's job easier at the time of the review. See the Treasurer's Preparation for the Review.

The Goals of an Annual Review or Audit

Once again, the goal of the annual financial review is to look for proper accounting, guard against incidences of fraud, and locate other procedural errors that need to be corrected in a timely fashion. As I have mentioned earlier in this book, having regular reviews minimizes accusations of your financial team and encourages them in their ongoing work. If the Church chooses to use a local internal committee to conduct the annual financial review, the committee might choose to review different parts of the finances each year over a series of three years; completing their total review over a period of time, rather than tackling the whole project every year. This will bring the process down to a 7–10-hour annual project.

Another way to reduce the amount of work needed and still produce an adequate review would be to have the committee assign different tasks to different members of the committee. Then, after the committee members have completed their various assigned tasks, the committee could meet as a whole and go over the work of each member.

The Treasurer of the Church or the Treasurer of any of the related organizations should not serve on the review committee but should be available for consultation during the review process. The size of the congregation, and the number of organizations that maintain their own accounts, would determine the number of people necessary to serve on the committee so there

are enough people to accomplish the large task without anyone being overburdened.

Which to Choose; External or Internal?

Before deciding whether the Church will use external or internal process to do a review or an Audit, it should be understood that neither the compensated auditor nor the volunteer team is able to guarantee the accuracy of the financial records. Those who perform this service are only able to review the financial data supplied to them and then state that the Statement of Financial Activity and the Statement of Financial Position of the Church "accurately represent the financial conditions of the congregation and its related organizations."

Those congregations with large trust accounts and/or large real estate holdings or those proposing to build or expand their facilities with loans against the property will find that an external Audit by a qualified auditing firm may be required and is to their advantage. Banks, when loaning money to organizations, like to see the reports (Financial Activity and Financial Position) in a format they are regularly familiar with. Since they work mostly with for-profit companies, they will appreciate reports that conform to GAAP rules, meaning you will need to work with a CPA while you are seeking the loan.

Most congregations will find that the internal review by a committee of members will do an adequate job for the Church. The next chapter will discuss some of the things an internal review committee will need to look for and review. An internal church committee will find my **The Volunteer's Audit Guide for Church's & Other Non-Profits,** A Step-by-Step workbook for internal reviews of non-profit organizations, helpful. This book is available as a kindle download or in paperback from Amazon.com/books/EddBreeden.

Questions you might like to ask and answer during a financial review:

1. Do you know where the Church By-Laws are located? Have they been updated in the last 5 years? Is there a copy on file at the regional denomination office?
2. Have the bank accounts been reconciled to the computer program?
3. Are the signature cards current at the bank?
4. Are the IDs and Passwords available somewhere at the Church office for the online banking, computer programs, bill pay process, etc.? (i.e., knowing the code helps if and when someone gets ill, dies, leaves, or gets disgruntled)
5. Do you know where the Deposit Box keys are and who can access it?
6. Do you have more than one unrelated Counters for the offering?
7. Do you have separate people "receiving/depositing monies" and "writing checks?"

8. Do you have a recording system to keep track of individual giving throughout the year, donors name, the amount of the gift, the date of gift, and the purpose of gift, etc.? Do you send annual statements with name of the Church, the giver, and the required IRS disclaimer?
9. How do you know that all money reported to a donor was actually given, deposited, and properly receipted? Are all monies deposited immediately upon receipt or if received during the week, included in the next Sunday's offering?
10. Are there any missing check numbers, i.e., voided, lost, etc.?
11. Do all the recipients of checks seem appropriate, are the names recognizable?
12. Do you require a PO system at your Church and is it followed? If so, are invoices matched to the bank statement, computer, checks, etc.? If not, how do you determine who has the authority to purchase on behalf of the Church and do you need a policy for this?
13. Are donor-restricted funds handled appropriately?
14. If you have a petty cash system are the monies accounted for with receipts and entries in the computer? Likewise, if your Church uses Church owned credit cards or allows staff to use personal credit cards, are these statements reconciled regularly with adequate receipts and documentation?
15. Does the Board receive a monthly financial report?
16. Does your Church have a policy for memorial gifts, i.e., do they go to the general fund or to a special fund? Does the congregation know the policy?
17. Does your Church have a donation policy? Do you accept all designations by donors and are they honored?
18. Does the budget have places that consistently run over budget? Why?
19. Does someone review the adequacy of Insurance annually?
20. Do you have a locked fireproof file cabinet for past records, like employee files, bank records, important papers, Board minutes, etc.?
21. Do you regularly update employee files on each employee? Are all forms filed annually; W2, 1099, 941, 990 if needed, etc.?
22. Does the payroll reflect appropriate policy, including overtime and legal breaks? Do you keep accurate records of each employee's vacation, personal time off, sick leave, and family leave?

Chapter Twelve

The Annual Review – The Work that Needs to be Done

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Note: this chapter might seem to restate the information in the previous chapter, however, the author is aware that someone might seek out one chapter or the other depending on the information they are looking for and in the author's mind that makes the redundancy necessary.

The Treasurer's Preparation for the Review Committee

The Treasurer can gather the financial information needed for the review committee at the time the committee begins their work. Or the Treasurer can make the preparation for the annual review an ongoing part of their regular monthly tasks.

A notebook could be set up that includes bank statements, reconciliation reports, copies of the monthly financial statements and positions, the general ledger, and deposit information, all separated by month. This is something the Treasurer could set up at the beginning of the year and add to each month as the year goes along.

This notebook could also contain a copy of the last year's review committee's Report to the Board, a copy of the year end Chart of Accounts from the previous year and again for the year being audited, a list of authorized signers for all accounts, the approved budget for the year, and a list of any accounts with donor restrictions, and what the restrictions are. Any new monies that are received during the year with restrictions could be added to the list in the notebook.

This notebook could also include copies of the various policies of the Church for reference by the review committee. Accountable Reimbursement Policy, Benevolence Policy, Cash Disbursement and Check Writing Policy, Conflict of Interest Policy, Credit Card Use and Reimbursement Policy, Ethics Policy, Financial Review Policy, Gift Acceptance Policy, Investment Policy, Property Use Policy, Personnel Policy, Procedures for Counting Offerings, etc. Or, if your Church has all of these Policies collected within a Financial Policies and Procedures Manual, make sure the Review Committee has a copy of that Manual.

The Review Committee, at the time of the review, will need access to the vouchers, invoices, bills, requests, etc. which were used by the Finance Team to process checks / disbursements. They will also need to see other documents like timecards for employees, personnel files, and the monthly/ quarterly/ annual Federal 941, 940 reports and the corresponding State filings.

The Actual Work of the Review Process

The process of the Review Committee will be to look over the various aspects of the Church's financial practices, policies, and procedures. The following areas will be looked at during this process:

1. Bank and Investment account statements, reconciliation reports, and the accounting system of the Church. Were funds properly deposited and disbursed in the best interest of the church?
2. Handling of offerings and donations; including a review of the procedures used to record receipts, how the Sunday offering (or how the non-profit receives and handles money) is counted and tallied, and how other organizations in the church receive and account for funds. An inquiry should be conducted to determine if the funds have been recorded on a timely basis. Also, investigate when Restricted funds were received to ensure that they are properly credited and disbursed according to the wishes of the donor. Several of the individual contribution records should be tested to determine if all contributions have been properly recorded. Was the final year-end statement accurate, produced, and mailed? You might have the Review Committee members check their own statements rather than revealing to them what others give.
3. Handling of all disbursements. Does every expenditure have the proper bill, request sheet, signatures, and has it been reconciled? Copies of the budget adopted by the Board for the period being audited should be made available to the committee along with any adjustments that were made during the period. With this basic document the committee can then determine if disbursements, either by cash or by check or by bank debit, have been properly charged to the budget category. If there have been disbursements not related to a budget item, then the Board's authority for the disbursement should be obtained from the minutes of the Board. Petty Cash: As soon as practical after the close of the books for the period to be audited, a member of the committee should physically count the petty cash as these funds will be included in the final review of "disbursements of assets."
4. The payroll files of employees and the processes of payroll should be reviewed to determine that all papers are in order, employees are being paid according to their contracts, and the reviews are being annually performed. The Review Committee is not responsible for putting files in order or performing the performance reviews of employees, just to determine if they are or are not done.

5. Clergy Payroll. If there are items in the terms of call the clergy or other staff which are permitted to accumulate from one year to the other, it should be determined that these funds are being properly escrowed for future use with the limits established for the particular kind of funds. A review should be made of current terms of call for clergy and other employment agreements for staff should be reviewed to determine if the full obligation of the commitment has been met, i.e., all pension and/or annuity premiums paid, health insurance coverage, continuing education allowance paid or escrowed, social security paid, etc.
6. Reporting the financial condition of the church monthly to the Finance Committee and the Board and annually to the congregation. Are the reports consistent with each other, the accounting software of the Church, and the bank statements?
7. All Restricted Accounts to see if the funds were spent according to the donor set restrictions, if any money was added during the year through solicitation, and if there are adequate notes available to help the Finance Team, the Board, and the congregation know how the money can be spent and when the fund will cease to exist.
8. Securities and Investments: If the congregation has securities and investments, an annual inventory should be made and be a part of the audit report so that all securities and other financial instruments are accounted for at least once each year.
9. Recordkeeping system of the Church. Is everything orderly, accessible, and where appropriate, under lock and key? Has the Treasurer provided proper safeguarding of valuable papers, including tax filings, property deeds, mortgage documents, insurance paperwork, etc.? Is there a second person besides the Treasurer who knows the whereabouts of items and has current access to all the financial system?
10. At this time, it would also be appropriate to review all leases, if any, the Church might have with outside parties using the Church facilities; whether they are paying rent, or making some payment even though you call it by another name, i.e., reimbursement for utilities, donation, etc.
11. Debt Amortization: To help in determining the financial condition of the congregation, the amortization schedule for all debts of the congregation should be reviewed to determine that the payments have been made on time, and a written verification should be obtained from the lender to ensure that the balances shown on the Church records agree with those of the lender.
12. Insurance Policies: If no other committee of the Church is charged with the review of the adequacy of the insurance coverage, this may very well be assigned to the audit committee. With the rapidly escalating costs for replacement of buildings, and the incidents of vandalism, thefts, etc., all insurance policies should be reviewed annually to determine the adequacy of the coverage and the reasonableness of the premiums being paid. Insurance brokers are a good resource for reviewing adequacy of coverage and will gladly provide proposals of costs.

13. General Financial Management Procedures might also be part of the task of the Review Committee. Whether it is looking over the Policies and Procedures Manual for omissions, errors, or updates, the Review Committee could see this as a part of their task.
14. Investment accounts and policies might also be something the Board wishes to have the Review Committee look over. Not to check on the Investments per se, but to look at the process with which Investments are bought and sold in the Church, who has the authority to buy and sell, and do the current investments align with the Investment Policy.
15. And possibly it is time to review and update the By-Laws of the congregation. They do not need to be updated annually but should be looked at annually to see if the Church's practice matches the plan laid out in the By-Laws.

The annual financial review does not imply that someone has or might be doing something wrong but it is a way to have the Church stay current with good financial practices. During the review, the committee might find a need for the Church to have a standardized way of doing some procedure, which the Finance Committee can address. The committee should put it in their report to the Board. They might find a need to have a policy revised or rewritten or just followed more closely. The Review and the Report to the Board helps to assure the members of the Church that financial processes are in place and the financial team is doing the best job possible.

The Final Report to the Board

The role of the committee is to report their findings to the Board and let the board make any necessary changes. The committee is not responsible for fixing the areas of concern, just reporting their concerns. And if they should uncover something that is very out of the ordinary, like fraud, they should report that; again, it is not their responsibility to fix the situation, just report it.

When the report of the review committee is received by the Board, they will include the report in the Board minutes. The Board will take the recommendations of the committee and assign the tasks for change in procedures and methods to the Treasurer or Finance Committee.

After the report of the committee is submitted, there should be a word of thanks to the review committee, not only in the Board minutes, but in any newsletter, which might go to each member of the congregation or organization. This will not only make the committee members feel that their work was necessary and the task worthwhile but will communicate to the membership the review of the finances has happened and who the committee was who performed the review.

The Committee should make sure the Treasurer has a copy of the Annual Review Report to place in the notebook for next year's Review Committee and

so the Treasurer will know what the Board is talking about when they recommend potential changes.

There is more information available to help you prepare for and conduct the Annual Internal Review for your Church in my step-by-step guide for Internal Reviews called **The Volunteer's Audit Guide for Church's & Other Non-Profits,** A Step-by-Step workbook for internal reviews of non-profit organizations. This book is laid out in workbook format, taking the committee through a straightforward process with complete instructions of what to review and how to do it. This book is available as a kindle download or in paperback from Amazon.com/books.

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CASH REVENUES

NOTE: Companion Volumes by Edd Breeden include:

The Handbook for Church Treasurer's, a condensed version of this Manual for easy reference. and

The Volunteer's Audit Guide for Church's & Other Non-Profits, A Step-by-Step Workbook for Internal Reviews of Non-Profit Organizations.

If you find that something is missing from the Handbook or the Manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com. Please let us know your suggestions to make these resources better. Thank you.

Chapter Thirteen

Cash Revenues (Income)

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In general Cash Revenues (Income) are broken into eight major categories:

1. Cash Contributions (Cash, Check, Credit Card, Online, etc.) – All contributions of money received by the Church and all the other organizations connected to your Church that have separate bookkeeping systems/checkbooks. This includes payments on pledges (current as well as delinquent), donations from identified sources but not on pledges, loose offerings (cash or check), contributions made by purchase with receipt turned in for credit not reimbursement and any special offerings.
   - 1.1 If the money comes in from a digital deposit, such as PayPal, or Venmo, and there is a charge for the transaction, the full value of the gift should be allocated to the donor, and the finance charge should be taken from an expense account of the Church.
   - 1.2 Remind your donors on a regular basis that their company might match their giving to the Church. Some companies do not have this kind of program, and some do but do not match when the gift is to a Church or religious organization but if they will match the contribution, you have just gained another source of income.
   - 1.3 Your Church might get creative at certain times of the year and suggest that donors give an extra gift on their birthday of one dollar for every year of their age, to give a special gift of thanksgiving at that season of the year.
2. Non-Cash Contributions include gifts of publicly traded stock, property, or valuables that a member wishes to give directly to the Church as part of their contributions. If they give the stock to another campaign, such as Capital campaigns or mission work or special projects that is listed below.
3. The Qualified Charitable Distribution, QCD, became permanent in the tax law in 2018. A QCD "is an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or over that is paid directly from the IRA to a qualified charity."

(IRS) The maximum QCD is inflation adjusted. Check to see the current year maximum.

3.1 A QCD gift to the Church if included in the individual's annual statement should be designated as a QCD because it is not deductible on the individual's itemized deductions on Schedule A. The money is distributed from the IRA and is not considered income to the donor. It is a wash as far as taxes are concerned. NOTE: when advertizig this mode of giving, help you donors know that the QCD amount is not considered income, and this then reduces the amount of the Social Security income that is taxable on the Federal return.

3.2 The individual will receive a 1099-R from the company who sent the QCD to the Church. Line 1 will report all monies distributed during the year. Some of the monies may have been distributed to the individual, and some may have been distributed to charities. The 1099 still does not acknowledge a QCD distribution by any special code, therefore it is important for the taxpayer to tell their tax professional about the amount of the QCD and provide the documentation that the institution provided at the time of the distribution. The Church might find a way to designate the QCD donor gift on the annual statement if they so choose.

4. Other Income - This is all other income that does not necessarily need a deductible receipt, such as rent received or other reimbursements from organizations using Church property, or grants, or sales of goods and services. This would include such things as tuition/fees for day care, day school, bookstore sales, royalties on books, leasing of Church property, etc. When receiving this type of income, which can easily fit outside the tax-exempt purposes of the organization, the Treasurer should be very familiar with the rules of Unrelated Business Income and be prepared to file necessary governmental forms if needed.

    4.1 Some churches have the opportunity to be approached by Cell Phone tower companies who will lease space on your property for their towers and pay you a reasonable monthly payment. According to the IRS these payments are currently not considered Unrelated Business Income.

    4.2 Your Church might have an author who will designate the Church as the recipient of the royalties of their book.

5. Capital and Building Funds - All receipts for capital improvement purposes, extraordinary repairs that increase the life of the asset, building funds, and equipment with anticipated useful life in excess of three years and a value usually over $3-5,000. (The amount is flexible and should be determined by the Church Board or the Treasurer. If the useful life of the purchased asset is less than three years and/or the value is less than $3-5,000 the gift should be treated as a normal cash contribution and the expenditure a normal expense.)

6. Investment Income – The Church should define clearly what they mean by Investment Income in their Investment Policy so it will be clear to all, exactly what is meant by "Income." Many people I have talked with consider the stock or investment as the "principal" and the interest or dividend as the "income." The true "income" from an investment is a combination of Interest, Dividends, Long and Short-Term Capital Gains, and any Increase in the value of the investment vehicle. How much of the total increase of an investment a Church chooses to use should be set forth in the Investment Policy. The value of all Investments should be reported to the Board at least quarterly and could be reported with every financial report. These items should be included separately on the Statement of Financial Position (or the Balance Sheet).
7. Bequests – This is income received from wills and estates. It will include all one-time contributions of anything of value received by the Church such as bequests, planned gifts (gift annuities, charitable trust, and life insurance), stocks, real estate, or other non-monetary gifts. It can also come in the form of being a beneficiary of a life insurance policy, or beneficiary of an IRA.
    - 7.1 Many of these gifts will have "designations," i.e., Restrictions, as to how the donor would like the Church to use the income and/or principal of the gift. The Church should be proactive in developing and publicizing a Gift Acceptance Policy so the potential donors will know ahead of time how the Board would like to treat bequests. Included in the Policy should be a procedure where the donor can request from the board an opportunity to designate to some cause that is not part of the Church's regular Gift Acceptance Policy.
    - 7.2 Any Restrictions should be properly Noted.
    - 7.3 It would be good to emphasize that you accept gifts from Wills and Trusts and encourage your donors to leave some of their estate to the Church.
8. Subsidy or Aid, Grants – This is money received from other Churches or from denominational grants from Church agencies to be used for specific local mission projects and programs. Non- profits often receive Grants from their parent organizations or from other Charitable Foundations.
    - 8.1 Loans are not income because they have to be paid back. The proceeds become an asset that is offset by the liability of the Loan.

Cash Revenues, as listed above are the source of the funds received by the local Church, whether it is from a person (living donor) or from a trust, estate, or other non-living source. The Budget report should clearly indicate each of the different Revenue Categories, in a way the Board prefers, and should list the amount received and its source (this could also be done in the form of a Note at the end of the report).

The monthly report to the Board should include this information in a format which non-finance people will find easy to read. Be sure to include both monthly and year-to-date information. It is also helpful to compare this income to the projected budget for the year. Most computer accounting programs have a standard report form such as this that can be produced using the information that you have recorded. For more information about reporting see later in this Manual beginning with Chapter 35, Regularly Reporting Financial Information.

All monies which come into a Church should be identified in the records as to who made the gift, the amount of the gift, and the nature of the gift so that the gift can be properly receipted for individual tax purposes. If the gift includes a restriction as to how it should be used, the Board should be notified before the gift is deposited unless the restriction has been previously approved by the Board. (See more information in chapter fifteen, Gift Acceptance Policy.)

When a new restriction is requested by a giver the Board should take the time to review the restriction, decide whether they will accept the gift with that particular restriction, and make plans to spend the money according to the new restriction. This would also be a good time for the Board to set a time limit on the money so that when the time limit has been reached or the purpose has been fulfilled and any money still lingers in that restricted account, the residue can be transferred to the general fund or some other restricted fund which the Board decided at the time of the original gift.

Chapter Fourteen

Gift Acceptance Policy

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Before we begin to talk about Funds in more depth let me open the discussion of the Church's need to plan ahead for gifts that might come your way. Most of the gifts you will receive will just be general donations for the Board to use as it determines according to the exempt purposes of the Church. However, many times the Church will receive a gift from someone, and they want their gift to be used for a specific purpose within the Church or have the Church send their gift to another person or organization. It is in these circumstances that the Church would benefit from having a Gift Acceptance Policy.

Having a Policy developed ahead of time allows the Board to define some guidelines before people give money so that future misunderstandings can be minimized. Back in the 1900s people did not care as much about "transparency" as they do today in the present day. Now, people are very concerned that the money they give is handled with integrity and used for the purpose for which they give it. If they don't like the way the Church handles money, they will find some other institution for their gifts in the future.

In the past, it was understood that the money given to the Church would be used by the Church in the best possible way. Today, people wish to instruct the Church how to use their gift. If someone says they want their money to go to the painting on the left side of the Church and the Board uses it on the right side of the Church, you could be open for a lawsuit or at least a very angry parishioner. A Policy about how the Board plans to handle gifts that come to the Church can be very helpful for givers so they know ahead of time how their gift will be used.

A Thought About Giving to God

A sidelight for a moment. We all know that when someone gives money to the Church, they are giving it to God, not to the actual Church. This being the case, when people give, it is appropriate to step back and let God do what He wants to do with the gift through the normal channels of Church government. Some more autocratic denominations receive instructions about what to do from the top down. Some Churches have Boards that are legally obligated to

make the same decisions. Other Churches are structured so that the majority of major decisions are made by the congregation in a formal meeting of the Church. It is helpful to understand your denomination and its path for proper handling of money and property.

The IRS weighs in to this discussion when it questions the tax deductibility of any gift given to the Church with Restrictions or strings attached. If the giver gives the money for a specific project, they might be just using the Church as a go between so they will get a tax deduction for their gift. If they are just passing the money through the Church and not giving the money to the Church, the IRS says they do not deserve a tax deduction. It is even called "Tax Fraud."

This raises three questions about the gifts we give to the Church. "Are we giving just to give as God suggests we do?" This is a legitimate Tax deduction if we are giving the gift to a registered 501C3 organization. "Are we giving to meet the needs of the Church or 501C3 organization? This too is considered Tax deductible by the IRS. "Are we giving to do what we want and make the IRS think we are truly being charitable?" This amounts to Tax Fraud and the IRS will not accept this as a charitable deduction on an individual's income tax return. Understanding these three questions is important for the congregation and the Treasurer.

What is Included in a Gift Acceptance Policy?

The days of trusting the Board to do the work of God with the offerings are long gone in most Churches. More and more the Board is called upon to be transparent and as such they are scrutinized about almost every penny that gets spent. People wish to know whether they are doing something "good" with the money. How often is the definition of "good" whatever the donor feels is the right thing to do? Remember that is not a tax-deductible quality according to the IRS.

A Gift Acceptance Policy makes clear to the membership and others who might want to give to the Church how the Board will handle all monies that come under its care. It gives the Board an opportunity to define some guidelines before people give money. The guidelines might not cover a member's desire to give unused burial plots or antique furniture or their old pump organ that doesn't work any longer but when the Board has to decide too many of these items on a one at a time basis, they might prefer to have a Policy in place.

A Gift Acceptance Policy contains statements about what methods someone can use to give, what kinds of gifts a Church is willing to receive, what is included in the General Fund expenses, what special Funds the Church has already set up in case someone wants to have their gift used for a Restricted use, what a person can do if they want to make a gift to the Church for a particular cause the Board has not yet designated, what the Church will do with gifts given "in memory of a loved one," how the Board has the right to

refuse any gift that places undo restrictions on the Board for its use, and the like. It will also state what kinds of non-cash gifts the Church is equipped to accept, why the Board might refuse a gift, and what recourse a giver has to give the gift and get their wishes done and still receive a tax deduction.

The reason this is so big of a concern these days is that all gifts with Restrictions ***that the Board accepts*** must be accounted for into the future and only used for the Restricted purpose for which it was given. Money that is raised by Churches for a particular cause should never be used for another cause, even if they have used the money for the cause and have money left over. The Board should never redirect these monies for a different purpose without consulting with the original givers, their families, or in the case of Churches in California, the Attorney General of the State. You might wish to see what your State says about using Restricted monies for a different cause, even if the cause is a good one.

A Gift Acceptance Policy can include a statement about what the Board will do with excess monies in these cases. It can be stated up front that the Board will redirect a gift after a certain number of years if the project is no longer feasible for the congregation. An example: money was given in the 1960s for a new organ and the Church does not need a new organ. The Board would rather spend it on new drums and guitars for the praise band. The Board needs the help of the original donor(s) or their families, or the State Attorney General, at least in California, to make this decision if they have not publicized before the money was given that they will do other things with the money if the need is not present for the cause for which the money was given.

A Gift Acceptance Policy can also specify things about the Church's definition of use of the original amount given, how it interprets "income" if the gift is to be Invested, and whether some of the principal amount can be spent. An example is this; some donors will designate that only the "income" can be used but the "capital" must not be spent. A Gift Acceptance Policy will help the Board clarify with the donors beforehand what is included in the working definition of "income" (i.e., interest, dividends, capital gains, growth in value, etc.) and what is meant by "capital" (i.e., the original amount contributed, possibly with a slight inflation indexed growth in value over time, etc.) If donors know these definitions before they give, they can more comfortably accept how the monies are used. Guidelines for a Gift Acceptance Policy can be found in the Appendix.

A Gift Acceptance Policy helps the Church in those times when a gift is given expecting the whole amount to be spent for a specified work; placing a Restriction on the Board as to how they can use the money, i.e., for the youth program of the Church until the funds are all used up. The Board should always have the freedom to say to the donor that they will not accept the gift with Restrictions too difficult for them to manage. However, before they completely reject the gift, they should talk with the giver and see if they can work with the donor to adjust the conditions and uses of the Fund before the gift becomes a burden to the Board rather than a joy for the Church.

NOTE: The Treasurer should make sure that a check from a donor who desires a Restriction is not deposited until the Board has had the opportunity to decide if they are willing to work with the Restriction in the future. If you deposit the check, the donor might take that as the Church's acceptance of their Restrictions.

In any case, once received by the Board the wishes of the donors should be scrupulously followed to fulfill all legal requirements pertaining to Restricted Funds held by a non-profit Church or organization. Please check with the specific laws of your State to see how they limit the use of Restricted funds.

Chapter Fifteen

Memorial Giving and Special Gifts

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Memorial Giving: Often when a loved one dies people will give gifts to the Church "in memory" of the person. The family will often add the statement, "in lieu of flowers," give gifts to the Church. These gifts are usually called Memorial Gifts and might even go into a separate fund called the Memorial Fund. Some Churches use this money only for special items like plaques, furniture, windows, etc. Some Churches even have a committee set up to not only acknowledge the gifts but also determine the use of the monies. Other Churches just put the money in the General Fund.

The Board is the one who usually makes the decision as to what is done with the Memorial money. Because you have members in the Church who have their own idea of what it means to give something in memory of a loved one, it is beneficial to make it clear before tensions erupt and feelings are hurt. When the Board does not make a conscious preemptive decision, then the Treasurer does not know how to handle the money and might just continue doing what the previous Treasurer did. Once the Board decides how they would like to handle Memorial Gifts, the procedure can be described in the Gift Acceptance Policy for the congregation to understand how the Board handles these gifts. Then, if the family would like something else done with the gifts, they can talk that over with the Board in the same way anyone can suggest a different Restriction on their giving.

Options for the Board to decide include:

--Put the money in the General Fund.

--Put the money in some Restricted fund to be spent on special projects the Board has or will determine.

--Put the money in a special Fund whose spending is directed by the Memorial Committee on capital expenditures with a lasting value, i.e., cabinets, stained glass windows, musical equipment, etc.

Special Non-Cash Gifts: Although many special gifts come in the form of property, stock, carpets, furniture, the Board should have a plan for how they will handle these gifts. Often Boards handle these special gifts as they arrive

and then there is quite a discussion about the current needs of the Church and how various factions wish to spend the money. Better to have it all stated ahead of time in the Gift Acceptance Policy.

For instance, the Board might determine that they do not think the Church should be in the business of investing. They might have the policy that all stock gifts will be sold upon receipt, and the cash placed in the appropriate fund. Or all rentable property will be rented out to provide a lasting income for the youth program.

There is no right way to handle Memorial Funds or Special gifts. It would just be beneficial for the Board to make these decisions before the gifts come in and in turn communicate that to the congregation on a regular basis and before the gifts are given. Good clear communication does not keep donors from giving but actually encourages them to give more because they know and appreciate the Board's future thinking.

Chapter Sixteen

Data Management

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Computer systems allow Churches to collect lots of data related to its membership. Some Churches keep track of attendance, involvement, interests, as well as how much they give and what are some of each donor's favorite causes.

There are many programs on the market designed to help Churches keep track of members and often allow the Church to change a member's address in one place and have it changed everywhere else on the Church's computer system. This makes it very easy to mail or email out reminders and stewardship letters.

While the Treasurer does not have to oversee the Data Management of the Church, the Treasurer or the Financial Secretary are often the first people at Church to see address changes, email changes, and even adjustments to phone numbers. They should pass that information on to the appropriate people who work with the Data Management system.

It is always important to reduce the number of people who can make changes to the data base while at the same time having the data base information straight forward, accurate, up-to-date, and easy to use by the majority of the membership.

If your Church does not yet have a data management system and you are thinking of using an online system, there is one caution I will throw out to you. At one Church I was connected with, the Board and the staff were excited about the "new" capabilities of the data management system available to them. They entered all the data, publicized the links to the members and within minutes they received a large number of complaints ranging from misspelling and phone number errors to threats of leaving the Church because of putting the family's data on the internet without prior approval. The data was protected by the fact that only Church members could access the data and no one in the Church could change things except limited members of the staff. Noone saw the internet as anything except a convenient "directory," except the people

concerned about their private data being publicly accessible. Please, be careful about how you make other people's data available.

Physical Assets

The physical assets of the congregation must be safeguarded and maintained. So, the resources of the Church that the Treasurer needs to oversee go beyond the financial aspects of the Church. Any buildings of the Church must be maintained in good condition to protect the property from deterioration due to neglect. (They say that every dollar of deferred maintenance adds four to five dollars to capital improvements if deferred over five years) Also, the property should be adequately insured, and that insurance coverage should be reviewed at least annually.

The Building Committee or Trustees might have this responsibility, but the Treasurer should be involved in the process so that bills get paid on time and the Committee gets reminded of the timing of things like taxes, insurance renewals, warranty expirations, etc.

The Treasurer is also involved in the Physical Assets because of the need to know values and other data in order to properly include this information in the financial records; especially on the Balance Sheet or the Statement of Financial Position, but Many churches do not see the need to place this information into the financial reports. If there ever comes the day when the IRS begins to treat Churches like other non-profits and requires them to file a 990-tax return, you will be happy to have this information being tracked; including any depreciation that the Church chooses to use in connection with the property. See Chapter Forty for more information on this topic.

Cash Assets

Cash Assets need to be adequately managed, as we have been talking about, and Chapter Four will refresh your memory on Financial Policies and Procedures that help you manage cash.

It is important to set up your bank accounts to make it more difficult to borrow from your Restricted accounts in order to pay for your current expenses. Too many Churches have one bank account and comingle their restricted and unrestricted cash. This practice keeps the Church from knowing when they are using Restricted monies for regular cash flow. It is best for every church to have at least two accounts: one for current operating funds and another for Restricted Funds.

The simplest cash management process is not spending more than you receive. But what is a Church to do when their inflow is down in the summer months and they still have expenses? Well, you could reduce your budget, even in mid-stream if needed, planning to spend less. This might mean you have to have a part-time pastor, or a volunteer youth leadership, but reduced cash flow breaks a lot of Church programs.

Once you have a cash flow problem, you begin to "fight over funds." And your stewardship program goes from one of encouraging members to freely give of the resources God has given them to one of pleading with members to give more to meet the expenses. The first is giving out of desire and joy while the second is giving out of obligation and frustration.

God loves a cheerful giver. I attended Church just this morning and the person giving the announcements talked about a big annual program that would involve almost the whole of the congregation. Then she said, "As we move to our time of offering, let me just say thank you for your generosity. Without your contributions we could not accomplish these kinds of programs. But with your ongoing generosity we can carry out the work that God wants us to do in our community." And then she prayed. Remember, you can never say thank you enough.

This means a Church needs to look for and plan for ways to have a balanced budget even when cash flow is weak so that they do not have to borrow from Restricted Funds to cover the operational expenses of the Church.

Good cash management practices suggest you build a Reserve Fund of about three to six months of expenses. If you spend $10,000 per month in your budget, your Church needs to have at least $30,000 in a reserve fund. And that is not $30,000 set aside to cover the cost of the Restricted Funds. The Reserve Fund money should be money separated from unrestricted monies and set aside for emergencies.

You might ask, how does a small Church build up a reserve account of adequate size when they cannot find enough money to pay their bills? The same way a family changes its spending habits to build up their savings or pay down their debt. Unfortunately, most don't.

When the Church doesn't have a Reserve Fund, they continue in the negative cycle of feeling flush when the giving is good and being frustrated or worried when the giving is down. And believe me, I have been around the Church for 50 years and there are always months that the giving lags behind the expectations.

Choose today to focus on a plan that will build your future Reserve Fund so that you can have a happy financial picture in your Church. Manage your cash assets so that you will be able to always have cheerful givers, and you will not have to plead with your members to give. You definitely do not want to make the announcement or send the letter that suggests that the Church needs the members to give to meet the budget or to cover the upcoming expenses. That letter sends a negative fear throughout the congregation.

Make sure your operating cash is in one account, your Reserve Fund is in a separate account, and the Restricted Funds are separated into another.

Extra Funds, i.e., a surplus

You might be asking, "when does that happen?" It usually follows a time when the Church sets about getting its cash flow in order, i.e., spending less

than you take in. Again, you start by only paying out less than you receive in the offering a particular year. You build up the Reserve Fund over time, you maintain the Buildings on a regular basis, and you keep the Restricted Funds separate from the operating Fund. The more you do this, the more you will be using good financial tactics and the more you will, in time, be able to grow the Church's budget and consequently the Church's program.

If at any time offerings regularly exceed spending, the Treasurer has the responsibility to see that those funds do not just accumulate in the checking account but are properly invested to secure an appropriate financial return. This is best done by making the Board aware of the increasing amount of surplus funds so they can, if they haven't already, develop for the Church an Investment Policy for the Treasurer and Finance Committee to follow.

Churches who have extra funds or Funds with Restrictions that use only the income from these investments should follow good fiduciary guidelines, making use of certificates of deposits, bonds, mutual funds, and stocks. When the Church, usually out of fear of losing money, avoids some kind of investing and keeps all their money in the checking and savings accounts at the bank, they run the risk of poor fiduciary practices and potential lawsuits.

I know Churches feel uncomfortable "gambling" with the Church's money but that is not a reason to be unwise and let the money sit in the bank. If you do not have a Finance Committee with some expertise in investments, then by all means find a local brokerage company and talk with an investment advisor who can help you. There are some companies that charge lower fees than others and you might wish to talk to them because you are afraid of paying fees; but talk to someone who can help you. This is not your money, it belongs to the Church, so you have a fiduciary responsibility to find a balance between growing the assets of the Church and at the same time protecting the assets as well. You might read over the Guidelines for Specific Investment Policies so that you understand principles of investing for the day when your Church will have the funds to make use of Investment Accounts.

The Finance Committee

The Finance Committee under the guidance of the Board has the responsibility to provide good fiduciary oversight of all property, whether physical or monetary, to protect both the "principal" and the "income" of the investment and to keep from co-mingling the Funds of the Church. As mentioned earlier, the income is more than just the interest or dividends but should include the capital gains of stocks (whether reinvested or not) and the share value growth of the investment. This process will involve the Treasurer having to open investment accounts with a brokerage in your town or online and overseeing the monies in those investments.

Keys, Accounts, and Passwords

The Treasurer has the responsibility to safeguard any keys, account numbers, passwords, etc. and to be certain that only authorized persons have access to funds and official records. The easiest way to do this is to keep everything to yourself so no one else can get to it. However, at least one other authorized person than the Treasurer (appointed by the Board and not related to the Treasurer) should know the location of necessary keys, account numbers, log-in IDs, passwords, etc. As often as the Treasurer sees fit, and at least annually, or whenever the Treasurer is replaced with another person, the passwords and keys ought to be changed to protect the assets of the Church.

Offerings

The Treasurer also has oversight to make sure the offerings, and other contributions are appropriately protected, counted, recorded, and deposited. One safeguard in this process is the speedy collection, accounting, and depositing of monies or other assets. Some Churches put the money in a "safe place" or allow their Counters to take the money home. This often leads to the money sitting for a day or more and the deposit taking place in the middle of the week. Even if the offering is a small amount of money, because it is from a special service or one of the last Sundays of the month, the money should be counted on Sunday, preferably by two people, and deposited on Sunday afternoon or at the latest, Monday morning.

I have seen many times when the offering is brought to the front of the church, placed on the communion table until the end of the service and then is left there as the people all leave the Church with the Pastor shaking hands at the door. This will often leave the offering sitting on the communion table for anyone who is sneaky to help themselves.

Who collects your offering from the communion table? Where do they take it? How does it get to the counters? These are all questions the Treasurer needs to ask and resolve so the offerings are protected, counted in a timely fashion, and deposited before the day is out, if at all feasible.

Chapter Seventeen

Procedures for Counting Offerings.

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Having a specific procedure for the handling of money from the offering or other receipt of money through the deposit of the money allows the Church to have things done in the same way every time. When there is a discrepancy with the offering at some point, the trail of what should have happened will be easier to follow to help the Treasurer can find out what happened and how to fix things.

Having a specific procedure also makes it a lot easier to train a new volunteer who has come on to the team to help with the financial process.

The people who will be the Counters at the Church, usually not the Treasurer, should be approved by either the Board or the Congregation; not just chosen by the Treasurer. These people, along with the Treasurer, have access to financial data of individual Church members and for the purpose of confidentiality, they should be people who have the confidence of the membership of the Church.

It is preferable to have two people process the offering at all times to avoid any possible mishandling of monies. We don't expect to have our friends mishandle the Church's money; however, studies have shown that 85% of all fraud is committed by trusted individuals. Having an extra person helps everyone avoid temptation and have the confidence that things are done properly.

Your Church might choose to have only one counting team; however, many Churches have four teams, and each are responsible for one Sunday (one week) per month, or one month every four months, spreading out the responsibility. This also allows some people to be gone for a Sunday or two, during vacation or other commitments.

When money comes in the mail or an offering is taken during the week, most Churches set this aside in a safe place for the Counters on Sunday to include in the weekly deposit. If someone else deposits the money, the information (date given, amount, donor, and fund) should be given to the Treasurer along with the deposit slip.

The Counters assigned to the counting teams are responsible for securing their replacements should they be unable to serve on their designated Sunday of the month. These replacements would need to be previously approved to serve in this way; the Church might develop a substitute list of Counters. No one should be allowed to be on a counting team except by approval of the Board or by vote of the congregation.

Counters who are from the same family should not serve on the same counting team at the same time unless an emergency situation arises. Again, this is to protect the Church from fraud and the individual counters from temptation or potential accusation.

The confidentiality in handling members' gifts and contributions shall be respected at all times.

No paper records shall be retained by the Counting team. The team should pass on the Weekly Counting Sheet and other documentation to the Treasurer and Financial Secretary for posting to the Church's records and proper filing. Many Churches now have the Counters enter the giving data directly into the computer software. Most software packages allow the Treasurer to limit access to just the contribution side of the software and thus, the Counters would not be able to look at or make changes to the financial side of the program.

Mostly for IRS tax purposes the Church needs accurate records of each gift given to the Church. The four things the IRS requires on an acceptable giving statement for an individual to justify their contributions would be the name of the donor, the date of the gift, the amount of the gift, and the funds to which the gifts were given: general fund, youth fund, building fund, etc.

The Church would do well to have a set of written instructions for the Counting team so that the counting of cash receipts from offerings and the preparation of the bank deposit will be done in a uniform and consistent manner to assure accuracy of the cash count. There is no right way to count the money, but a systematic approach assures that each week the process is handled in the same way. See Procedure for Counting Offerings (Sample) in the Appendix.

The Sunday offering should not be taken to a Counter's home for counting, the counting should be done at the Church. This is one more of those checks and balances to protect the Counter from suspicion by members or from temptation.

The insurance coverage of the Church on the officers or those people designated by the Board to have access to the assets of the Church may well require that the cash be kept on the Church premises until deposited in a financial institution designated by the Board. Check your Church's Insurance Policy to find out if it specifies any specific rules regarding Offerings and how the Church would process them.

If the Counters use a Counting Sheet to record the counting, rather than putting the information directly into the software program, the Financial Secretary will be responsible to reconcile the amount shown on the Counting Sheet as the total of the offering received with the bank deposit slip validated

by the bank and the amount credited on the bank statement. The Counters will assist in resolving any discrepancies that may arise.

Chapter Eighteen

Maintaining Donor's Giving Records

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The Treasurer, with the help of a Financial Secretary, should maintain a complete record of member contributions to the Church and Church programs. For many years Churches have used a pledge system where members "pledge" to give a certain amount to the church over the course of the year. If the Church uses a pledge system, these records need to be updated each time a donor makes a payment related to their pledge. These records need to be kept in enough detail to give any donor adequate reporting for IRS tax purposes.

The IRS requires the Church to list the name of the donor, the date of each gift, the amount of the gift, and the purpose for the gift, i.e., General Fund or some other Fund. This will require a split listing each time a check is given for more than one Fund, say the General Fund and for Benevolence.

Some Churches give these statements to donors quarterly; however, all donors should receive a detailed year-end statement of their giving, again listing each gift by date, amount, and purpose given.

One good reason to send statements to donors on a quarterly schedule is the opportunity to send them a "thank you note" and give them additional information from the Church about the successes of the Church's ministry in recent months. One Church I know of sends an update letter each quarter from a different ministry group, so the donors hear from a variety of people, i.e., the pastor, the Board, the Youth ministry team, the Sunday School, the Choir, the Worship Team, etc.

See Chapter Nineteen for more information on Giving Statements and Receipts.

Note: The IRS specifically excludes donations made to a tax-exempt organization with the requirement that the funds go to a specific needy person. These are called "earmarked" or "pass-through" donations in which the not-for-profit organization functions as an agent rather than the recipient of the donation. In essence, the only reason that the donor made the contribution to the tax-exempt organization rather than directly to the needy person was to get a tax

deduction. This practice could be interpreted as tax avoidance (evasion) and is illegal for the donor and could have legal ramifications to the ministry as well, including loss of tax exemption if the offense is deemed by the IRS as severe enough. See Benevolence Accounts later in Chapter Twenty-Nine to better understand giving to the Church for assistance to others.

Chapter Nineteen

Sending Contribution Receipts/Statements

(Quarterly and Annual-Year End)

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The guidelines for receipts or statements issued by the Church or other non-profit organization to their donors and acceptable to the IRS as verification of donation deductions are as follows:

- The receipt or statement should include the Name and address of the Church or organization and/or be on Church letterhead and be dated.
- The receipt or statement must be "contemporaneous," i.e., dated before the taxpayer files a tax return for the year of contribution. The annual statement sent to the contributor during the month of January fits "contemporaneous" and allows them to include the donations in their tax return preparation before April 15. (Many people file their taxes in the months of February and March) Note: the IRS considers it a necessity for the contribution statement of a filer of taxes to be dated before they file their taxes. If they are being audited and ask for an old letter to verify their contributions and the Treasurer recreates a statement from the computer software with the current date on it, the IRS might not accept the statement, the contribution, or the tax deduction. To avoid this problem, which does not happen very often, the Treasurer can make copies of every donor's annual statement of contributions and keep it on file for at least 7 years so that you can make a copy of the original if it is ever needed. (Seven years because the IRS usually does not get around to auditing someone for 2-3 years and the Church will need more than just that year's receipts on hand to use for this purpose. If the IRS finds an issue with one year's contribution, they can then open up an audit on other years.
- The receipt must include the date and the amount of each "Cash" Contribution given (cash includes, cash, check, credit card, online giving, PayPal, and the like). This also includes In-Kind contributions when a member goes out and purchases something for the Church and brings the

receipt to the Treasurer; this amount can be included in the cash contribution list as cash. It is as if the giver gives the money to the Church and the Church authorizes the donor to use Church funds to purchase the item.

- When a contribution is not "cash" but a donation of tangible property, a separate receipt should be given and must include the date of the contribution, and the description of the property contributed without any value placed upon it by the Church. Contributors of tangible property, like stocks, real estate, collectibles, etc. must take the responsibility upon themselves to prove to the IRS the value of the property at the time of the contribution. The Church does not need the value of the gift and cannot include the value of this gift in the giver's receipt or annual statement. The annual statement might make mention of the gift, the date of the gift, and the like, but neither the statement nor the original receipt should include a value placed on the gift. (The contributor might need to file IRS form 8283 with their tax return and might need an official appraisal to claim the gift. The value, the filing of the form, and the appraisal should all be done by the contributor, at their expense, and they should consult with their tax advisor on these matters.)
    - For non-cash contributions over $500, donors need to complete Form 8283 and attach it to their tax return. If the donation exceeds $5,000, the IRS requires a qualified appraisal to substantiate the claimed value, and the donor must complete Section B of Form 8283, which includes obtaining a signature from the nonprofit.
    - A note could be included on the statement to this effect:
    - "While we thank you for your gift to the church of ____ shares of _____ stock on _____, (or a description of the tangible property) the IRS does not allow the Church to give the donor a valuation of the donation to the church. We will use a particular value for our purposes to include in the income of the church and to satisfy your pledge. The IRS leaves the valuation you claim on your tax return as your responsibility to not only come up with a value but also to have the necessary back up documentation to prove its value. Please see your tax advisor for more information."
- The Church should add to the receipt or Quarterly and Annual Statements the following wording:
    - Paragraph of thanks: "Thank you for your contributions to the church. Through your continuing support of our members and friends we are able to do God's work, sharing the love of Jesus Christ and seeking peace and justice for all people."
    - "Any goods and services you may have received in connection with this gift were solely intangible religious benefits."
    - Or use: "Federal regulations require us, the Church, to state that we have not provided you with any goods or services in exchange for this contribution. Please retain this document for your records. It is an

important document necessary for any available federal income tax deduction related to this contribution. We have provided you with only intangible religious benefits and, consistent with the tenets of our faith and practice, only incidental tangible benefits."

Some additional thoughts about what to include with the statement.

- Except where explicitly noted, no goods or services were provided to you by the church in exchange for your contribution or their value was insignificant or consisted entirely of intangible religious benefits.
- If you have questions about this statement, please contact _____ at _____.
- Please retain this letter as proof of your gifts for federal and state income taxes. Please consult your financial advisor or tax professional for the value that should be used for tax purposes.
- _____ Church is qualified under section 170 (b) (I)(A) of the IRS Code and we are a 501(c)(3) non-profit organization. Your gift was not transferred to a donor-advised fund or supporting organization as described in section 509(a)(3). Our tax identification number is _____.
- **If goods and services were supplied in connection with the gift,** then the following would be appropriate, "In return for your contribution, you have received the following goods or services (then describe them) which were valued by us at (include a good faith estimate of value). The value of the goods and services you received must be deducted from the value of your full contribution to determine the amount of your allowable charitable deduction."

A Word about In-Kind Donations

There is a difference between a goods gift and a service gift according to the IRS. **A gift of goods** that have tangible value, i.e. the price you would pay in the store, can be receipted by the church. Provided the donor gives the item and the receipt to the church, the Church can include the gift on the donor's annual statement.

Donors should retain all receipts and written acknowledgments from the nonprofit to support their tax deductions. Additionally, they must ensure that the claimed value of the donated items is accurate and supported by proper documentation to avoid any issues with the IRS.

For valuations on in-kind donations such as used clothing, furniture, and household items, donors can refer to resources like the Salvation Army's

Donation Value Guide or Goodwill's Valuation Guide. These guides provide estimated values for commonly donated items, helping donors determine fair market value for tax purposes.

A gift of service, however, does not have a tangible value according to the IRS, even if you can charge for your services on the open market. This includes professional services such as legal advice, accounting, or consulting. However, volunteers may be able to deduct certain out-of-pocket expenses incurred while providing their services to a nonprofit, such as supplies or mileage.

It is important for donors to consult with their CPA or other tax professional to understand what expenses may be deductible and to ensure compliance with IRS regulations.

Acknowledging In-kind Donations

Nonprofits should definitely send written acknowledgments detailing the donated items or services, and it's great to publicly recognize these donors in newsletters and on social media. This not only shows appreciation but also encourages future support!

Chapter Twenty

Bookstores, Thrift Stores

and other enterprises in the Church.

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When a Church enters into some enterprise, whether it is leasing the property, selling books or donated items, or any other exchange where the Church receives money like a normal business would, it may be required to report the income separately using Federal Form 990 for Unrelated Business Income.

If your Church has a bookstore on the premises on Sunday morning, you could receive income that is not "related to your stated purpose as a religious organization". You might say you are selling religious books to help people with their spiritual growth; that might be considered a religious purpose by the IRS, and it might not. You might be in the same business as the bookstore down the street and therefore you might need to pay tax on the income.

What about a thrift store to help the community's poorer population? This might also be considered Unrelated Business Income even though the Church's mission is to help the poor. Any enterprise the Church gets involved in to raise money might become a place where the Treasurer needs to ask about how the money is raised not just how the money will be spent. See more definition under Unrelated Business Income.

To avoid jeopardizing your tax-exempt status as a Church, which should be engaged in worship and related education and mission, the Treasurer should be very familiar with UBI definitions and rules so that proper accounting can be made, appropriate forms can be filed, and taxes due can be paid, when needed. The term Unrelated implies that the money is raised in a manner that is not related to your express exempt purpose as laid out in your Articles of Incorporation and in your By-Laws.

Please remember that your non-profit status is based upon your activities, not on how you spend your finances or profits. There is a misconception that you as a Church can raise money anyway necessary as long as you spend the money on Church activities and don't make a profit. Actually, the Church or Non-Profit can make a profit and use the profits or even accumulate them in investment accounts or under the mattress. The delineation needed to be a non-profit or Church is to be involved in activities which are related to the purpose you provided to the IRS when you

incorporated and any subsequent filings to the IRS with changes to your purpose over time. Every activity, including how you raise your money should comply with the purposes of your Church, i.e., a Church is formed to be involved in the worship of God and related educational and missional activities. Selling products may or may not be related to your exempt purpose.

The 501(c)3 exemption is based on that purpose not on the fact you are not making money, i.e., what some call “non-profit.” “Non-Profit” has nothing to do with whether you have money left over at the end of the month or the year, but the nature of the activities you were engaged in, to both raise and spend the money. Ask yourself, did your activities serve your exempt purpose or did they look like the bookstore or thrift-store, or car wash down the street?

When the Church starts doing things that look like “business” it could possibly be doing things that are not worship related based upon the meanings of the tax code; and the IRS tax codes are what govern whether the Church can continue to be a 501c3 organization and receive contributions from people that will qualify as a tax deduction. **The Treasurer should be familiar with this area of the tax code** so as to properly report any financial activity of the Church which is engaged in a potential “business.” More of this will be discussed in the next chapter.

Chapter Twenty-One

Unrelated Business Income

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The Treasurer is responsible for any IRS filings and one such filing might be the 990 Form. Most Churches are exempt from filing the 990, but if the Church has Unrelated Business Income during the year, then a form 990 might need to be filed. The Treasurer should be familiar with this tax form or have a a conversation with a tax preparer who knows the 990 form well.

I suggest the Treasurer read through all the questions in the 9-page full 990 so they will have an understanding of the form. Usually, this will open the eyes of the Treasurer about some of the ways the IRS perceives "income" for non-profits and what they mean by the organizations tax exempt purpose.

By definition, **Unrelated Business Income** is any income from a regularly conducted trade or business which is not substantially related to the purpose of the non-profit organization, in this case, the Church. On the IRS website (irs.gov) they use the words, "does not contribute importantly to the exempt purpose of the non-profit organization." In other words, does the activity you are engaged in to raise the money actually contribute to the tax-exempt activity, not will you use the money for tax-exempt activity. Both the activity of raising money and the activity of spending money need to comply with the tax-exempt purpose of the Church.

Many Churches engage in activities to raise money and use the profits to supplement the Church's budget. ***UBI is related to how you acquire the money, not how you use the money.*** **This is a difficult concept for many people to understand but just because you raise money to spend on the Church's program does not mean you have raised the money properly.**

The IRS provides three tests for the Treasurer of the non-profit organizations in order to check whether the activity and its income is taxable as UBI.

1. Is this income from **a trade or business** and derived from "the sale of goods or services?" Are you selling something or are you providing some religious benefit? Selling merchandise, even if it is donated, is not necessarily a religious benefit. Charging a fee for coming to a seminar might be a benefit but it depends upon the topic of the seminar. Keep in mind; it does not

matter whether you call the charge for the event a fee or a donation or just covering the utilities, a charge is a charge. What are you charging the people for? Religious benefits or merchandise.

2. **Is this activity "regularly conducted?"** If so, the income might fall into the category of UBI. Regularly conducted means a Church engages in this activity with a frequency and continuity comparable to a for-profit business. It does not need to be a daily activity since many businesses are not open every day, some might be open once a week. Do you have a bookstore in the Church open on Sundays for your members to buy items? Do you have a thrift store you open once a month for your community? I know you are doing the thrift store to help the poor in your community, but would the IRS consider it a regular business or a church activity for religious purposes? Bookstores, Thrift Stores.
3. Is the activity "substantially related" to the religious purpose of the organization? Once again, not that the financial proceeds are used for Church activities but is the activity by which the money is raised, itself, substantially related to the purpose of the Church. Do you only sell items of a religious nature?

If your Church engages in regular income-producing activities that are not substantially related to your tax-exempt purpose, based upon the way the IRS would look at things, the Treasurer might want to learn more about Unrelated Business Income and talk with a Tax Professional who can help with the understanding and filing a 990 long or short form (whichever is appropriate) with the IRS.

Exemption- what does it mean?

Exemption is a privilege given by the government to certain organizations that provide benefits to a community of people such as religious, healthcare, educational, and other types of organizations. This is not a right that you can claim. Your organization needs to qualify for the privilege of being tax exempt. If you cease to operate as an exempt organization, you are in danger of losing your exemption.

This exemption applies to both income and property taxes in many cases. One single substantial nonexempt purpose or activity can destroy your exemption.

What is a Church, according to the IRS?

Here is how the IRS defines the term "church."

Remember, Church does not mean a "Christian" organization. Church in IRS lingo means a religious organization of some sort. Certain characteristics are generally attributed to churches, and the IRS looks at your organization to

see if most or many of these are true about your group. If so, they might accept your application for exempt or 501c3 status:

- Distinct legal existence.
- Recognized creed and form of worship.
- Definite and distinct ecclesiastical government.
- Formal code of doctrine and discipline.
- Distinct religious history.
- Membership is not associated with any other church or denomination.
- Organization of ordained ministers.
- Ordained ministers selected after completing prescribed courses of study.
- Literature of its own.
- Established places of worship.
- Regular congregations.
- Regular religious services.
- Sunday schools for the religious instruction of the young.
- Schools for the preparation of its members.

The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes.

Source: Publication 1828, *Tax Guide for Churches and Religious Organizations*.

Information is also available from Richard Hammar's, Church and Clergy Tax Guide, revised annually (www.Churchlawandtax.com) or from the Office of Legal/Risk Management Services of the General Assembly Council. Another resource is Cory Halliburton and the Freeman Law firm website and publications. (www.freeman law.com) (See Resources for ordering information and phone numbers.)

Chapter Twenty-Two

Thoughts on Stewardship or Fundraising

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The raising of money falls under the role of the Board of the Church and is usually not assigned to the Treasurer. However, many Churches ask the Finance Committee to take on this task and by default the Treasurer has some role.

My experience has shown me the job of raising money and the job of handling money requires two very different skill sets. Raising money, or should we say vision casting and encouraging donors to give, requires committee members who love to tell stories, talk about vision, and in general get excited about what money can do for the benefit of the donors and the benefit of the Church. Most Treasurers and Finance Committees are not made up of this personality type of person.

Stewardship and fundraising should be done from a position of strength and stability. Rather than begging the congregation to give because the Church is in one more crisis of mismanagement. The more the Board and Finance Committee begs the congregation or encourages them to meet the budget, the more the congregation begins to think the Board has mismanaged the finances.

The role of the Stewardship Committee is to train the church in Biblical principles of finances and encourage all members to consider their gift to the church out of thanksgiving to God for all He has done for them and is doing through the church's use of the gifts received.

The Stewardship Committee should always be on the search for great stories of what God is doing in the life of the Church. How were lives changed in the youth program, the youth trip, the women's retreat, the men's bible study, or the recent mission dinner? Tell the story of what God is doing and then thank the donors for their generosity for making this possible. Show lots of pictures and videos of what the projects are like, who was there, and how much fun they are having.

Fundraising should be a part of every announcement, including worship every Sunday. Not in the form of asking for money, but in thanking the congregation for making the work of the Church possible. You could suggest another way to give; online, QR code, envelope, box at the back of the worship center, etc.

Use various forms of communication with the donors. Write personal notes to those who give. Thank you to the people in the newsletter. Thank them

in person in the course of normal conversations. The Stewardship Committee should be at the forefront of every form of thank you. Say something at every event. The more you say thank you and talk about the ministry of the church, the more people will want to give.

It always helps to recognize and appreciate your volunteers. On Sunday when you choose to highlight a particular event, point out the volunteers in the congregation who are making the event happen, the planning team, or the leader of the group.

Constantly be on the lookout for new ways to say thank you and publicize what God is doing.

The Treasurer' Role

The Treasurer might be asked to assist a Generosity/Stewardship Committee in providing them with historical financial data and some general information about why people give. The Treasurer is not usually the person needed to excite the congregation to follow God's lead and give generously. This role requires more of a cheer leader than a record keeper like is the role of most Treasurers. (The language is a bit exaggerated to make a point and possibly help the Church understand why most Finance Committees and Treasurers find Stewardship a difficult task).

The Treasurer might need to assist the stewardship committee with financial information when the committee is planning a pledge campaign. He or she can also help to interpret the financial information concerning the current year in comparison to last year, which can offer valuable information in planning and budgeting.

Biblical Instruction

Besides this, the role of Stewardship or Fund Raising in the Church more rightly should be the role of teaching the congregation about the Biblical principles of God's generosity to us and our need to learn to mimic His generous nature. "It is truly more blessed to give than to receive." The Stewardship program of the Church is more of an educational program and might well be an ongoing, year-round opportunity to train the members of the Church.

Some of the best Stewardship Programs are year-round trainings of the congregation in the Biblical principles of handling money. How can we best help people to learn to be generous with their financial resources in the same way God has demonstrated His generosity towards us? In learning to be generous people, the members will find the blessings of God poured out on them and they will see the overspill of that blessing in the people who surround them. A resource I have created for teaching the congregation about the Biblical instructions related to money is a two-volume set entitled "Money, Money, Money." (Available on Amazon)

Resources

It is the responsibility of the Board to assign the task of stewardship training to an appropriate member and / or a committee to lead the charge of helping the congregation become generous givers. Far too often, when the task is left to the Board or the Finance Committee, the only communication the members receive about money is at the time of financial crisis. This kind of fund raising instills guilt and feelings of compulsion which are quite the opposite of cheerful giving.

There are several resources available to stewardship committees who take on this role. The Presbyterian Foundation has a downloadable program called, *Stewardship Manual: A Guide to Year-round Financial Stewardship Planning* available on their website*. (type Stewardship Manual in the URL bar of your proser to find many options, including the resources from the Presbyterian Foundation.)*

My favorite is how one church continued to thank the congregation almost on a weekly basis during the announcements saying something like, "the great programs of this church would not be possible without the generous contributions of the members and friends of the church. We thank you for being so generous." You can never say thank you enough.

Chapter Twenty-Three

Planning for Investments

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If your Church has enough money to pay its bills on time and still have money in the bank, it might be time to start thinking about investments. Or, if you have a significant amount of Restricted Funds where the plan is to only spend the "income" of the Fund on a regular basis, it might be time to start thinking about investments. There is no reason the Church cannot pool together the funds of the Restricted accounts and seek a higher rate of return for all the Restricted Funds.

Whether the Church's definition of "Invest" is as simple as placing the money in a bank savings account or a more risk-taking endeavor in stocks and bonds, the Church should have a Board approved Investment Policy by which the Treasurer or Finance Committee carries out the wishes of the Board.

Investing

Before a Church begins to think of Investing monies for extended periods of time, they should consider their potential future plans. The operating budget of the Church normally includes all the monies received and disbursed. Often the checking account accumulates excess monies and the first step in managing those excess monies is to move them to a savings account to gain a little interest. Once the savings account reaches an amount equal to one fourth the Church's annual budget, (three months of the Church's operating expenses), the Treasurer ought to talk with the Board about further Investments.

The Board has the responsibility to function as a fiduciary for the Church's Assets and as such, has an obligation to balance the protection of the principal and the production of the greatest return. That does not mean seeking the highest return, but it does mean to take steps towards gaining a greater return on the money than just being in a bank savings account. An organization will have a lower risk tolerance than many of its members, but the Board should at least consider taking the role of financial steward more seriously than just putting money in a savings account.

Having the Board discuss and decide on the proper risk tolerance for your Church will be the first step in developing a good Investment Policy. A Treasurer should not begin to invest the Church's money without the benefit of a Board approved Policy or Guidelines. Doing so would put the Treasurer in a difficult position if the investments did not turn out to be positive for the Church.

Some Churches, out of deep fear of losing money, lean to the side of protection with minimal return. Some could lean toward the side of greed and seek the riskiest and highest possible return. The balance is in between. The Board should be willing to seek outside help in these financial matters so they can find a fair balance of protecting the principal with some annual growth and producing a return that allows the Church to benefit from the investment. Please don't err on either extreme but seek a wise place in your investing. Remember, it is prudent to spend a little on good sound financial advice.

Just a note on having someone in the congregation who knows about investing or works as an investment advisor. You may choose to seek their advice but be careful that you are not putting them in an awkward position, especially when the market turns down, as it does from time to time.

Investment Records

Permanent records should be kept of all monies that become Restricted when received by the Board. The receipt of the gift should be included in the Board minutes. The details of each Restricted Fund should be kept in a safe deposit box or an appropriate fireproof cabinet at the Church. The best way to acquire the needed information is to ask the donor to fill out a copy of the Church's Restricted Gift Information Sheet any time someone wishes to give a Restricted gift to the Church and then keep this form on file. You can include this "Sheet" in your Gift Acceptance Policy so people have copies of it. If the donor does not fill out the Information Sheet, you can do so once the gift has been received and approved by the Board. Having this information on paper will be a good way to help the Treasurer and the Board in the future.

The details should include the donor (either a single person, a larger group, or the Board) who made the Restriction, the date of the Restriction, what portion of the Fund can be used (i.e. how your Church or the donor wish to define the usable benefit from the Fund; use the whole of the principal, use just the interest and dividends, use a portion of the principal, or some other specific instruction). You also need to know the purpose of the Fund (what kind of expenses you can use the money for), the date or circumstance when the Restrictions will be lifted for some reason, and what the Board can do with the remaining money at the time the Restrictions are lifted.

There is a sample Restricted Gift form in the Appendix which can be used for keeping these records. Attach the filled out form to any documents used to raise the money or letters arriving with the money that help to clarify the future handling of the funds. This form is also helpful to the Treasurer

when putting Notes on the bottom of the Statement of Financial Position to help the congregation understand the nature of the fund and its use.

Investment Questions

How do you know how much is enough to invest? The answer to this question needs to consider a number of factors; Does the Church have enough Reserves? Does the Church have any "Permanently Restricted" monies? Does the Church have excess money they need to invest?

Every Church should maintain a Reserve Fund (more about this in Chapter 46) equivalent to 3 months of their annual budget. If the annual budget is $240,000, then the Church should have $60,000 set aside in the checking or a simple savings account that is readily available; what money people call cash or "liquid" investments. A CD is not liquid because the money is not readily available without paying a penalty on withdrawal. A mutual fund or a stock investment is not liquid even though you can sell it today and have the money available in one day. The problem with the stock investment; you might need the money in a down market so you will be selling your investment at a loss.

Once a Church has met the obligations of the Reserve Account, excess monies can be invested. This might be a small amount or a large amount depending on the Church and the extent of its Restricted Funds.

This is discussed in the next section on having an Investment Policy. The Board of the Church should take its time in developing an Investment Policy before any investment is made.

Whether the money is excess cash, or the pooled monies of Restricted Funds, the monies should be invested as would a good fiduciary who seeks to preserve principal but also seeks a reasonable return within the current economic climate. Sticking the money under the proverbial "mattress" is not an acceptable Investment Policy for a non-profit organization like a Church. On the other hand, taking high risk by investing in a limited number of individual stocks or using options and other high-risk investments would not be prudent either. Finding a balance is the goal.

Often gifts that come to the Church with Restrictions on the use of the money have implied Restrictions on how the "interest" will be used. Before the Board receives the money from the donor or the heirs, a clarification should be made as to how the money will be invested and how the proceeds will be used. If the money comes from a Will or Trust, the Board needs to determine as best they can what are the definitions that will be used. These parameters are generally spelled out in the Investment Policy. And if the Policy is made public to the membership of the Church, the congregation will come to expect this policy to be followed.

What do you mean by “interest?”

Using a simple formula can help to clarify for the donors and the Church just how the Return on Investment will be defined. When people suggest you use only the “Interest,” they may or may not be thinking about the whole of the Return of an investment. They may be thinking about Certificates of Deposit that pay interest but have no possible way of increasing in value.

Investments can generate Interest, they can produce Dividends, some even have Long- and Short-Term Capital Gains, and in the area of most stocks and bonds you will also see a Change in the Value of the original Investment over time (called appreciation).

If you add all these “returns” together, you will have the Return on Investment.

To look at the Change in Value of an Investment you should take an annual date (any date will do) and measure any gain or loss on that anniversary. A good rule of thumb, assuming at least one-half of the total Investment money is in stocks of some kind (or stock mutual funds) is to never pull more than 4-5% of the value of the Investments on an annual basis for use in the ministry of the Church or for the intended use of the fund. This should leave enough “Principal” in the investments to allow for next year’s 4-5% to be a bit larger amount than it was this year.

It is easy to look at an Investment and see the amount of interest it produces if you don’t reinvest it. The same is true for the dividends and the capital gains, both long and short term. If the Church chooses to use the “income” from the investment on an annual basis, it is best not to reinvest any of these amounts. However, if you do not use the income regularly, it would be beneficial to reinvest these amounts. You can choose that option on any of your stock investments whether they are with a brokerage house or not.

When you choose to reinvest your interest, dividends, and capital gains, you have a new question to ask. When it comes time to spend money from the investment, how much will you have available to spend? You will have an increased number of shares from your original investment and with good fortune the value of each share will have increased as well. To spend some of the money you will need to sell shares of the Stock or Mutual Fund. It is important for you to have the record of the number of shares you purchased or received in the original gift. That will give you a benchmark to work with, assuming the shares have not split in the meantime. You will always want to maintain at a minimum, the original number of shares, if you are trying to preserve the principal of the Fund. But you might want to choose a dollar amount or percentage amount that allows the principal to increase each year.

With all these factors, the Board should define their plans and expectations clearly in the Investment Policy and publicize it regularly so that the congregation will know how the Board is watching over the Church’s investments. This also helps the donors to the Church have confidence in the ability of the Board to oversee their gifts. A written Investment Policy also helps future elders to continue to oversee the Investments with consistency.

Chapter Twenty-Four

Having an Investment Policy

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An Investment Policy is a document approved by the Board to explain to the Church, the Finance Committee, and the Treasurer how the Church would like the extra resources of the Church to be Invested.

The Policy will include something about the purpose of the Church's investing.

The Policy will include a statement about who is authorized to open accounts on behalf of the Church. This is usually the Board, and they will need to sign all applications for new funds or accounts as a check and balance to the investment program of the Church.

The Policy will include language about who can withdraw funds from the accounts. A best policy is to have at least two unrelated persons verify the withdrawal of funds from the Church's accounts.

The Policy will include the Guidelines to help the individual or committee authorized by the Board/trustees as to what kinds of investments are appropriate for the Church's money, who has the authority to make changes in the investments, and any procedures the authorized parties need to go through before making changes.

The Policy should describe the differences between Cash Equivalent investments, Fixed Income investments, Stock investments and any investments in Real Property for financial gain. And the Policy should define a range of limits for investing in each of these different vehicles. For example, 2-10% Cash Equivalent, 30-50% Fixed Income, and 40-65% Stock. See more information in the Appendix under Thoughts for Allocating your Investments.

The Policy should also clarify for what purpose the funds can be distributed and what amount of the fund can be distributed during any given year. If the investments are balanced between stock and fixed, then a good rule of thumb is 4-5% annual distribution.

Defining Income

The Policy will define "income" so people understand how the Board might use some of the value of these funds. Any given investment has an annual "Return on Investment" (ROI). This is a combination of interest, dividends, long and short-term capital gains and any change in the value of the investment. If you add all these "returns" together, you will have the ROI of your portfolio for the year. This is a preferred way to look at the annual "income." You do not want to spend all the "Return on Investment" because you would like to have an increase in your principal each year to produce a slightly greater return next year; so you have equivalent "buying power" year over year.

The Policy will delineate whether investment of funds (1) can be entrusted to a sub-committee of the Board/trustees which reports regularly to the full Church, i.e. the Finance Committee: (2) may be entrusted to money managers or mutual fund managers; or (3) the Board may entrust this job to an individual who has expertise in this field, i.e. an educated member, a local broker, etc. If the latter, be sure the Investment Policy has plenty of safeguards around that individual to protect him/her from accusations when the market adjusts downward and to protect the Church from any mismanagement choices the individual might make. The clearer you can make the guidelines in the Policy the better. Always have an individual on a tighter leash and supervise them more frequently for the protection of the individual, the Board, and the Committee.

Before the Board seeks to invest any money, even in bank CDs, a clear statement of investment purpose and goals should be adopted (see Guidelines for an Investment Policy). This keeps the Church from having a mismatch set of investments that the Board might have to live with for a few years. Some investments are harder to sell than others and some may be going through a down cycle when you need the money.

Statement of Philosophy inside the Investment Policy

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The statement of the Church's philosophy in investing should include a reference to how the Church works as an instrument of God on earth and how the Church is entrusted with the responsibility of Christian Stewardship. It should also include comments about the general philosophical guidelines the Church will strive for in the balance of growing the principal to keep up with inflation and having the necessary income to use for some aspect of Christian Ministry.

Example #1 All resources shall be handled with gratitude to God in the spirit of Christian Stewardship; with appreciation to those who made the funds available and in accordance with their wishes to the extent specified by them; with concern for those for whom the money is to be used; and with commitment to employ the money in such a way that its use will improve the quality of people's lives.

Example #2 Since we believe that all we have is a gift from God and we hold highly the responsibility that God and the members of the Church have entrusted to us, we will act with great care and wise stewardship as we invest these funds. Our goal will always be the long-term balance between growth of the principal and ongoing reasonable income to enhance the greater ministry of Christ. (see Sample Investment Policy).

Specific Policy on Investing stated in the Investment Policy.
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In this part of the Investment Policy the Church should list things like who can do the investing, some protection against conflict of interest, maximum and minimum percentages of stocks and fixed income investments, restrictions on options, derivatives, etc. and the specific types of investment vehicles which can be used.

A rule of thumb is for a good fiduciary to invest somewhere between 35% and 70% of the total portfolio in the general stock market and the rest in fixed income and cash reserves.

Investment vehicles should be clearly spelled out so that the extremes do not come into play if a person is authorized to invest succumbs to the greed which is within each of us. Make sure that any investment is in a vehicle that is readily sold on the open market and not locked up for years to come. Listed below are some potential vehicles:

Fixed Income vehicles: CDs, Investment Grade Corporate Bonds, Treasuries,

Stocks: ETFs, a portfolio of Individual Stocks, Money Managers, Mutual Funds.

Mutual Funds: Some Mutual Funds only contain Stocks, others only contain Fixed Income, while others contain a Balance of both. If your Mutual Fund has 40% stock and 60% bonds, keep that in mind when you are assessing your overall portfolio. Also, keep in mind that some Mutual Funds are High Risk Investments, which are the kind of thing most Churches should be avoiding in their Investment Plan.

Options and derivatives: Covered Calls, possibly other Options; other high-risk vehicles that should be low on the Church's radar.

NOTE: The type of investment vehicles chosen by the Church would depend on several variables: (1) length of time the funds will be invested [what is the time-frame before the money may be needed], (2) how much risk the Church is willing to take, (3) whether the principal will remain in-tact, (4) the wishes of the donor, (5) the philosophy and policies of the Church [including the issues of socially responsible investing as defined by the PCUSA].

Make sure you fully understand the penalties for early withdrawal and the market risk of any investment vehicle you allow in the Church's portfolio. Please, don't Invest the Church's money in vehicles that have been

recommended by members of the Church without plenty of good research. (see Sample Investment Policy).

DISBURSEMENTS

NOTE: Companion Volumes by Edd Breeden include:

The Handbook for Church Treasurer's, a condensed version of this Manual for easy reference. and

The Volunteer's Audit Guide for Church's & Other Non-Profits, A Step-by-Step Workbook for Internal Reviews of Non-Profit Organizations.

If you find that something is missing from the Handbook or the Manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com. Please let us know your suggestions to make these resources better. Thank you.

Chapter Twenty-Five

Cash Disbursements (expenses)

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The Treasurer oversees the money going out of the organization's accounts. They need to have policies in place to keep money from being spent from wrong accounts and for wrong reasons. To do this well, they need to know who is authorized to approve expenses. Even if the money is allotted in the Budget, that does not make it a valid expense, and the Treasurer does not need to be the person responsible to make every decision about what can be spent.

Some obvious expenses lie in the form of utility bills, monthly mission checks, and the like. But the sporadic expenses like reimbursements, supplies, or capital expenditures need someone else to approve. Therefore, I recommend the Church have a Policy and a Voucher for all expenses outside of the normal monthly Budgeted items.

Having a Cash Disbursement Policy and Voucher Form

To enable the Finance Team to effectively do its work with the least amount of effort, the responsibility for clear communication falls to the members who wish to have reimbursement checks written for specific projects. The Finance Team can produce a Cash Disbursement Policy along with a Voucher and make it available to the people of the Church. This way, when someone needs reimbursement or a check sent to someone or some company, they can fill out the Voucher and deliver it to the Treasurer. This eliminates all the emails back and forth, and provides the Treasurer with the needed information to write and accurately record the disbursement.

The Voucher would have all the information the Treasurer would need to make out the reimbursement; the reason for the expense(s), the approval signature, the name to make the check out to, the address to send the check, the amount of the expense and the account where the money is to be withdrawn. The Treasurer does not have time to go looking for all this information; it is the responsibility of the person seeking reimbursement or some other kind of payment to provide the information to the Treasurer and the Finance Team.

Both a Cash Disbursement Policy and a Voucher can be found in the appendix.

Chapter Twenty-Six

Vendors

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Vendors and Service Providers:

Anyone who comes on the premises to help the Church maintain the buildings and grounds or to help facilitate the running of the Church or guest programs is a vendor or service provider for our purposes. (Including, but not limited to utilities, landscapers, janitorial services, wedding service providers, caterers, photographers, maintenance crews, contractors, etc.) Whatever you hire the person to do is a service to the Church. Even if you have someone leasing your facilities and they hire someone to cater or work, you should know who they are, what they are doing, and what kind of licensing they have to do the work they are performing.

When you have the opportunity to do so, the Church would be well served to only hire licensed and bonded vendors for insurance purposes. I know they often cost more, and the Church likes to be careful with their expenditures, but one false move and you may be liable. If you are liable and the Church's insurance does not cover your costs, you will wish you had hired people who had their own insurance and protection.

The Church also would be well served to have these vendors, in all circumstances, provide the Church with proof of insurance and even name the Church as an "additionally insured" on their insurance for this particular project. This seems like a lot of extra work until some accident happens and you must sort out who is at fault and whose insurance will pay. If you don't have that settled ahead of time, the Church might be liable for everything that happens.

Paying Vendors and Government Filings:

Because you might need to file a form 1099 for any individual or vendor at the end of the year, obtain from them a completed W-9 form before you issue

to them their first check of the year. (Keep these forms in a separate file for W-9s). The first check might be less than the required filing threshold of $2,000.00 (beginning in 2026 and adjusted for inflation yearly) but when writing the first check you do not know if you will pay them again later in the year. Even if you have collected this form and information in a previous year, it is good to have a new form and current information each year. Note: If your Church has a fiscal year different from the calendar year, you are obligated to send out 1099 forms based upon calendar year payments not on fiscal year payments.

1099 forms should be mailed by January 31st so the vendors can receive their information in a timely manner.

You are required to send the 1099 to any non-employee service provider who is not incorporated you pay more than $2,000.00 during the year. This includes, not just individuals, but partnerships, LLCs, LPs, or Estates that you pay for services. You are not required to send 1099s to S-Corps or C-Corps, sellers of merchandise, or payments of rent through real-estate agents.

Chapter Twenty-Seven

Checkbooks and Authorized Signers

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All accounts of the Church, whether checking, savings, or investment accounts, should be opened only at the direction of the Board. The Treasurer should maintain the "checkbooks" of these accounts by directly receiving the monthly statements and reconciling them with the computer books on a monthly basis. The "checks" and all other account information and documentation belongs in a safe place under lock and key when not in use.

The Treasurer should not be the only signer on any account in case a check or transaction is needed when the Treasurer is ill or out of town. The second signer should be kept informed of any changes in the location of checks, adjustments in passwords, and new accounts being opened.

It is recommended that all checks over a specific dollar amount, set by the Board, be reviewed by the Board or a designated Board member, before being signed by the Treasurer or another signer. This is another of the internal controls needed in an organization to protect the Church from possible mishandling of funds and to protect the Treasurer from accusation.

Authorized Signers:

Before a person can have the privilege of authorizing an expenditure for the Church they should be approved by the Board for this task. Each year, the Board should authorize people responsible for signing checks and approving an expenditure; this can be recorded in the minutes of the first meeting of the year. This would include the Treasurer and at least one other person to sign checks or approve online payments. And it would include a list of people, like committee chairs, Secretary of the Board, business manager, etc. who are authorized to approve expenditures for various committees or areas of the budget.

It would be appropriate for the Treasurer to collect the actual signatures of these individuals and keep them safely in the financial files. This way, if there are questions at the time of the audit/review, signatures on the Disbursement Voucher can be compared to originals. This verification at the review time is another internal control that helps to make sure all disbursements are appropriately authorized. Seldom will you find people

forging someone else's signature, but people have been known to do this when they want something paid for and the "system" is taking too long.

Church members should submit bills for reimbursement to the chair of the appropriate committee for authorization of payment. **The Treasurer would do well not to pay any check without the completed Voucher**, including all information filled out and the required signatures. Never should the person requesting a reimbursement or payment and the authorizer be the same person or related. The Board can make a one-time authorization for recurring payments of mission, per capita, utilities, or other expenditures in an approved budget. *(A sample of a Cash Disbursements Policy and Procedures is found in the Appendix)*

Chapter Twenty-Eight

Accountable Expense Reimbursement Plan For Employees

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According to employment law and the IRS codes, if a Church pays money to an employee, it is considered wages, even if it is for a reimbursement, unless the Church has a written Expense Reimbursement Plan approved by the Board and a receipt for the expense. If there is no Plan or the expense does not comply with the Plan, then the reimbursement should be added to wages of that employee and put on the W-2 form in box 1 as taxable income. I have provided a sample Expense Reimbursement Plan in the Appendix for your convenience.

This requirement includes money that is not "reimbursed" to the employee, but the employee spends with the Church credit card. The expense needs to be justified as a legitimate Church expense according to the law. For example, a pastor takes a person from the Church out to lunch. Is this expense deductible at 100% or just 50% as are most business meal expenses? It depends on the nature of the conversation during the meal. Does the conversation have to do with church business? Counseling may be considered church business. But is it just a meal with friends and the friends happen to be members of the Church?

Also be sure that you, as the Treasurer, have clear information written on the receipts or the attached voucher as to the purpose of the purchase and how it will be used in the Church's ministry. And in the case of meals, who was present at the meal, what you talked about, etc. If the Church is ever audited by the IRS, the same records that are needed by an individual taxpayer will be needed for the Church. Note: We do not keep these records to snoop into the lives of people but so the expense can be considered legitimate when the IRS comes to audit the Church and so the next Treasurer can decipher the information when needed.

Again, without clear and accurate information and receipts, the expense might not be justified as an expense and might have to be included in the employee's wages on the W2 form.

Pastor Discretionary Accounts.

Many Churches have an account, either funded by the budget or by individual members, that allows the Pastor complete discretion as to how to spend the money. The Church and the Board might think this is helpful to the pastor and the congregation so that the people the pastor is with, and the content of the conversation does not become public knowledge. However, without clear documentation of an expense, the Treasurer is required to include the amount spent from the Pastor Discretionary account as additional wages and report those added monies along with the regular wages in box 1 on the W2.

If the Church chooses to have an account that the Pastor can freely spend, the Treasurer should require the Pastor produce all receipts and justify all expenses. The easiest way to set up this expectation of the Pastor and other employees is to have an approved written Expense Reimbursement Plan. Thus, any money reimbursed to the employee will comply with the rules of the plan and the law and will not need to be considered extra income. If the Church has such a plan the Treasurer's role is to strictly enforce the plan related to all uses of the Church's money.

If one of your members would like to provide the Pastor with a discretionary account and gives you the money to fund it, you, as the Treasurer must make that member aware of the laws and the Plan the Church must comply with. If the member chooses to give the money directly to the Pastor as a gift, they can do that up to the current legal gift limit, and the Pastor can spend it however he/she wishes, but the member cannot consider the gift a donation to the Church and take a write off for it on their personal taxes.

Some Ideas to Think About with a Plan

All property, goods, and services purchased under this Expense Reimbursement Plan belong to the Church, not the individual. In addition to the rules and regulations of the IRS, the following requirements for expense reimbursement apply:

1. Reimbursements shall be paid out of Church funds and not by way of payroll deductions.
2. Original or copied receipts are required for any reimbursement of expenses and should be submitted in a timely manner defined in the Plan. The IRS considers "timely" to mean no longer than three months.
3. Requests should be submitted on proper forms and have a signature of a Board member or committee chair, not the employee submitting the form, no matter how important they are (i.e. the pastor).
4. If the Church issues a cash advance on reimbursements, the employee will properly account for the use of funds and return receipts and any excess money to the Church in a timely manner (60 days maximum).
5. All mileage expenses will be reimbursed at the current year's IRS rate.

6. Documentation for expenses should include the receipt, the account to charge the money to, the reason for the purchase, the people met with, & a short summary of business topics discussed.
7. A copy of the Plan should be signed by each employee at the time of hire showing full understanding of the policy and its purpose.

For a sample Written Expense Reimbursement Plan see the Appendix.

Chapter Twenty-Nine

Benevolence Accounts, Deacon's Fund

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One of the regular programs of Churches is to collect and pay out money for those people in the community who have needs. This is often called a Benevolence Fund. Helping the community has many different forms; gift certificates, paying for a hotel room in town, helping pay a utility bill, buying gas, providing a meal, developing a food pantry, having a room or closet where people can come to find clothing or any number of ways to provide assistance to someone who calls or comes to the Church with a need. After all, this is one of many opportunities where we can show the love of Jesus Christ to the world. But we still need to look at the financial complications that come along with the Benevolence Fund. The name is not so important as the function of the fund. A Sample Benevolence Fund Policy which your Church can rewrite for themselves is contained in the Appendix.

Benevolence projects need to be funded before they can be helpful to those in need. Let's look at the funding of these accounts first and the dispensing of the money second.

Funding

Funding these projects can come from Special Offerings, like a monthly appeal on Communion Sunday or just a general awareness of the Church's program. People in the Church know of the Benevolence Fund and contribute to it. Funding can also come from money set aside in the Church's budget or canned goods brought to the Church for restocking the Food Pantry. However, if the funding takes place, it is the Treasurer and Finance Team that will add the gift to the giver's annual statement of contributions and make the money available to spend. Just a reminder; these gifts need to be delineated by date, amount, and purpose, just like any other gift.

If a member of your Church purchases something they would then like to donate to the Church that type of contribution is titled an "in kind" gift, i.e., food, clothing, etc. In this case, for a member to get the gift added to their contribution record, they need to bring the item to the church and with it provide the receipt from the store where they purchased. If the donor brings

items that were not recently purchased, you can give them a written receipt for goods donated to the Church, but the Church cannot place a monetary value on the gift without the store receipt. This was explained in more detail under Contribution Receipts in chapter Nineteen.

Soliciting for the Benevolence Fund

A solicitation is different from the Board including an amount for Benevolence in the annual Budget. But a solicitation can be any way you encourage people to give, even if you do not talk about it or ask for gifts. Maybe your church puts out a red envelope in the bulletin or on the seats one Sunday per month; you have solicited for the Benevolence Fund. If you flash a slide up on the screen before the service that reminds people to give to the Benevolence Fund, you have solicited for the needy. If you talk about it in the middle of the sermon or you mention it at the time of the offering; you are soliciting. Even if you mention at the Annual Meeting of the Church all the good things you did with the Benevolence Fund you are soliciting because you know you want people to give more money so you can do more good things in the community.

So, if you solicit funding for the Benevolence Fund, then all the money given needs to be used for the reason it was given, this becomes a Donor Restricted Fund. The Board cannot change their mind and use the Benevolence money for the Sunday School supplies or some other cause. The Benevolence Fund becomes a Restricted Fund when monies are solicited and more than one person contributes to the Fund. The handling of Restricted Funds will be talked about more with specific guidelines for their use. Take a look at chapter Forty-Three, Funds with Donor Restrictions.

If the funding is given for an individual or a family, the Church should be careful not to be acting as a pass-through agency that is just helping the donor receive a tax deduction for a gift that does not qualify for a tax deduction. *Note: The IRS specifically excludes donations made to a tax-exempt Church with the requirement that the funds go to a specific needy person. These are called "earmarked" or "pass-through" donations in which the not-for-profit Church functions as an agent rather than the recipient of the donation. In essence, the only reason that the donor made the contribution to the tax-exempt organization, i.e., the Church, rather than directly to the needy person was to get a tax deduction. This practice could be interpreted as tax avoidance (evasion) and is illegal for the donor and could have legal ramifications to the ministry including loss of tax exemption if the offense is deemed by the IRS as severe enough.*

Dispensing of funds

When it comes to dispensing the assets of the Fund to a needy person there are a few financial things for the Treasurer to keep in mind. We could mention some of the non-financial issues like; how much might the Church be enabling the needy person to continue being needy; how is the Church salving

its own conscience with minimal care so that it does not need to get involved in deep caring for people in perpetual need; or how much is the Church helping the needy person find a solution for the conditions in their life that landed them in the needy position in the first place? These are clearly questions for the Board, Pastor, and the Benevolence Committee to wrestle with, thankfully they do not fall in the Treasurer's lap.

The Treasurer, for the most part, will just be disbursing the funds at the request of the Benevolence Committee. The Committee will provide the Treasurer with a Voucher for Benevolence Disbursements and the Treasurer will disburse the proper amount. Some Churches make it even easier on the Treasurer. When the Committee decides they need more gift cards to distribute to the needy, they go out and buy them and have the Treasurer reimburse them for their expenses from the Benevolence Fund. Then when a needy person comes by the Church office and the Committee decides they will help the person out; they can just give them one or two of the gift cards and the Treasurer is not involved at all.

However, the Treasurer does need to look at the guidelines the Church uses for dispensing the goods and funds they have collected. Three guidelines that need to be looked at to some extent before money or goods are dispensed in times of need are:

1. **Is there an actual need?** This might seem obvious, especially when a homeless person arrives at the Church's door, but if a neighbor comes to the Church looking for help on their Electric Bill, this might be more of a valid question. Or, what if the person asking for help is a member of the congregation, what is the extent of their need?
2. **Could the person provide for that need on their own?** Do they have funds or other means to provide but they do not want to use those savings accounts at the moment, so they ask the Church for help?
   Note: Both 1 and 2 are guideline questions that often will not have a clear answer but the Church's person in charge of helping others should at least be thinking of these two questions when making the decision to dispense goods. Sometimes these questions have obvious answers, sometimes not, but at least think about them before disbursing funds.
3. **Is this a Pass-Through Contribution?** This question helps the Church to avoid getting into the habit of passing contributions through to individuals which would keep the contribution from qualifying as a tax deduction. Does the person fit in a larger "class" of people? For example, did you go around the Church gathering funds for Sally because her house had just burnt down? That is a noble gesture but if you collected the money for Sally and gave it to Sally, the donors should not consider the gift a tax-deductible contribution. If, on the other hand, the collection was for the community needs at large because there was a fire in the neighborhood, and anyone who was affected by the fire knows of the fund and could apply for assistance, and Sally is the only one who applied, then the potential "class" of people you could dispense to is larger than just Sally and her family.

If the “class” of people is small, i.e., members of the Church, people in the neighborhood, all the seminary students in your Church, etc., the gift might be a pass through rather than a legitimate tax deduction.

Dispensing funds or goods can be in whatever form the Board determines. Some Churches prefer to give small amounts of cash; others only want to give gift certificates. I know of Churches who go to certain community vendors and get vouchers that the needy person can turn in, and the vendor knows that the Church will cover the cost. Your Church needs to find the method of dispensing that works best for you, but keep in mind the guidelines above as you set up, regularly review, and carry out your program of benevolence if you want your donors to get tax deductible credit for their gifts and you wish to protect the 501c3 tax exempt status of your Church.

Benevolence Funds for Sanctuary city, Church, gifts.

I serve in a Presbytery that has designated itself a Sanctuary Presbytery and we live in communities in California where Churches have done the same for their communities. Whether this is a “right” choice or not, that is our situation. For those who are unfamiliar with the term, a Church becomes a “Sanctuary Church” when it determines that it will choose to help those who are in our country illegally. This help might be with meals and lodging or help with finding a job or even becoming a citizen in our country. Although some of what the Church might do would be considered illegal, a Sanctuary Church chooses to serve the people in need rather than step back from helping because of the laws of the State. It is like Peter and James telling the Sanhedrim, “You choose whether it is right for us to serve you or God, but we choose to serve God.”

Some people I am sure do not care about doing things right. Of course, we always have to ask what we mean by “right?” If we mean to do what the government says, then the whole Sanctuary movement is opposed to “right.” If we mean to do what God says we should do regardless of what the government says, then the Sanctuary movement can be justified by Scripture and the desire to care for our fellow human beings. We are in a "state of rebellion," if you will, and are flying rogue on this one.

So, my advice on the Church sending / giving money to people who are in the country illegally is to send / give a check to the person and have them cash or deposit it. That requires information they might not want to give or even have but it will protect the Church and its tax-exempt status.

Some of the people in the Bay area know some others who live down by the border of Texas and Mexico. The Churches in the Bay area wish to give to the people in need down by the border. If the Church sends a check to another Church near the needy people, then the sender is free from conflict because they can give to the other Church. But, if the giving is clearly to help the people in this country illegally, then tax exempt status might be jeopardized.

I might have said this before, but if people give money to the Church for a particular family and the Church passes on the money to the needy family, then they are skirting the IRS laws and asking the Church to give them credit for the donation when the gift does not match the IRS donations guidelines.

In Addition

A Benevolence Fund must be set up with the Board willing to receive money for a purpose not a person. The purpose must then be open to a large group of people, and they must be notified to that effect. Then anyone from the large group of people can request a gift, provide verification of the expenses needed, and verification of the inability to cover the costs themselves. Then and only then should the Church give money to people and legally give the donor(s) a receipt for tax deduction purposes.

Some Churches receive the money, pass it on to the recipients without verification, and give receipts to the donors, however, this is not the legal way. So, it can be done, but it might not be considered proper by IRS standards.

Chapter Thirty

Distributing Scholarships Wisely

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Since we are talking about dispensing Funds with Donor Restrictions, let's talk a moment about funds that might have been given to the Church or set up by the Church for the purpose of giving Scholarships to Youth, College Students, Seminary Students, or even those going to Camping Programs. These Funds also need to follow the three guidelines listed above under the Benevolence Fund heading.

1. **Does the person have a real need?** Obviously, the bill is real; they have a pending tuition cost. But is the amount of the bill beyond their ability or could they pay it, but they would like help from the Church?
2. **Do they have a way to meet that need on their own?** This might also be an unanswerable question, but can they or their parents pay the amount needed? Or is the amount that is needed far greater than the person or their parents, if younger, can cover?
3. **Is there a larger "class of people"** that know about this scholarship and have the opportunity to apply for it? *A Scholarship Fund, like a Benevolence Fund must be available to a larger "class" of people.*

The concerns here are the same. Are we just trying to help a person from our congregation who might or might not have a real need and do it in such a way that the donors can take a tax deduction for their gifts? If the donors do not need a charitable deduction, they can give the gift directly to the student or needing person. They don't need to make their contribution go through the church.

Scholarship Funds can have restrictions on the gifts from the Fund; you can limit who can receive a scholarship and how much they can receive, but you cannot narrow down the "class" or "pool" you draw from so that only a few people are eligible. It is fine for you to limit the scholarship to engineering students going to college from your local high school, but engineering students from your congregation is far too limiting; unless your congregation has 5,000 people and 200 high school students (numbers are not exact, just an idea). The

same is true for Seminary Students. If you have only one member attending Seminary, having a Seminary Fund, and giving all the money to one person will stretch the IRS rules. But if you have several students going to Seminary and your Church encourages college students to head into the ministry, you might only have one student this year but more next year.

Scholarships for the Camping Program

Youth Scholarship for the Camping Program are a bit different but there are some pitfalls to be careful about. Your church can have a Scholarship Fund for students in your Youth Program who wish to go to camp with the youth group but cannot afford to go. This is a way to encourage kids who cannot afford it to attend the camp with others who can. However, I cannot give to your Fund with the designation that a certain young person goes to camp for free. Then I am giving them the money to go and using the Church to get a tax deduction; remember, that is tax evasion on my part and the Church is assisting me to carry out the evasion. We both could suffer for our wrongdoing. The Scholarship Fund for the Camping Ministry has to be given out with the same three questions asked as for the Benevolence Fund.

If the Youth Group has a fundraiser for the kids to go to camp; let's say a car wash. If you give out the money based on the number of hours each kid worked, it is no longer a scholarship, it is employment, and the Church is obligated to pay them as an employee and deduct the appropriate taxes and pay for their worker's comp insurance. If you raise the money as a group and you reduce the amount each student who goes to camp has to pay, whether or not they worked the car wash, you don't have to call the ones who worked, "employees." I know it sounds like socialism, but it is the law of the land.

We all want the Youth to help raise some of their own money for camp; we want them to have some "skin in the game," as it is often called. But you really want everyone to go to camp, and the fund raiser is helping everyone reduce the cost of camp.

You can limit the scholarships to the young people who come to your Youth Program, but you cannot limit it to just for young people from families in your congregation unless your Youth Program is limited to the children from Church families. Keep thinking in terms of a large "class" or "pool" of people for you to draw from and try to have that pool as large as possible. Then apply the three rules above as well as you can, and you should have a great Scholarship Program at your Church.

Note: just in case you have not seen this in other places in the Manual: The IRS treats donations differently when they are made to a tax-exempt Church with the requirement that the funds go to a specific person, needy or not. These are called "earmarked" or "pass-through" donations in which the not-for-profit Church functions as an agent rather than the recipient of the donation. In essence, the only reason that the donor made the contribution to the tax-exempt

organization rather than directly to the person was to get a tax deduction. This practice could be interpreted as tax avoidance (evasion) and is illegal for the donor and could have legal ramifications to the organization who does not monitor these gifts; including loss of tax-exempt status if the offense is deemed by the IRS as severe enough.

Chapter Thirty-One

Overseeing PCUSA Mission Funding

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Collection and disbursement of Funds

All monies collected for mission funding should be treated as Funds with Donor Restrictions and should not be used for any other purpose. If monies are to be sent on to the Receiving Site designated for your Presbytery, they should be sent in a timely manner; at least monthly, if you have funds to send. Too often a Treasurer waits until the last dollar comes in and then forgets to send in the money. The denomination, the programs, and the individual missionaries are depending on you, the Treasurer, to send in these monies in a timely fashion.

Basic Mission Support

Basic Mission Support is the name the PCUSA gives to the general mission program. When your Church chooses to give to the mission of the denomination without any designation, the money is sent to Basic Mission Support. The denomination pools your money with the giving of the other congregations in the broader church and uses it to strengthen and promote the mission of the entire Church. Your generosity will share God's Work and Words around the world through mission personnel, Christian education, evangelism, new Church development, and ministries serving all of God's children. If you are interested in finding out more about the work of your BMS dollars go to https://www.presbyterianmission.org/programs-services/.

Directed Mission Support

Directed Mission Support (sometimes referred to as Designated Giving) are gifts given by the local Church to support particular programs chosen by the Board or by the donor. Your gifts support PC(USA) mission co-workers, Christian education, worship and stewardship, new Church development and redevelopment, Presbyterian camps, ministries in higher education, and the production of resources and services to strengthen congregations.

As people of God's mission, Presbyterians are making a difference as we carry God's word and works to all His children.

Your PCUSA Receiving Site

The Central Receiving Service (CRS) of the PC(USA) exists to receive and disburse funds contributed by congregations and individuals for Per Capita and support of the mission of the Presbyterian Church (U.S.A.). To facilitate this work, regional *Receiving Sites* have been established to help Churches with their contributions. This is usually your presbytery or synod office. (CHECK WITH YOUR PRESBYTERY OFFICE FOR THE LOCATION OF YOUR RECEIVING SITE). A detailed receipt will be sent to donors (either individuals or congregations.)

The Receiving Site collects money from the Churches, processes it for payment to the Presbytery, Synod, and General Assembly according to the Church's instructions and the presbytery approved mission disbursement or per capita due. It is most helpful to use the Remittance Form that your Receiving Site provides. Please check first with your Presbytery Office or staff for instructions, a list of projects for which they will receive money, and any questions you might have.

The Receiving Site can process payments for all Presbyterian related purposes:

*Per Capita
*Basic Mission Support (Shared and Directed Support)
*Special Offerings – One Great Hour of Sharing, Pentecost, Peacemaking, Christmas/Joy,
*Disaster Assistance
*1% Theological Education Fund
*Extra Commitment Opportunities

Chapter Thirty-Two

Churchwide Special Offerings (PCUSA)

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There are four Church-wide special offerings taken during the year by Churches in the PCUSA: see http://specialofferings.pcusa.org.

- One Great Hour of Sharing offering is taken during the Easter Season as an "ecumenical effort to alleviate the effects of poverty, injustice, and disaster." 32% of the offering is used for Disaster Assistance; 36% for the Hunger Programs of the denomination; and 32% for a program we call Self-Development of People.
- Pentecost offerings are taken during the season of Pentecost to address the needs of at-risk children and young people. 40% of this offering goes to Youth Work in individual Churches; 25% is used for the Young Adult Volunteers program; 25% provides funding for the national Youth Ministries projects; and 10% helps with advocating for Children-at-Risk.
- Peace and Global Witness offering is taken in October, the season of Peace, "uniting congregations in sharing the Peace of Christ and promoting reconciliation and peacemaking within cultures of violence and conflict." 25% of this offering is used for responding to conflict in our communities throughout the nation; 25% helps with connecting mid-councils, Presbyteries and Synods for work in the areas of promoting Peace; and 50% helps with the work of advocating for Christ's peace and justice throughout the world.
- Christmas Joy offering is taken in the season of Advent and Christmas "to assist Church workers in their time of need and providing for the education and leadership development of our Church's future racial ethnic leaders." 50% of this offering is used for Assistance Programs of the Board of Pensions, helping retired pastors with supplements to their retirement income; and 50% finds its way to programs for racial-ethnic leadership development.
- Also note: the denomination makes Other Specific Appeals for funding throughout the year including the Theological Education Fund which helps support the Presbyterian Seminaries around the US, the Special Disaster Assistance appeals when there is a disaster around the world that needs extra help, and other Appeals through the Presbyterian Women association.

Chapter Thirty-Three

Understanding and Paying Per Capita (PCUSA)

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"Per capita funding is how Presbyterians mutually share the costs of coming together to discern the Spirit's leading for the future." Opening line of the web page of the PC(USA) statement on per capita. Per Capita is an annual assessment of the Churches of the PCUSA for each member on the roles of the Church. (http://www.pcusa.org/percapita)

What is per capita?

The official definition: "Per capita is an opportunity for all communicant members of the Presbyterian Church through the governing bodies to participate equally, responsibly, and interdependently by sharing the cost of coordination and evaluation of mission; and of performing ecclesiastical, legislative, and judicial functions that identify a Reformed Church, while at the same time strengthening the sense of community among all Presbyterians" (GA *Minutes*, Part I, 1995).

According to the Book of Order, G-3.0106, "Each council above the Board shall prepare a budget for its operating expenses, including administrative personnel, and may fund it with a per capita apportionment among the particular congregations within its bounds. Presbyteries shall be responsible for raising their own funds, and for raising and timely transmission of per capita funds to their respective synods and to the General Assembly. Presbyteries may direct per capita apportionments to Boards within their bounds, but in no case shall the authority of the Board to direct its benevolences be compromised."

In essence: Per capita is a set amount of money (an apportionment) per member that congregations pay to the Councils of the Presbyterian Church (U.S.A.); Presbytery, Synod and General Assembly. Every Presbyterian shares in the benefit of the PC(USA)'s system of government, so every Presbyterian is asked to share the expenses associated with coordinating and performing the functions of that system.

Who pays per capita, and how much?

Congregations (through their Boards) pay an annual amount of money per Church member — per capita apportionment — to their Presbyteries. The annual per capita amount is a combined request from a congregation's Presbytery, Synod, and the General Assembly — based on their respective budgets for the coming year. Presbytery's per capita rate depends on its geographical location and size, its mission needs, and the needs of the respective Synod and the General Assembly amount. Some Presbyteries combine their Per Capita and Basic Mission Giving and collect one amount per member from the Churches. Others separate the amounts. Whichever way your Presbytery collects the money from the Churches the Presbytery is still responsible to pay your share of the Per Capita apportionment to the Synod and General Assembly.

Some Presbyteries pay the full amount of the assessments from GA and Synod whether the Churches of the Presbytery pay their full assessment or not. Other Presbyteries have chosen to only pass on to the GA and Synod the amounts that come to the Presbytery from the Churches. At the writing of this edition the expectation of the denomination is that the Presbytery will pay the full assessment regardless of what the Churches pay.

Watch for further developments because the PCUSA is in the process of studying Per Capita and other alternate funding processes to see what a better way of funding might be the GA and Synod costs.

How is the per capita rate set?

Each Council sets their Per Capita rate by dividing their total budget for the coming year by their total membership figure. The membership figure usually used is the last number reported to the GA in their Annual Statistical Report. This means the number of members is not the current number of members on the rolls of the individual Churches but the number of members on record at the end of the previous year. For example, your Presbytery's Budget for the year 2022 might be $540,000. To figure your Per Capita you much find the membership statistics for the end of 2020 from the GA Statistical Report of the Churches in your Presbytery; let's say that was 14,210 members. Then the Per Capita assessment to the individual Churches would be about $38.00 per member. Many Treasurers will call the Presbytery office saying they no longer have as many members as they did "back then." They would like to use the figures of their current membership to calculate the Per Capita they need to pay. That would be nice, but there is no way for the Presbytery to know what your "current" membership is. The only number they can work with is the number reported in the most current GA Annual Statistical Report.

As the Treasurer, you could remind your Board, probably in October, or around the time you are developing your Church's Budget, that they should consider "cleaning up the rolls" in order to keep the amount of Per Capita accurate. If your actual membership numbers are not up to date, you could be paying Per Capita for a membership number you had years ago and no longer have today. This is a good reason for your Board to be diligent about keeping the membership rolls accurate, reporting rightly in the Annual Statistical Report, and adequately communicating with members who have left the Church.

General Assembly Per Capita Budget

The Per Capita budget of the General Assembly principally provides for the cost of holding GA meetings, expenses of the permanent and special committees of the General Assembly, The Presbyterian Historical Society, the work of the Moderator of the General Assembly, the Office of the General Assembly, GA Publications, and some staff, legal, and comparable expenses to our memberships in ecumenical bodies. This includes the costs of owning, renting, and operating the facilities where the work of the General Assembly takes place.

Chapter Thirty-Four

Initiating Billing When Needed

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The Treasurer takes on the responsibility to send out bills to others from time to time as needed. Your Church might never need to send bills to people but if you do, it becomes the Treasurer's responsibility.

You might wonder why some Churches send bills to people. If you lease your property to others, you might send them a bill for the rent they owe. You might send bills to the Bride of an upcoming wedding so there is clarity of what the wedding charges are, i.e., the sanctuary, the fellowship hall, the sound engineer, the cost of candles, the wedding coordinator, etc. If your Church has a subscription service for the recorded messages or other services, you might need to send a bill. I don't know of many Churches that have a need for bills, but when it is necessary to send a bill from the Church to another person or company, the Treasurer will be the one to initiate the bill or at least oversee the process.

Some Churches do their stewardship with a pledge system. While reminding a donor of their pledge and how much they have paid on said pledge is not technically a bill, it is something the Treasurer might need to initiate and send to those who have outstanding pledges. Your Church might have a tradition of how often to send these reminders but if not, you should set a schedule that works for you and stick to it.

Your Church might send bills to the members each year for their annual Per Capita payment. Even though most Churches include Per Capita as a line item in their budget, they also include per capita payments as income. Why not encourage everyone to "pay their bill;" i.e., the cost of being a member?
You might need to prepare bills for other situations like costs for weddings, cost for building use, cost for Sunday School study books, special seminars, and other items. While the Church is not in the business of selling goods, it might from time to time need to send out a bill, a reminder, to someone of how much they owe the Church for the services they are receiving. That becomes the role of the Treasurer.

REPORTING

NOTE: Companion Volumes by Edd Breeden include:

The Handbook for Church Treasurer's, a condensed version of this Manual for easy reference. and

The Volunteer's Audit Guide for Church's & Other Non-Profits, A Step-by-Step Workbook for Internal Reviews of Non-Profit Organizations.

If you find that something is missing from the Handbook or the Manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com. Please let us know your suggestions to make these resources better. Thank you.

Chapter Thirty-Five

Financial Reports

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The Treasurer and the Financial Team have made a lot of effort to gather, organize, and keep the records. What for? To communicate this information to those people who make decisions about the future of the Church. Usually this is the Board, often it is a Committee, and at least annually it is the membership of the congregation as they are considering their giving for the coming year. These are the various people who will use the financial data to make decisions about the work of the Church.

Each computer program comes with a variety of standard reports that can be printed. You can often customize the reports for your particular needs. Reading this section of the Manual you will find many helpful ideas about ways to make your reports beneficial to those who see them and what to include in your reports to help everyone involved see and understand the finances of the Church more clearly.

Financial reports presented to the Church and the membership must be understandable to the person who does not normally think and comprehend the world of charts and numbers. The Treasurer can translate the Reports every month into a form that is easier for the Board to comprehend by using spreadsheets and consolidating numbers into fewer groups. This takes a lot of time, and many Treasurers have enough on their plate as it is. The less time-consuming task would be for the Treasurer to train the Board and the congregation to read the reports that are generated by the financial software. This will require some added time for the first few reports to each group, but once people have a better understanding of how to read the reports, the Treasurer will only need to hand out the report and highlight a few of the items that need to have extra clarification. It is always better in the long run to make the effort to train people to read the computer-generated report rather than to rearrange the numbers on the report into a different format, hoping the new format is clearer.

The Basic Reports

The Statement of Financial Activity (also called the Profit and Loss Statement), is a report that lists the Revenue and Expenses for a given period of time, last month, year to date, or the whole year. This report can also show a comparison to the Budget for the same period or how the Church is doing compared to the Budget for the whole year. Along with this report, the Board should receive on a monthly basis a copy of the General Ledger for the month showing the dates, vendors, amounts, and deposits for the month as well as copies of the journal entries made during the month.

The Statement of Financial Position (also called the Balance Sheet), lists everything the Church owns and what it owes, all the Assets of the Church as well as the Liabilities. This is where you will see how much money is in each bank account, investment account, and the value placed on buildings and other capital assets. When Notes are attached to this report, the "Positions" are not only stated, but clarified as well.

These two reports help the Church, and the congregation, understand the complete financial situation of the Church on a particular date; whether the revenue is more than expenses or not, if the Church needs to stop spending as much money, do they need to let staff go, should they be investing their excess cash, etc. Without a clear picture of the financial situation, the people in the Church who make decisions about the future spending or the members who make a decision about future giving might just be guessing as to the right thing to do.

The Treasurer and the Finance Committee members might also see things in these reports that should be brought to the attention of the Board; concerns about pledge pay-up, high expenses in one of the programs, etc.

It is appropriate for the Treasurer to present these two reports to the Board on a monthly basis for their review. Often the Board or one of the elders might want to know the details of one of the categories or line items of the reports. If that is the case, the Treasurer can report what they know about the expenses in that area, i.e., Christian Education. Your Church might have the capability of showing the complete Report on a large screen TV in the room and if someone has a question the Treasurer can expand that area of the Report to show all of the details that make up the numbers. Or the Treasurer might produce the report needed by the Board members and give it to them later in the week.

At the end of every year, the Treasurer will prepare a year-end report for the annual congregational meeting. This report would include not only the revenue and expenditures but also a comparison to the planned budget so the Church can see where, if anywhere, the budget could be adjusted for the coming year. It would also be good to have a comparison to the previous year's numbers on the Balance Sheet so there can be an awareness of how the bank accounts and restricted accounts have changed over the last year.

Chapter Thirty-Six

The Statement of Financial Activity
(this is the name given to the Profit and Loss statement of non-profit organizations)

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This statement is one of the many standard reports in most financial software programs and is probably the most common report in all accounting. It is designed to show the "activity" or flow of money into or out of the Church's accounts. The simplest of all budget reports (*in italics below*) was the old method of the Treasurer's report to the Board.

Balance at Beginning of the Month	*$ 3,567.00*
Revenue for the Month	***2,030.00***
Expenses for the Month	***1,925.00***
Balance at the End of Month	*3,672.00*

A report like this does give a picture of the finances of the Church; you see the beginning and ending balances and the amount of money that came in and the amount that went out. And in some small Churches this might still be enough information. Especially if there is more coming in than going out; people as a whole do not seem to worry unless there is less money coming in than going out.

The Financial Activity in this report was:

Revenue for the Month	***2,030.00***
Expenses for the Month	***1,925.00***
Net Revenue or Loss	*105.00*

The Financial Statement would be:	
Balance at the End of Month	*3,672.00*

But most Boards and congregations today would like to see more detail; like how much money came in from contributions and how much from leasing out the Church's facilities? How much money was spent on salaries and how

much on utilities? How much did it cost to fund the Youth group trip to the snow and how much did they raise to help with that trip?

Revenue can be broken down by the types of income the Church might have and how much detail the Board might want. For example, your categories of revenue might be as simple as, Contributions and Other Income. Or the Board might want to see Contributions from Regular Members (Pledges), Contributions from Visitors, Rent on the Home the Church owns, Interest Income, Refunds, and any number of details which might help the Board know where the revenue comes from. There is no right way to break down these categories, it truly depends on what information the Board considers helpful to their planning or "how you have always done things in the past."

(Just a Note: even though people find change difficult, reporting things the way they have always been reported may not be the best use of time or the greatest help to the Board. The Treasurer is the one who can present options to the Board so they can reconsider the detail of the reports especially if they have become too cumbersome.)

You can see how the Annual Statistical Report asks the PCUSA churches to breakdown the Income and Expenses by looking at Chapters Thirteen and Twenty-Five, respectively. A good rule of thumb is to limit the number of line items on your budget to one or two pages when the Statement of Financial Activity is printed out. If the report is more than two pages long, it might be time for you as the Treasurer to suggest to the Board a change to limit the number of items that get reported each month. The Software Programs available these days allow you to create headings and group your income lines or expense lines under these group headings. That way you do not need a line item for electricity and another for water; you can just call it utilities and have all the expenses for utilities in that one number.

Further details are available on most computers for the Treasurer to break down a category and print out a list of all the expenses in the category. It would be helpful from time to time to give this breakdown to the person(s) in charge of spending these monies so they can check things over. This helps them know what has been spent and what might be left to spend from the Budget. With this detailed report the person(s) in charge of spending from this account might also notice when an expense has been charged to their account by mistake and needs to be changed to reflect an accurate accounting.

Chapter Thirty-Seven

The Statement of Financial Position
(this is the name given to the Balance Sheet statement for non-profit organizations)

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The simplest of all statements of financial position (*in italics below*) was the old method of the Treasurer's report to the Board.

Month Ending Checking Balance	***$ 1,567.00***
Month Ending Savings Balance	***1,005.00***
Taylor Youth Fund Savings Acct	***1,100.00***
Total Assets, No Liabilities	***3,672.00***

A report like this does give a picture of the finances of the Church; you see the amount of money that was in the bank at the end of the month. And you see there are no liabilities at the moment.

And in some small Churches this might still be enough information from since they might not have more than one bank account and one or two savings accounts. But most Boards and congregations today would like to see more detail; like how much money is in each of the several bank accounts, checking and savings, and how much money is set aside for restricted accounts or other fund categories. They will also wish to know what the pending liabilities of the Church might be; things like "what is the balance we owe on the building loan?" or "what bills do we still have to pay this month?"

This statement is also where you can show which Funds have Donor Restrictions and those that do not have Donor Restrictions. Funds with Donor Restrictions will have certain instructions that need to be Noted as a footnote at the bottom of the Report. The Notes will clarify who gave the money, how much of the money can be spent, what restrictions have been placed on the use of the money, and how much longer the Fund will be restricted. This Financial Position statement will also show any outstanding loans the Church has, what the loans are for, and when the loan will be paid off.

Including the Value of Church Property in the Financial Position

Corporations, both non-profit and for-profit, that are required to file annual tax returns have to include the value of their property and other assets on the Balance Sheet or statement of Financial Position. Most Churches have not ever included the value of the property "on their books." Three possible reasons come to mind. One, the Treasurer is usually a volunteer with little or no training in bookkeeping or accounting. Two, the assumption that the Church would ever sell the property seems so absurd that it would be meaningless to put the buildings on the statement of Financial Position. A third thought comes to mind that the purchase price and building cost of the original building over 80 years ago was so small compared to today's dollars that the amount on the statement would not make much of a difference. And the property would have been totally depreciated by now anyway.

However, there might be reasons for including building cost and depreciation on the balance sheet. One would be, it helps the Church know the cost basis of the property at the time of sale to determine and account for any gain or loss (usually for tax purposes). Churches don't ever think about the sale of the property since they expect to be around forever. But many Churches today are actually selling their property or are closing, forcing the Presbytery to sell the property or take over the ownership and carry the value of the buildings on their books.

From a tax standpoint, Churches don't have to worry since they do not have to pay capital gains on the sale of property; at least not yet. But the atmosphere of the country seems to be moving towards taxing Churches so including this in your accounting plans will be beneficial if the tax laws actually do change sometime in the future or if you are seeking an audit for purposes of a loan.

Setting a Value on the Property

Usually, the cost of any property would be listed as an asset under long-term assets. This is the actual amount paid for the property with capital expenditures added near the time of purchase or building. If you do not have the data on the purchase price of the property you can estimate that amount. The amount listed should be the amount paid for the asset, or the amount of value of the asset when it is placed into the accounting records, as well as any leasehold improvements made near the time of purchase. The cost basis of the property will be this number with some adjustments if you ever sell the property.

The property can then be depreciated at 1/30th of that initial value each year, accumulating as a negative number under an account called "accumulated depreciation." Then you will have a net value (cost basis minus accumulated depreciation) of the property of $ 00.00 after 30 years.

All other leasehold improvements should be listed separately in an additional account as they occur. Call this account something like "leasehold improvements."

Add an account for leasehold depreciation as well and add appropriate depreciation each year depending on the useful life of the improvement, usually 30 years.

The Cost Basis of the property and all improvements will be the sum of the property cost and the improvement costs minus the accumulated depreciation at the time of the sale of the property.

Some people want to have the current property value listed in the statement of Financial Position, however, that is not normally done because you would be changing the value of the property up and down every year with the fluctuation in the Real Estate market. When the property is sold, the accountant would take the sales price and subtract the true cost basis and other expenses related to the improvements and sale of the property. This value would then be considered the capital gain/loss and listed appropriately in the financial statements.

As well as these numbers being tracked in the Statement of Financial Position, it would be good to add Notes to the report if the property is ever to be used as collateral for loans or other obligations. These Notes should include the dates of purchase and some information about the improvements. You could also include any other information that might be lost over time that would be of value for new financial people and members to know.

Chapter Thirty-Eight

Notes on Financial Reports

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How many times have you heard someone say, “When was that money given to the Church, and what can we use it for?” With the dawn of the new reporting requirements of the FASB comes something that has been missing in Churches for years. Organizations now need to include Notes on their financial reports.

The “Note” for each Donor or Board Restricted Fund would list the donor (either a single person, a larger group, or the Board) who made the Restriction, the date of the Restriction, what portion of the Fund can be used (i.e. the principal and income, just the income, or some other specific instruction), the purpose of the Fund (what it can be used for), the date or circumstance when the Restrictions will be lifted for some reason, and what the Board can do with the remaining money at the time the Restrictions are lifted. This information should be gathered at the time the ‘gift’ with Restriction is made, but if it is an old gift, the Treasurer might need to put what is known in the Notes with an asterisk stating that information is lacking.

The Board should set up a Gift Acceptance Policy and include with that Policy a Restricted Gift Information Sheet; see a sample in the Appendix. This will help the Treasurer have the information necessary to write the Notes needed on the Financial Statements.

Under the liabilities section of the Statement of Financial Position report you should have three major sections for Funds; Funds with Donor Restrictions, Funds with Board Restrictions, and Funds without Donor Restrictions, also called Unrestricted Funds or General Funds.

GENERAL FUND, Unrestricted Funds - Money that can be used anytime and anyway the Board chooses; WITH BOARD RESTRICTIONS - Money that the Board has chosen to set aside for a specific purpose which any future Board can change as they see fit; and WITH DONOR RESTRICTIONS - Money that the Board accepted as a gift from a donor or raised for a specific purpose that is earmarked for a special project.

Each Fund that is separated on the Statement of Financial Position should have a “Note” (a footnote) associated with it. The “Note” should indicate at least who set the restriction, what the restriction is for, and when the

restriction will end. There will be more information about Restrictions and records that the Treasurer needs to keep in Chapters 43 & 44, dealing with Restrictions. To be complete the expanded "Note" in the files should also include any other Restrictions related to whether the principal can be spent, how much "income" from the investment can be spent, what should the Board do with any money left in the account after the end date set on the Fund.

Additional Notes on the Reports

Additional Notes to add to the Statement of Financial Position would include a note about the Return on Investments (ROI) for the Funds. This would probably best be served by an estimate of the gain of all investments less the cost of investing (account fees, management costs, etc.) divided by the total investments at the beginning of the year. This information in a note would help the Board and the Membership have an understanding of how well the Church Investments did in the past year. Keep in mind that the Church would normally see an Investment return lower than the return of individual members because the Church would almost always take a less risky approach to investing than would the individual member.

It would also be appropriate to have a Note stating anything unusual about the Funds in general such as which Funds might have been released from their Restrictions during the past year, where was that remaining money moved to and which Funds, if any, can be anticipated to move from Restricted to Un-Restricted in the coming year.

Another Note that can be helpful and will be required in the new FASB guidelines is describing how liquid assets will be managed by the Board so they can provide the needed cash flow for the next 12 months. This means that the Board needs to be thinking 12 months out financially at all times. What contributions can be expected to come in, what back up funds can be tapped into if the projections do not come to pass, and how easily the Board could tap into Unrestricted Funds to cover short falls in the budget process. One of the things most Churches do not have that they should have and might be required to develop would be a Reserve Fund that is available to help with expenses during the low-income months, usually in the summertime.

Reporting the Activity of Funds

One report that would be helpful for the Finance Committee and the Board on a quarterly basis would be a Fund Report that shows the balance of the fund at the beginning of the period (quarter), how much was deposited into the Fund during the period, how much was spent from the Fund during the quarter, and the ending balance.

This will give the Finance Committee and the Board an opportunity to keep up with the flow of money into and out of special funds.

Chapter Thirty-Nine

Setting the Budget and Presenting it

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Setting the Budget – developing the line-item budget.

In some Churches, the Treasurer is responsible for preparing the preliminary budget for the Board to look over, adjust and approve. If you have a Finance Committee, you will probably want to run the proposed budget past them before you submit it to the Board. Start soon enough on this process so everyone who needs to see it can do so before it needs to be presented to the Board for approval and then the membership at a Congregational Meeting.

The simplest way to form a Budget is to look at last year's budget and adjust it based upon what the actual expenditures might end up being. A more thorough plan is to rethink each line item, recalculate the expected amount, and adjust plans and expenses to fit what the Church can and cannot afford.

Budgets are typically begun in early September, or four months before the end of the fiscal year, so you might have to make an educated guess as to what the expenditures for the full year will be. Whatever vehicle you use to make your decisions, remember that a budget is just a guideline, and you should remind the Board and Finance Committee of this truth. Many lines in the information you give them four months before the end of the year will be inaccurate by the time you get to the end of the year. And the Board might need to make some adjustments to the budget as the year goes on because of unexpected costs. Adjustments are best made by expecting the budget line to go over budget or seeing places where the budget will come in way below budget and appropriating that deficit to an expenditure or budget line that looks like it will go over the expected amount.

The approval of the Budget varies from Church to Church. Some have the congregation approve the Budget and some churches only need the Board's approval to move forward with the Budget. Major issues like the amount to pay the Pastor or the Staff might best come to the congregation because you will want their "buy-in" for complete support. If you choose to have the congregation approve the Budget, you will need to get their approval to amend the Budget mid-year. A Board approved Budget can be adjusted with a vote of the Board. If your By-Laws or historical practice have the membership vote on the Budget, you might prefer to limit the amount of Budget changes throughout the year.

In the Presbyterian Church, we call the compensation package for an ordained minister "The Terms of Call." These terms must be voted on by the membership if there are any changes for the coming year. Remember, that the Board should not change the "Terms of Call" for any ordained staff without a vote of the congregation at a duly called meeting. This would include things like changing the Pastor's salary or giving the ordained staff a bonus, which was not laid out in the budget, increasing the vacation, etc., that the membership saw at the annual meeting.

What to Include?

The Budget includes an estimate of the expected income for the Church during the coming year. This would include all contributions to the work of the Church, Other income from leasing the facilities, running a preschool, etc. and interest earned on Investments. The amount of detail you would like to have depends on your Board. I mentioned in Chapter Thirteen the eight major income categories that the PCUSA uses in their Annual Statistical Report. You can design your Budget around those eight categories or pick ones that work well for you. Remember to make this a best guess scenario; you cannot say for certain how this will turn out a year from now.

Then you will want to include an estimate of the expenses you will incur during the year. You will know some of the numbers; like property tax, salaries, insurance, etc. but you will only be able to guess what the utilities might be or how much the Youth Group will spend on their camping program. You want your guesses to be both realistic and at the same time attempt to anticipate the unexpected.

Those who prepare the budget do need to decide if their budget is a limit on spending in each area of the budget or a guess at the time of preparation. That is a Board decision, and they might change their minds if they have some circumstances change during the year. The Treasurer will want to know how the Board interprets this, in order to flag items that are going over the spending "limit."

You could see the Budget as an expression of the goals of a congregation translated into dollars and aligned in some kind of priority. Since the expected income often is unknown at the time of the budget process, it is prudent to encourage close scrutiny of both new and on-going programs. Don't wait until the end of your fiscal year to recognize that one of the Budget lines is way over the planned amount.

When the budget is properly developed, continually updated, and effectively used, many beneficial results are realized such as:

1. Reduced emotional spending.
2. Improved impact of mission dollars.
3. Avoidance of unintentional diversion of dollars to lower priority causes.
4. Increased congregational participation and commitment.
5. Monitored spending.

6. Rational adjustment to meet unexpected situations.

The effectiveness of a budget in the long run depends upon two factors: the thoroughness of the planning upon which it is developed and the diligence with which it is adhered to.

You will find some helpful guidelines to developing a budget for your Church in the Appendix under Guidelines for a Healthy Budget.

Steps towards a sound budget.

It is very hard not to begin with adjusting last year's budget, but the best place to start is with the mission of the church. Ask yourselves what you want to accomplish and how you want to accomplish the mission or the vision.

Then, looking at programs that are doing the vision and the volunteers available to accomplish the mission, you will have a good understanding of what you can continue doing and what you might need to stop funding. What programs can you spend money on to make them more effective? Which programs are doing good but not really in line with the mission of the church at the moment? And which programs are not effective and require too much energy and resources to improve their quality? These are the had questions to ask but they need to be asked to help the church focus on the mission you feel called to. Churches that do not start with the mission and keep doing what you have always done, will probably not see different results in the future.

Once you have defined the program going forward, set clear and measurable goals for each program. And determine realistic timelines for these goals to be met.

Take a long look at the condition of the physical plant and make sure you set aside enough money in the budget to take care of the facility. Remember, any time you defer a dollar's worth of repairs it will probably cost you two dollars one to two years from now to do the needed repair. Do not put it off. Set realistic goals to perform the needed work.

Then prayerfully ascertain an amount of inflow you will need to accomplish the proposed costs for staff, building, utilities, and program. Think at least two years into the future, do not plan to use all of your reserves in the next year.

Once you have put these figures into the budget, make the needed adjustments, to make a balanced budget. Look through the next section on ways to cut the budget costs to see if you can "squeeze" a little wiggle room to fund some things that you feel you need to include in this year's budget. You can always make a list of projects that you can fund if and when you have the extra money available.

Your next step is to present this budget to the powers that we, either the board or the congregation. What are some ways to share your vision with them in an exciting way that will encourage them to financially contribute to the Church to make this vision become a reality?

If you need to make cuts to Next Year's Budget

The obvious places to think about cutting are Mission Giving, Staff Positions, and Deferring Maintenance. Each of these pose huge problems if done hastily. There are many people in your congregation who think giving to mission work is more important than having a permanent place to worship. People get deeply attached to staff and any reduction in hours or complete elimination will cause people to rebel and leave the church. And, as I have mentioned earlier in this Manual, every time you defer maintenance you increase the amount the maintenance will cost, almost twice the amount next year.

Other places to look when needing to cut the budget could be asking the hard questions of what the Church is doing that does not directly relate to the stated Mission Statement of the Church. Or ask, are there ways of doing the same thing but doing the work for less cost? What can we do with the utility costs, i.e., have the local energy company assess your buildings and suggest ways to lower your costs, or install timed thermostats, or ask people to wear jackets to Church and use less heat. Also ask about payroll, landscaping, and maintenance, can you have outside services do these tasks and do them more efficiently? You might even look at other churches who are nearby and see if there are ways you can work together on some projects to ultimately save costs for both churches.

Presenting the Budget

The standard Budget presentation happens just with the Statement of Financial Activity or the Profit and Loss report. The Treasurer prints up this Statement of Activity, usually with an additional column for the annual budget and possibly last year's numbers for comparison. This report is then added to the Church's Annual Report or just handed out at the annual congregational meeting. As stated earlier, this report has a tremendous amount of information but only to the people who have been taught how to read this type of presentation.

The Treasurer would do well to attach the Statement of Financial Position report along with the Financial Activity. This will, if the members know how to understand it, provide a list of the assets of the congregation and any loans or other obligations the Church has.

Along with the Statement of Financial Position, the Treasurer can include the Notes that explain to people where the various amounts of money came from, how they are to be spent, and when, if ever, the money might be available for other projects. For more information about Notes see Chapter Forty-One.

An Alternate Budget Presentation – a Narrative Budget

Clearly communicating the budget can become an essential way for the Board to help the congregation understand the vision for ministry of the Church and just what their offerings have provided in the past and will accomplish in the coming year.

Your congregation's budget is a story that is to be shared within your members and donors. Unfortunately, the story is often difficult for people to see when the budget is presented only within the format found in annual reports and line-item budgets. Many people find those financial statements to be a maze of figures rather than an expression of ministry.

Since most members are not accountants or familiar with line-item budgets, many Churches have gone the next step and developed what is often called a Narrative Budget. This serves as a non-accountant's tool to communicate the costs of the program of the Church to the congregation while at the line-item sharing the vision and stories of the Church. Please choose the best report format for the audience you have, i.e., hand out the Narrative Budget but also have available a line-item Budget for those that might prefer seeing it in the old format.

Narrative Budgets effectively represent the witness of your congregation by providing a clearer picture of the mission and ministry realized through the generous giving of your membership and donors. It is an invaluable educational tool.

What is included in a Narrative Budget?

For example, the line-item budget for your congregation may show very little funding for worship. It might list the amount of money you will spend on flowers and candles. But is that accurate? The cost of worship is so much greater than the flowers. A narrative budget takes all the costs for all aspects of anything related to worship and shows the real amount of the budget directed toward worship. The percentage of the minister's time that is spent in preparation and leadership of worship, the time spent in sermon preparation, the cost of the building expenses, like insurance and taxes, the cost of utilities for worship, the cost of paper for worship bulletins, the cost of musicians as well as music directors, the music for the choir, and the custodial time are all a part of the real cost for Christian worship in a congregation.

Consequently, the Narrative Budget might have five or six amounts rather than the 30-50 on the line-item Budget. It will also have paragraphs of information about the work of the Church. The five or six amounts of money will total the full amount of the Budget for the year but will also have the opportunity to show the congregation how the monies of the Church are spent: for Worship, for Adult Education, for Mission, for Youth Ministries, and for Care and Compassion work in the community. The Narrative Budget allows the Board to present more than the financial plans but the Proposed Vision as the Church steps into the new year.

The Narrative Budget often results in an increase in giving. People can see clearly how their money is being used by the Church to benefit the Spiritual Growth of members and to meet the practical needs of others in the community. Once the members see this vision of the working of Christ in your city and beyond, they want to be a part of that program and are willing to part with their dollars and even their time to see that vision fulfilled. When members of your congregation see that their Budget addresses real needs in the lives of people, and that their involvement and contributions are of significant value in supporting such mission, they are more likely to be generous in their giving.

In the Appendix there is an outline to help you set up a Narrative Budget for your congregation.

The Value of the Budget

The Budget can help the Board and at times the membership of the Church understand the amounts of monies that come and go, the flow of cash. And sometimes it will help people see how much money is being spent on a particular item, utilities, or youth program. But it often is just the instrument to help the Board know if they are spending more in one area of the ministry than they had planned to allow them to change their spending and not let things get out of control. Don't get me wrong, I, as a money type person, believe that all organizations including the family should have a budget to keep track of their income and expenses. But, in the greater scheme of things, the organization that communicates their vision through the money they spend will have the greatest success in accomplishing what they believe they should be doing.

Having a plan and sticking to the plan is the way most successful people and companies operate. Without the plan the program of the organization will not have focus, and without focus, you might not get anywhere.

Let your Budget tell your Vision, so the Congregation understands the values of the Church, the stories of how you expect to instill these values, and benefits of doing ministry in your community.

Chapter Forty

Monthly Reporting

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Each month the Treasurer can prepare a report for the Board that gives them at least a limited version of the financial situation of the Church, i.e. the Statements of Financial Activity and Financial Position. This way the Board can see on a monthly basis how the contributions are coming in, where certain line items are being overspent, or when the checking account is running low on money. With this kind of information on a monthly basis, the Board has the opportunity to see things that might be a problem before the problem actually arises.

Depending on the financial situation of the Church the Board might also want a more detailed breakdown of the income and expenses. This can be presented to them either at the meeting if the Treasurer has a complete printout of the income and expenses, or as a report a few days after the meeting either mailed or emailed to the interested Board members. Including the Statement of Financial Position each month also allows the Board to be aware of the change in value of various Funds. Once again, someone on the Board might like to have a breakdown of the inflows and outflows that created the change in value of a particular fund. Most months, the two main financial statements will be enough information for the Board to see the overall picture of the Church's finances.

Your Committees might also like to have a monthly recap of the inflow and outflow of the budget lines that fall under their oversight. This gives them an opportunity to see what is being spent, on what, and sometimes by whom. They might recognize items that do not belong in their "budgets" but might belong to another committee or they might wish for you to move the item from one-line item to another that they also oversee. If this information is matched to the budget, they will know more about what they have left to spend and can more appropriately plan for their upcoming needs.

If your team includes a Finance Committee, they might like the reports in more detail than the Board so they can do "auditing-on-the-go" by seeing discrepancies along the way and by making corrections in a timely fashion, rather than waiting until the end of the year Review of the books. While the

“auditing-on-the-go” does not remove the need for the Church to do the Annual Financial Review, it does clear up the records so the Review will go more smoothly.

For instance, a mission committee could have chosen to stop sending money to a missionary who has left the field, and the Treasurer not knowing this has continued to send the monthly check. It would be better to find this out after one month of sending the unneeded check than after 6 months. If the mission committee needed to have the missionary return the money it would be so much easier for the missionary to send back one month’s amount than to find enough money to return 6 months’ worth.

The same would be true if the janitorial company had been replaced by the Board or the Facilities Committee and had forgotten to tell the Treasurer about the change; it happens all the time. Then you have to get the money back from the one company but in the meantime, you will need to pay the new company for their services.

Or if the income has been lagging behind the budgeted amount or the expenses have been greater than expected for a few months, the Finance Committee or the Board need to know these things in a timely fashion. This way the Board can enact a spending freeze, or curtail some specific expenses, or even begin the process of cutting staff time or staff.

Chapter Forty-One

Annual Reporting to the Membership

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Annual Financial Reports at the Annual Meeting

All Presbyterian Churches are required to have an Annual Congregational Meeting, and most have this meeting in the first part of the year. Usually the committees of the Church give their summary reports for activity during the previous year; often the reports are written and compiled into the "Annual Report."

Along with the Committee Reports, the Treasurer often presents the Statements of Financial Activity and the Statement of Financial Position as well as the Budget for the coming year. These reports should have all the Notes attached so that members know the details of the financial situation of the Church.

The Annual Meeting and the various reports give the members an opportunity to ask questions and express joys and concerns about the previous year's ministry and the finances related to that ministry. The annual Financial Reports often include a comparison to the previous year's income and expenses. This gives the members a chance to see what is changing and what might be working well.

I.e., they might see a down trend in revenues for the Church from the preceding year causing members to ask about the change in membership, the income differences or even the economy. Or one member might notice a significant increase in the value of one of the special funds, causing them to ask a question about either the investments or how many people contributed to making the fund rise in value.

Members who are more familiar with financial reporting in For-Profit Corporations might want to know about the different assets held by the congregation, how these might be invested, what the Return of Investment (ROI) was for the preceding year, what restrictions are placed on funds being held for specific purposes and what is the timeline, if any, placed on using the funds before they revert to another use. The Treasurer who uses Notes on Reports will have already included much of that information at the end of the Report.

Annual Giving Reports to Each Donor

This topic has been covered in Chapter Nineteen **Contribution Receipts/Statements** so we won't say much here except that this is a crucial responsibility of the Treasurer and the Financial Team. For IRS tax reporting purposes each member of the congregation should have an annual statement of their giving so they can justify the deductions they place on their Tax Return. It is important to get these statements out to individual donors as promptly as possible, usually by the end of the month of January.
This is a repetition of information, but the information is worth repeating: The guidelines for receipts or statements issued by the Church to their contributors and acceptable to the IRS as verification of donation deductions are as follows:

- The receipt or statement should include the Name and address of the Church and/or be on Church letterhead and be dated.
- The receipt or statement must be contemporaneous, i.e., dated before the taxpayer files a return for the year of contribution. The annual statement sent to the contributor during the month of January fits "contemporaneous" and allows them to include the donations in their tax return preparation. (Many people file their taxes in the months of February and March) A contemporaneous receipt must be dated before the Tax Return of the donor is filed, including extensions. If someone asks you for a receipt for their contributions and you print them a new receipt, it might well have today's date on the receipt and if they have already filed their taxes, the receipt will be considered invalid and their contributions might be rejected by the IRS. One thing a Treasurer can do is to print out two copies of the annual receipt and keep one of the copies in a file for about 6 years in case a donor needs to produce documents for an IRS audit of their taxes. Not something required, but a nice service. Most audits take place within 3-4 years of filing.
- The receipt must include the date and the amount of each "Cash" Contribution given (cash includes, cash, check, credit card, online giving, PayPal, and the like). This also includes In-Kind contributions when a member goes out and purchases something for the Church and brings the receipt to the Treasurer; this amount can be included in the cash contribution list as cash if the giver does not receive a reimbursement from the Church for the expenditure.
- When a contribution is not "cash" but a donation of tangible property, a separate receipt should be given and must include the date of the contribution, and the description of the property contributed without any value placed upon it by the Church. Contributors of tangible property, like stocks, real estate, collectibles, etc. have the responsibility to prove to the IRS the value of the property at the time of the contribution. The Church

does not need the value of the gift and does not include the value of this gift in the giver's statement or receipt of Cash Contributions. (The contributor might need to file IRS form 8283 with their tax return and might need an official appraisal to claim the gift. The value, the filing and the appraisal should all be done by the contributor at their expense, and they should consult with their tax advisor on these matters.)

- The Church should add to the receipt or statement the following wording:
  - "Any goods and services you may have received in connection with this gift were solely intangible religious benefits."
  - Or use: "Federal regulations require us, the Church, to state that we have not provided you with any goods or services in exchange for this contribution. Please retain this document for your records. It is an important document necessary for any available federal income tax deduction for this contribution. We have provided you with only intangible religious benefits and, consistent with the tenets of our faith and practice, only incidental tangible benefits."
  - If goods and services were supplied in connection with the gift, then the following would be appropriate, "In return for your contribution, you have received the following goods or services (then describe them) which were valued by us at (include a good faith estimate of value). The value of the goods and services you received must be deducted from the value of your contribution to determine your charitable deduction."

Chapter Forty-Two

Fund Reporting

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A “Fund” is a pool of money that is used for a particular purpose. Most of the monies a Church receives is going to be placed in the General Fund or some Churches call it the Operating Fund. All the general expenses come from this Fund of money. This is usually in the main checking and savings account . Even the special Funds, which we will talk about later cannot be disbursed directly from the specific bank or investment account to the appropriate vendor because those accounts might not even have check writing privileges. The money will often have to be transferred into the main checking account and disbursed from there.

Beyond the General Fund, Churches often have “pools” of money set aside for various different purposes; Reserves, Building Repairs, Missions, and the like. If these different pools of money or Funds were given to the Church by donors and the donor indicated they wanted the money to go for a specific purpose, the Fund is considered a Fund with Donor Restrictions; this money cannot be spent for anything other than the designated purpose. If money is solicited from the congregation with the implication the money will be spent on a specific project, like the Youth Fund, the money cannot be spent for any other purpose. If the Board sets some money aside for a cause and asks members of the congregation to add to the Fund, the Fund automatically becomes a Donor Restricted Fund. Again, Restricted Funds cannot be spent on anything other than the purpose of the restriction.

If, however, the Board recognizes that the Church has more cash in the checking account than they need for a healthy cash flow, they can choose to designate some of the money into a separate Fund for a specific purpose. These Board Restricted Funds are considered Funds without Restrictions; meaning the Board can change the Restriction any time they want to, as long as no other donor has added money to that Restricted cause.

All Restricted Funds, those with Donor Restrictions and those without Donor Restrictions should have a footnote associated with the Fund on the

Statement of Financial Position. The Note will help the Treasurer, the Board, and the congregation remember the Donor and the intended use of the Fund as long as the Fund is listed on the report.

The Funds are listed as assets or liabilities on the Statement of Financial Position. While the activity of the General Fund is reported in depth on the Statement of Financial Activity. The Checking and savings account balances will be reported on the Statement of Financial Position. The main divisions of Funds on the Financial Position report include the General Fund, Funds without Donor Restrictions and Funds with Donor Restrictions.

A typical Balance Sheet (Statement of Financial Position) has two parts. A list of all the Assets of the organization and a list of the Liabilities/Capital of the organization. The Assets include the actual places where money is "housed;" Checking Accounts, Savings Accounts, Investment Accounts, and the value of the actual physical Assets of the Corporation. The Assets could even include a line for "Mattress Money" if the Church being averse to Banks and Brokerages keeps all its money in cash under someone's mattress.

Assets and Liabilities on the Statement of Financial Position

In days gone by the Treasurer usually set up different Bank Accounts, either Checking or Saving, for each different Fund to keep the monies for different purposes separated from the General Fund and from each other. (i.e., the Building Fund, the Youth Fund, the Benevolence Fund, the Reserve Fund, Jones Playground Fund, etc.) Then when contributions were received for a particular Fund that money would be placed in the General Fund checking account and then withdrawn and deposited into the appropriate Restricted Fund Account. Or the check might have been deposited directly into the Restricted Fund Account. Since, in this scenario, each of these Funds has its own separate account at the Bank, these accounts and thus the Funds would be listed on the statement of Financial Position as Assets.

With the advent of the computerized bookkeeping, Treasurers of many Churches have begun pooling the money into one or more Bank or Investment Account(s). One of the Accounts might be an investment account where the Church would put all the monies that have Restrictions which the Church will only spend the "income" from the account. If the monies from various Funds are thus pooled together for investment purposes, the Investment account will be listed in the Asset portion of the Statement of Financial Position and the individual Funds will be listed and accounted for in the liabilities section of that report.

Now, the money for the Building Fund might be in a checking or savings account (which would be an Asset) listed by the name of the Bank where the money is located. But since this checking or savings account has a pool of money for many different causes, the balance of the bank account is not the balance of the Building Fund. In this case, it is the Treasurer's responsibility to keep track of how much money in that bank account belongs to each different

Fund that the Church is tracking. This is often done by separate liability lines on the Statement of Financial Position.

Either way, the Treasurer needs to have a way to keep track of the different Restrictions and take extra special care not to spend money from a special Restricted Fund for any other purpose.

Pooling money, while it causes the Treasurer a bit more work in keeping the balances of separate Funds, allows the Treasurer and the Board to make better decisions about Investing these monies that will not be used on a regular basis. I.E. The Treasurer can take money that won't be used for two years and place all the money in a CD or some other investment with a return higher than the bank checking or savings account. If the Church has a large number of Funds where the only expenditure of the Funds will be the "income" of the Fund, the Treasurer might even take the monies to an Investment Account and begin to build a portfolio of stocks and bonds, since the money will be invested for a long-term duration.

There is a downside to pooling money together; especially pooling everything together in the main checking account. If you pool General Fund, Unrestricted Funds, and Restricted Funds into one checking account and keep track of the various Funds in the computer, there could easily come a time where the amount of money in the checking account is less than a total of all the Restricted Funds. This means the Church has borrowed from one or more Restricted Funds to pay Operating Costs. This is a common practice among Churches but is not an acceptable practice for non-profit organizations according to the GAAP standards.

It would be helpful for the Treasurer not to pool or co-mingle the designated and Restricted Funds with the General Fund in one account. This will make it very easy for the Treasurer to tell the Board the Church has a particular amount of money to spend and that amount does not include any of the Restricted monies.

To keep track of the distinction of the different Restricted Funds, the Treasurer would list them in the Liabilities section of the Statement of Financial Position. Here, they can be listed under an appropriate name to define how much money is currently available for the Building Fund or the Youth Fund, etc. If any of the Funds need further clarification as to the original amount, the date given, the date any restriction would be removed and how the funds or proceeds should be used, you can list this information in the Notes at the end of the Statement of Financial Position, (the Balance Sheet).

So, your simple Balance Sheet would look similar to this:

Statement of Financial Position

Assets	
Local Town Bank	$ 5,350.00
National Bank	12,700.00
Savings and Loan	23,850.00
Savings and Loan CD	10,150.00
Total Assets	$ 52,050.00

Liabilities	
Funds with donor Restrictions	
Building Fund	$ 6,150.00
Organ Fund	4,000.00
Funds without Restrictions	
Youth Fund	3,250.00
Vacation Bible School Fund	1,750.00
Operating Funds	36,900.00
Total Liabilities	$ 52,050.00

This Balance Sheet will expand as the Church has more Assets and more separate Funds that they want to keep track of. This example is only to give you an example of how you could list your Funds on the Balance Sheet.

Many Churches want to keep listing the money based on where it came from, i.e., who gave it and what it is for. The difficulty with the old method is this; what if you desire to take out a CD at the bank because you don't expect to use the money for two years and you want to capture the higher interest rate, (I know, you want to ask me where you can go to get a "higher interest rate." Ha-ha, very funny.) Let's say in the example above you won't be using the Building Fund or the Organ Fund for at least two years. So, you took the $ 10,150.00 in these two funds and put them in the Savings and Loan in the form of a single CD. If you keep the two Assets separated, which you can do, you will have two lines instead of one on the Balance Sheet under Assets that say Savings and Loan CD and you would have to add some information to clarify which one was Building and which Organ. But you might not want to do this because you can get the higher rate of interest on an over $10,000.00 CD than you can on a CD under $10,000.00. Thus, you are pooling the money in the Asset Accounts and separating the Funds under the Liabilities helps you increase your investment return and at the same time keep track of the individual special Funds.

Keep in mind: *even though the money is located in a pooled account the Treasurer should be very careful not to borrow from one Fund to pay expenses for another Fund without specific instructions from the Board. It should be the Treasurer that highly cautions the Board if they talk about "borrowing from Peter to pay Paul" as to why this practice is frowned upon.*

Chapter Forty-Three

Funds with Donor Restrictions

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A Fund becomes a "Fund with Donor Restrictions" in two ways. One, the Board accepts money from any Donor who gives the money to the Church with a set of Restrictions for how the Church should use the money or the income from the money. Two, the Board could solicit money from members for a particular purpose, when the gifts come in, the Donor expects the Board will honor the stated purpose. These Funds have often been called "designated" Funds by Churches because they are set aside or designated by someone for a specific purpose or program.

The Board can set money aside for a special purpose and they can be called Board Restricted Funds or Designated Funds, however, the Board can change their designation any time they choose in the future. One qualification to this Designation by the Board, if someone else contributes additional funds to this pool of money or the Board solicits from the congregation to add to these monies, the designation is no longer just a Board assignment, but donors have added their Restriction to the Fund and the whole pool of money becomes Donor Restricted.

Restated for emphasis, there is no Restriction if the Board takes Operating Funds and "designates" them to a cause. But there is a Restriction if the Board advertises a cause and solicits gifts for it. In most States, if you accept "Restricted" gifts or solicit money for a particular item or program, it is a legal violation if you use the money or a part of the money for some other purpose even if the Church or Board votes to change the use. In California if a Board wants to change the use of Restricted monies, they need the approval of the State Attorney General's office to do so. Check with your State and Local laws regarding solicitation and receiving of gifts to make sure you comply with the rules in your area.

NOTE TO THE TREASURER: If a donor's gift includes a restriction as to how it should be used, the Board should be notified before the gift is deposited unless the restriction has been previously approved by the Board. (See more information in chapter fifteen, Gift Acceptance Policy.)

When a new restriction is requested by a giver, the Board should take the time to review the restriction, decide whether they will accept the gift with that

particular restriction, and make plans to spend the money according to the new restriction. If the Board wishes to accept the gift but has questions about its use, now is the time to negotiate with the Donor to at least pick a few alternative uses if the project they have in mind does not materialize in a certain amount of time. This would also be a good time for the Board to set a time limit on the money so that when the time limit has been reached or the purpose has been fulfilled and any money still lingers in that restricted account, the residue can be transferred to the general fund or some other restricted fund which the Board decided at the time of the original gift.

If the donation comes by way of a will and the Church cannot negotiate with the Donor, the Donor's family can help with some adjustments as the Church receives the money. If the Board cannot negotiate alternate projects and the Board does not believe it can comfortably agree to the Restriction placed on the money, the Board should not receive and deposit the gift.

A Gift Acceptance Policy, will, in most cases, resolve the dilemma of Restrictions if it includes a paragraph of what the Board will do with Restricted Funds that cannot be used for the intended purpose within a reasonable amount of time. At that time, the Restriction will be repurposed towards another stated purpose, chosen by the Board, say the Mission Fund or the Youth Fund.

At the time the Board receives a Donor Restricted gift, they should fill out the Restricted Gift Information Sheet so the Treasurer will have the information needed to add appropriate Notes to the reports and monitor that the money is used according to the Restrictions.

If the Church has money on the books that has been there a long time and no one remembers the Restrictions, the Board should do research and make a determination as to the purpose and the term of the Fund. I suggest they publish this information to the congregation to see if anyone knows of additional facts. Then, with the accumulated information the Board can choose to consider the uses of the funds as fully defined and more on, spending the money according to these restrictions.

This information should be included in the Notes located at the bottom of the Statement of Financial Position to keep people aware of the Donor, the purpose, and when/if the money will be available for other uses.

Be careful how you accept money and solicit for it. You solve some of these problems by having a Gift Acceptance Policy that helps your members understand the way the Board will handle gifts to the Church. You might also think of soliciting for a cause and stating up front what you plan to do with any money that comes in for the project after the project is fully funded. Then you have an alternative use for the money. There is no reason the alternate use cannot be the Operating Fund if you so advertise at the time of the solicitation. I.E., we are raising money for the annual youth trip to Mexico, if we receive more money than we need to take the trip, we will use the money for other youth related projects, or we will use the money for General Church obligations.

The Board always has the freedom to turn down a gift when the Restriction seems beyond the Board's ability or interest to oversee. For example, a person might give the Church "seed money" for a house to care for the homeless; if the Church does not have the rest of the money needed to buy, renovate, or operate such a house, will the Board want to track this money for 20 years until they might get around to working on this project. And what will they do with the money in 20 years if there is not enough money to carry out this project? When the gift is being given is the time to think ahead about the use of the gift and Restrictions placed upon it.

Temporary and Permanent Restrictions

Gifts, with Donor Restrictions, to the Church can come in the form of Temporary or Permanent Restrictions. The difference is obvious by the title. Temporary Restrictions last only for a period of time; a date in the future, a condition that needs to be met, or until the funds are used completely for the Restricted purpose. Permanent Restrictions mean that the Fund will be a part of the Church's financial makeup forever, or at least as long as there is a Church. Usually, with the Temporary Restrictions you will use the principal of the money as well as any income from the funds to purchase or construct the project, i.e., a playground, a trip, a building, etc. With Permanent Restrictions, often called Endowment Funds, the major part of the principal will be invested and only the income will be spent. The Gift Acceptance Policy or the Investment Policy of the Church will describe what the Board means by "income" so there is no confusion a few years down the road. (i.e., is "income" just the interest and dividends or does it include Capital Gains and Appreciation in Value of the investment. See Income in Chapter Twenty-Four.)

Most all solicited Funds fit the category of Temporary, including the regular Offerings of the PCUSA; OGHS, Pentecost, Peacemaking, Christmas, etc. Anytime the Board sets up a solicitation or allows one to happen, the money will flow through the Church's books and the Treasurer will have to watch over these Funds to make sure they are handled properly, i.e., distributed for the intended project. The Treasurer will need to report the proper handling of Restricted Funds to the Board and annually to the Congregation.

How can I include the Church in My Will or Trust?

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At this point in the Manual it would be a good time to encourage the Church to have a regular emphasis on "Planned Giving" for its members. Planned Giving is an opportunity for members of the Church to continue supporting the Church beyond their lifetime. The Church has made such a difference to them over the years, and they have continued to contribute to the

well-being of the Church during their lifetime, now as they plan for the end of their life, they have an opportunity to make a gift to the Church from their estate; often a gift much greater than they could have done while they were still living.

The Treasurer can encourage the Stewardship Committee (or as some are now calling it, the Generosity Committee) to make annual plans for a Wills Emphasis Sunday. One of the forerunners in this work is accessible to all Presbyterian Churches with wonderful resources to encourage your members to include the Church in their Wills and Trusts. Go to Resources and check out the Presbyterian Foundation and the resources they have to offer.

If you have a member of your congregation or just a local person who has an interest in including the Church in their Estate Planning, I have a form that you can have them fill out and take to their Attorney. The form would include some information you, as the Treasurer, would need to fill out, but it would make sure they have the correct spelling of the Church's name and address for their legal team to include in the appropriate documents. You can find this form in the Appendix at Include the Church in My Will or Trust.

Chapter Forty-Four

Funds without Donor Restrictions
(but may have Board Restrictions)

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Gifts without Restrictions include any gift given to the Church where there is no accompanying restriction placed on the purpose or time or duration of the use of the gift, other than that it be used for causes consistent with the tax-exempt purposes of the Church. Whether the gift comes directly from a living individual or through an estate settlement the Board can decide how these gifts will be used. Since the gift has no Restriction, the Board will make a decision about the funds; if they should just go into the Operating Fund Bank Account or deposited into some other Account or Investment. These monies will be accounted for in the Funds without Donor Restrictions section of the Balance Sheet. The monies can be used by the Board for any reason they choose consistent with the exempt purposes of the Church.

The Board has the opportunity to "Restrict" some of the Operating Funds for specific purposes and the Treasurer will set these amounts aside in a Liability Fund with an appropriate name, but the money is still classified as Funds without Restrictions because the Board can change the designation or "Restriction" at any time, so the Funds are truly not Restricted. If, however, the Board sets these monies aside and asks members to add additional money for the project, then the whole Fund becomes a Fund with Donor Restrictions as mentioned in the last Chapter.

Most of the Funds without Restrictions are used for the Operating Funds of the Church. These transactions can be accounted for in the normal activity of the Church, and the revenues and expenditures will show up on the Statement of Financial Activity (the Profit and Loss). Some Churches call these General Funds or Current Funds; the name is not that important.

Most Churches include Missions as a part of the Budget of the Operating Funds and these monies are expended on a monthly or quarterly basis for local or foreign mission projects. Amounts raised for missions outside the Budget, like OGHS offering, will be considered Funds with Restrictions, and should be separated from the Operating Funds and sent to the appropriate mission as soon as you can after the monies are collected. The Presbyterian Church USA uses what they call a Receiving Site. More will be said about this in Chapter

Thirty-One. (Please use the proper Remittance Forms and send them to the appropriate addresses so that the gifts your Church remits will be properly recorded and disbursed.)

Notes related to Restricted Funds

I have mentioned this before, but it is worth repeating that the Statement of Financial Position that lists the Funds of the Church should also include Notes that interpret the information on the Statement. In the case of Funds without Donor Restrictions the "Note" for each Board Restricted Fund should list that this Fund has been Restricted by the Board, the date of the designation, what the Restricted monies can be used for, and the date or circumstance when the designation will be lifted for some reason, and what the Board can do with the remaining money at the time the designations are lifted. If the Church uses a Restricted Gift Information Sheet along with their Gift Acceptance Policy, the Treasurer should fill one of these forms out at the time of the Board designation and use this Information Sheet to find the information needed to write up the Notes needed for the Financial Position Statement.

Chapter Forty-Five

Treatment of Endowment Funds

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Many Churches have used the terminology “Endowment Funds.” Endowment usually means money set aside for use as an income generator and only the proceeds will be used for specified causes which may include the Operating budget of the Church.

In actuality, an Endowment is just another name for a Donor Restricted Fund, or a Board Restricted Fund. Further clarification on Funds is then needed as to whether the Fund is a Permanently Restricted Fund or just Temporarily Restricted. The Treasurer can know this by the documentation which came with the gift itself, or which was developed by the Donor and Board or Treasurer at the time of the gift. Use of a Restricted Gift Information Sheet can be very helpful to the Treasurer if the Church has more than one or two of these types of Funds.

You may continue to use the term Endowment if you choose but I would suggest that you remain consistent in how you use that term, if you have some Endowments that are temporary and some that are permanent, you might try limiting the word Endowment to Permanently Restricted Funds and use other names for any Fund without Donor Restrictions or Funds with Temporary Donor Restrictions.

When working with Restricted Funds, anything other than Operating Funds, the Treasurer should make every effort to set a timeline for the Fund, stating when the Fund will become Un-Restricted and what will happen to the remaining funds when that date arrives. This information should be included in the Notes at least on an annual basis when the Treasurer reports the Financial Position of the congregation to the membership of the Church at the Annual Meeting.

Setting up an Endowment Fund at Your Church

If you do not have a general Endowment Fund at your Church and would like to begin to have a Fund which the Church sets aside for future income, you as the Treasurer will need to actively seek to set up such a Fund. You will

need to start with getting Board approval for such a fund and finding some seed money to get the Fund started.

If the Board sets money aside from the General Fund to begin the Endowment, the Fund would have to be considered a Fund without Donor Restrictions and could be re-designated at any time by the Board. Once the Fund has been added to by a single Donor of the Church the Fund becomes a Fund with Donor Restrictions and the Board cannot change the use of the Funds without legal approval. If you would like to have the temporary Endowment Fund created by the Board become a permanent Fund, all you need to do is contribute yourself or find someone else to contribute to the Church with the stated Restriction that the money would go to the Endowment Fund. Once the money is placed into the Endowment Fund from a Donor Restriction, the Endowment Fund can no longer be seen by the Board as something they can change the use of.

The Treasurer should work with the Board to develop an Investment Policy that includes how the Treasurer or someone else could invest the monies in the Endowment Fund, what the definition of "income" will be for the Endowment Fund, and some guidelines on how the income from the Endowment Fund will be used when the annual income of the Fund is withdrawn and put to use.

Each year at your Church's Wills Emphasis Program, you, the Treasurer can make sure the Endowment Fund is publicized and people in the Church are encouraged to donate directly to the Fund or to include the Endowment Fund in their Wills and Trusts. You can put on this short program for your Church each year and you can have an attorney or other financial professional speak to your interested members about leaving a legacy to the Church out of their estate. The people can be encouraged to think about giving to the Church, beginning now to add to the Endowment Fund each year, or adding the Church directly to their will or living trust. There is a sample Include the Church in My Will form in the Appendix that the Church can modify for their own use that an individual can take to Appendix their attorney and have the Church added to their documents.

While an Endowment Fund often takes a long time to start up, getting the seed money, making the first contribution, and having an annual Sunday or program that encourages members to add to the Fund will cause the Fund to grow in size and in time, become a significant part of the Church's financial program.

Chapter Forty-Six

Maintaining a Reserve Fund

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Most Churches do not think about Reserves, they often have all their money in the single checking account. There are, however, a number of reasons to have some separate accounts and especially have a Reserve account set up and funded. As I have mention before in this Manual, having one account mixes your General Fund monies and your Restricted Fund monies and it becomes very easy and tempting for the Church to borrow from the Restricted Funds when the General Fund runs low on money.

One simple way to keep this from happening unconsciously would be to have separate accounts for all General Funds, a Church Reserve Fund, and all Restricted Funds. You might need more than one account for the General Funds or the Restricted Funds, but in the least, good practices keep these two types of Funds separated by more than a ledger sheet.

A Reserve Fund is part of the General Fund monies and is designed to be a place where the Church can find money when the General Fund goes through an inevitable cash flow problem or time of crisis. If a Church has investments but does not have the Reserve Fund as a buffer, they might have to sell securities at an inappropriate time to gather cash for the need. Many Churches just carry a large balance in the checking account. If it were moved to another accessible account with a little interest, it would make more sense for the Church.

The checking account's operating level does not need to be more than one month's budget. This would allow you to have enough money to cover 1-2 months of low offerings, usually during the summer months. If you have two months in a row that are low, you should then withdraw monies from the Reserve Fund.

A good rule of thumb would be to keep between three (3) and six (6) months' worth of the Monthly Budget in the Reserve Fund. These monies should be available within three days if they end up being needed. That means this account might be a high interest account, but should not be invested, even in a long-term CD, because you will never know when you need the money and when you do you will wish to get to the money without penalty in a timely fashion.

There is no way to plan for every crisis that will come along for a Church but having a Reserve Fund that the Church can fall back on in their time of need would be very comforting for the Board as they go about their daily work. The Reserve Fund would be a Fund without Restrictions because it would be money "Restricted" by the Board for this purpose. And it would be a Fund the Board could use at any time they so choose for the tax-exempt purposes of the Church.

When you do have to use the Reserve Fund for a period of low cash flow, the Board should have a high priority of replenishing the Fund to its full needed amount before they spend any excess monies for other projects.

The amount in the Reserve Fund can vary from time to time depending upon the needs of the Church. The set amount of the Reserve Fund is comfortably around 3 to 6 months' worth of the Annual Budget. As the Annual Budget rises, the size of the Reserve Fund will naturally need to be higher in actual dollar amounts. Likewise, when the Annual Budget is reduced in size the amount of dollars in the Reserve Fund do not need to be as great. You might choose to resize your Fund on an annual basis at the end of the calendar year.

Chapter Forty-Seven

General Assembly Statistical Report (PCUSA)

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Annually, the Secretary of the Board is asked by the Secretary of Presbytery to fill out the Annual Statistical Report from the General Assembly. These reports can now be filled out online; talk to the Secretary (Clerk) of the Presbytery for log in and password information for your Church. The Secretary of the Church will need certain financial data from the Treasurer in order to fill out this report. Knowing ahead of time what is needed can make the Treasurer's job a little easier.

Some Churches actually build their Chart of Accounts around these required numbers for reporting, or some software packages allow you to develop special reports that give you the numbers you need. I have listed in Revenues the eight (8) different categories of income that the Annual Statistical Report will ask you for. Likewise, the eight (8) different categories of expenses that will be asked for in the Report can be found in the chapter on Disbursements. Setting up your accounts in these categories or creating a special report will give you subtotals for these reports and will make it easier to fill out the report when the time comes.

Remember the report is looking for ballpark figures for the purpose of comparing changes from year to year. No one reading this Annual Report is concerned about the fact you spent $2.05 more for some item this year than last. The same person might be concerned if your cost of being a Church went up by $10,000 this year compared to last. This means you should round your numbers up or down to the hundreds of dollars rather than listing dollars and cents.

If you like the way your Chart of Accounts is currently laid out and don't wish to change to the categories of the Annual Statistical Report, feel free to use your categories. When you get to the Annual Report, feel free to move your monies around a bit to fit the GA report. You might have to combine a few of your categories to make up one category in the Annual Report. That is fine.

Just try to move things around in the same way each year for a more consistent comparison report.

You might remind the Secretary of this fact as well. When the report asks, “how many people do you have of different races?” in your Church. You do not have to ask the people of the congregation to fill out a form that tells you their race preference. Just but in your estimate of the numbers. I did this one year and showed it to my Office Manager and was told that I had the number all wrong. I had forgotten that certain people were of a different race. I just don’t notice the race difference well. So, if you are guessing and you are like me with little ability to guess well, have someone check your work.

This Report helps the denomination with their statistics so they can better plan for appropriate ministry programs and address the needs of the whole denomination. The Report is also used by your Presbytery to review the overall financial situation of the Presbytery. Pastors who are in transition will use this Report to learn more about the history of a Church they are seeking to candidate at. They might find out the Church has been in a period of steady decline, meaning the numbers in the Report might include a lot of people who have not yet been removed from the rolls. Whatever the use and whoever uses the Annual Report, it is helpful for them that you fill the Report out as accurately and consistently as possible.

Chapter Forty-Eight

Preparing for Government Reports

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The Treasurer is responsible to comply with community, state, and federal regulations with respect to filing payroll tax reports such as the 940's, 941's, W-2's, W-3's, 1096's, 1099's, and any State equivalents, etc. This includes the completion of Form 941, if you pay wages, at least quarterly if not monthly or semi-weekly and payment of taxes withheld from payroll in the form of payroll tax deposits (Consult IRS Circular E for more information).

State and local tax codes determine the forms for you to use, the method of making payments and the frequency with which you need to make those payments. You should contact your local and state tax offices for the most current and accurate information on what you need to file and pay and when it might be due. Most of the Federal and State forms for filing payroll related taxes can be found, filled out, and filed online. And many of the agencies prefer you do your work online, saving them the need to reenter the information into the computer.

Since payroll tax can be confusing, the Treasurer might seek to hire a payroll company, which can, for a fee, produce your payroll checks, and file all your payroll related governmental paperwork for you. Since each state's regulations will differ, you might want to contact a Tax Professional in your community to help you in complying with all your governmental filings.

The Treasurer is also responsible for any other IRS filings such as Form 990, tax return for non-profit entities. Your Church may or may not be required to file a Form 990 because of the exempt status of Churches at the time of this update. However, the Treasurer should be familiar with this form, and I suggest the Treasurer might wish to read through the 8 or 9 pages of questions. This reading of the 990 form will give you a better idea of how the Federal Government looks at non-profits, what are some of the concerns they might have about how non-profits work, what might keep a non-profit from having a tax exempt status, and what, if any, Unrelated Business Income your Church might have. UBI over a certain amount will trigger a need for you to file the 990 Tax Form or at least the 990EZ or 990T.

Different Counties and States have additional forms that Churches need to file, and the Treasurer is usually the person responsible for filing these

papers. They might include Registration with the State Attorney General, Annual Statement of Information for your Corporation, a Religious Exemption for Property Tax purposes, a Welfare Exemption, and the like. Be familiar with the forms you might be required to file and when these forms are due.

PROPERTY, INSURANCE, AND PERSONNEL

NOTE: Companion Volumes by Edd Breeden include:

The Handbook for Church Treasurer's, a condensed version of this Manual for easy reference. and

The Volunteer's Audit Guide for Church's & Other Non-Profits, A Step-by-Step Workbook for Internal Reviews of Non-Profit Organizations.

If you find that something is missing from the Handbook or the Manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com. Please let us know your suggestions to make these resources better. Thank you.

Chapter Forty-Nine

Overseeing All Aspects of the Property

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The value of all property owned by the Church should be added to the Statement of Financial Position, the Balance Sheet. The rationale for including building cost and depreciation on the balance sheet helps the Church know the cost basis of the property at the time of any future sale to determine and account for any gain or loss (usually for tax purposes). Churches don't ever think about the sale of the property since they expect to be around forever. So, most Churches do not include this. But I think this would be a good practice to include the information.

The cost of the property should be listed as an asset under long-term assets. This is either the actual amount paid for the property, if known, or an estimate of the value of the property when you place it on the Balance Sheet. You would also add any major (over $5,000) capital expenditures made to the facilities over time. All future leasehold improvements should be listed separately as they occur and depreciated over the life of the improvement. The property should probably be seen as a 30-year depreciation (MACRS) and that amount should be listed as a negative number accumulating each year so you have a net value, i.e. cost basis refigured each year on the Statement of Financial Position.

Sample:

Long-term Assets	
Church Property	300,000* (i.e., original cost)
Leasehold Improvements	210,000** (accumulative costs)
Accumulated Depreciation	-129,000***
Total Long-Term Assets	381,000 (Cost Basis)

*The Cost of the Property – original cost was $300,000.
**The Leasehold Improvements – $210,000
new roof, $90,000

new SS bldg., $120,000
***Accumulated Depreciation - $129,000
Property at 30 years for 10 years is $100,000.
New Roof at 30 years for 3 years is $9,000.
New SS Bldg. at 30 years for 5 years is $20,000)

As well as these numbers being tracked in the Statement of Financial Position, it would be good to add Notes to the report if the property is ever used as collateral for loans or other obligations. These notes should include the nature of the improvement, and the amounts involved. This is just to help the membership better understand the financial picture. Also include any other information in the Notes that might potentially be lost over time. Since the Notes would be printed at least every year at the annual meeting the likelihood of them being totally lost would be slim.

Chapter Fifty

Resource Management

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Physical Assets

The physical assets of the congregation must be safeguarded and maintained. Any buildings of the Church must be maintained in good condition to protect the property from deterioration due to neglect. The Building Committee or Trustees might have this responsibility, but the Treasurer should be involved in the process so that bills get paid on time. A necessary reminder at this point. Any time you defer maintenance, it will cost you significantly more when you finally get around to doing the needed work. The cost of the work could double every five years you put it off.

Cash Assets

Cash Assets need to be adequately managed, including opening and closing all bank and investment accounts when appropriate, transferring money between accounts, acquiring CDs or other investments when needed, etc. When the Treasurer sees the balances of an account going above the required expectation or below it, as well, he/she should make the appropriate adjustments or at least seek the Board's guidance so that the Treasurer is not the one held personally responsible if something goes wrong.

Keys, Accounts and Passwords

The Treasurer has the responsibility to safeguard any keys related to financial offices and paperwork, the account numbers, the passwords, etc. and to be certain that only authorized persons have access to funds and official records. This requires at least two steps, One, at least one other authorized person than the Treasurer (appointed by the Board and not related to the Treasurer) should know the location of necessary keys, account numbers, log-in IDs, passwords, etc. And Two, at least annually, or whenever the Treasurer is replaced with another person, the passwords, and key or at least location of the "hidden" keys, ought to be changed to protect the assets of the Church.

Chapter Fifty-One

Finding Proper Insurance

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Presbyterian Churches are directed by the *Book of Order*, G-3.0112 to "obtain property and liability insurance coverage to protect its facilities, programs, staff, and elected and appointed officers." I would assume all Churches and denominations have similar language in their organizational documents.

The Board should review the adequacy of the insurance policy on an annual basis. This might be a task for a sub-committee of the Board, or they might turn this responsibility over to another person or existing committee. However, the results of the review should be included in the minutes of the Board at some point during the year. The Treasurer should notify the Board of this need before paying the renewal fee for the Church's policy. Giving the Board the opportunity to switch companies or change coverage limits, if desired.

The Treasurer should encourage the Board to choose an insurance company that has experience in "Church property and program" insurance so the Church is adequately covered for buildings, property, transportation, liability, and programs of the congregation. It is very easy to want to search for the lowest price, since insurance is a large expense, but at the time of a claim, the Church will want the best coverage possibly. Having a company that works regularly with Churches and knows the kinds of program and usage needs of the organization would be very important.

Vehicles and Drivers

Remember to cover your vehicles that are owned by the Church, and possibly cover the vehicles of your members when they are helping transport youth and adults for Church functions. Please comply with all transportation laws in your State about who can drive what vehicles and what types of licenses they need to drive Church owned cars and vans or buses. Some States have laws about the number of seats you are allowed to have in a passenger van and what kind of driver's license is required of all your drivers. Drivers need to be approved by the Board in most cases and with the nature of situations in our society, all drivers should be background checked for driving

record and potential abuse concerns. Keep a list of approved and licensed drivers in some safe place in the Church office.

Also, keep appropriate logs in your vehicles that list all of the information required by the laws of your State; i.e. when and for what purpose the transportation was used, how many passengers were transported, odometer readings at the beginning of the trip and end of the trip, any items not working on the vehicle at the time of the trip, etc. Be sure to communicate with the proper people about any needed maintenance items related to the vehicle and the Treasurer, if not the Building and Grounds Committee should make sure to have the vehicles regularly maintained.

Bonded Workers

Those in your congregation who handle money on a regular basis should be Bonded. This is a form of insurance that covers their handling of monies and protects them and the Church from issues related to fraud. This is usually a part of a Master Policy for Churches, but the Treasurer should verify this.

Risk management and insurance coverage should be a high priority of the Board/trustees who have responsibility over the program and facilities of the Church. Do not just hope that your policy covers your needs. Seek competent advice!

Book of Order Direction

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Presbyterian Churches are directed by the *Book of Order*, G-3.0112 to "obtain property and liability insurance coverage to protect its facilities, programs, staff, and elected and appointed officers."

The PCUSA has an Office of Legal/Risk Management who welcomes your questions at any time in areas of Insurance for Churches. They publish and continue to update a Manual entitled, "Legal Resource Manual for the Presbyterian Church (USA) Middle Governing Bodies and Churches." The current version of the manual is available on the PCUSA website as a download. (go to www.pcusa.org and type "legal resource manual" in the search engine.) Their disclaimer is very important for all Churches to keep in mind, "*As always, you are welcome to use this [manual] as a resource for information on a number of legal issues. However, since laws in each state may be different and interpretations of laws by courts may vary both state-by-state and in state and federal courts, it is always advisable to seek guidance and advice from your local attorney."*

Other Resources on Risk Management for Churches are available from Church Law and Tax with books and articles published by Richard Hammar, J.D., L.L. M., CPA. Website, www.Churchlawandtax.com. (*See* Resources *in the back of this manual for more information.*)

Master Policies

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The role of the Church is changing and with it the need for Churches to review ways to provide adequate insurance for all property damage, accidents, and liability situations. Gone are the days when the Church activities were limited to weekend services, special holiday functions, and Church dinners. Today, the Church is the hub of diverse activities including fund raising events, preschool programs, social action groups, scouts, and other meetings. Many Churches have related property such as schools, gymnasiums, nursing homes, and cemeteries. Congregations are involved in many off-premises activities such as camps, excursions, tours, outings, and retreats; many of which require the use of buses and other motorized equipment. Not to mention all the possible ways the Church can be exposed to the liability of abusive behavior from pastors, elders, staff, volunteers, parents, and even peers. In addition, there is the exposure to vandalism, riots, bombings, and arson that was totally unheard of 50 years ago.

With all this involvement, the Church today has increased liability over the Church of the last few decades. The task of adequately insuring the Church against these various situations becomes complicated. Recognizing the responsibility of managing all these risks, the Board should appoint a committee to review and secure the adequate insurance coverage needed for your Church's particular programs.

This committee should look for a company committed to serving Churches. Because they specialize in Churches, they are aware of the different activities that Churches engage in, the particular problems they exhibit, and specific needs of the Church of today. An insurance company specializing in Church liabilities can help provide the full range of insurance for the complete programs the Church offers its members and the surrounding community.

Annually, for the Presbyterian Church, the Risk Management personnel of the General Assembly Council meet with several companies to discuss the specific needs and risks of Churches. They work to make sure that the insurance packages these companies are offering are the most comprehensive coverage available so that Churches will have the best insurance the marketplace has to offer at competitive rates.

Check with your Denominational Office for information on Insurance Companies that write insurance for Churches in your area. Some names are listed in the Insurance Carriers section of Chapter Sixty-Four.

Quote Requirements

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Every insurance company will require the following information for both quotes and coverage:

A. A listing of all real properties owned by the Church including Church property, meeting hall, manse, and any other Church-owned properties such as nursing homes, campgrounds, athletic facilities, investment properties, food stands, building sites, etc. You will need to specify square footage, the type of structural materials used, etc. Often this is done as an on-sight review by the insurance agent with a representative from the Church present.

B. An inventory of all items within those properties, even those that are not the property of the Church such as the minister's personal library.

- ***a.*** This is best done with a video camera, walking around the Church property filming all the closets, walls, furniture, back rooms, etc. Even items that are no longer used, the insurance company will reimburse you for them if they are lost in a fire or other loss.
- ***b.*** Remember to keep the videos, lists, and photos off site because they will usually be needed after the building is lost.

C. An inventory of all Church-owned vehicles, including recreational vehicles and buses.

- ***a.*** Again, use video or photos to document what you own.
- ***b.*** Remember to keep the videos, lists, and photos off site because they will usually be needed after the building is lost.

D. A list of all employees, both full-time and part-time, with approximate annual salary and primary function.

E. A list of all Church activities throughout the year, including functions of all Church affiliates such as women's and men's groups, youth and school organizations, and older adult groups.

Once the insurance representative has this list and attached documents and makes a thorough evaluation of your property and program, you will receive a proposal of coverage and a premium quotation. The valuation of your building and contents is critical. It is important that building coverage be adequate to **cover replacement costs** in case of total loss by fire, windstorm, or other insured perils. **HAVING REPLACEMENT COST INSURANCE IS VITAL TO THE FINANCIAL HEALTH OF A CHURCH.**

The contents of the Church also should be insured adequately to allow the complete replacement of any item that has been lost or destroyed.

Most companies offer a basic "Multi-Peril" policy for property and liability with optional coverage to provide protection for the specific needs of the individual Church. Thus, only those coverages actually needed are purchased, and any extraneous coverage and cost can be eliminated.

Please be sure to work with an Insurance company that is familiar with and regularly ensures Churches rather than just talking to your family agent who thinks he or she can get you a better deal. The cost of good insurance might be higher than you would like, but the cost of replacing the Church and its contents is very high.

What are the different kinds of coverage needed?

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The answer to this question is quite extensive. It depends on your specific needs, but below is a list of the types of insurance available:

1. Property Insurance.
2. General Liability.
3. Bond Insurance for those who handle money in the Church.
4. Sexual Misconduct Liability.
5. Pastoral Professional Liability.
6. Worker's Compensation.
7. Umbrella Liability.
8. Minister's Personal Liability.
9. Employee or Volunteer Dishonesty.
10. Automobile Property and Liability.
11. Directors and Officers Liability.
12. Employment Practices Liability.

Other types of insurance to consider (Check with your agent if these items are included in the policy covering your Church. If not, consider purchasing this additional coverage if your situation warrants it.)

1. Off-Premises Insurance which covers Church property in transit, during storage or while out for repair or on Church trips and programs.
2. Sprinkler Leakage.
3. Money and Securities, Broad Form – All Risk.
4. Construction, Newly Acquired Property – Ideal for Churches with rapid growth or redevelopment patterns, or which receive property from estates.
5. Personal Injury Liability – Protection in cases such as libel, slander, false arrest suits, or invasion of privacy suits.
6. Non-Owned Automobile Insurance.
7. Recreational Vehicle Insurance.
8. Teachers Liability Endorsement.
9. Flood Insurance.
10. Earthquake Insurance, if appropriate.

Transportation Issues

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Transportation for Church events poses a safety concern for the Church, for the drivers, and, as well, for the passengers. Just because a member of the Church has a large vehicle and offers to loan it to the youth group or drive to

some event, does not mean that vehicle is covered adequately by the individual's insurance or the Church's policy. Always check with your insurance company if you have any questions about the insurance protection for any Church event. The Insurance Company representatives have a very deep concern for your Church's needs and want to do everything possible to help you avoid any situation that will require you to use your insurance. It is not just about the money they can save their company; it is much more about helping you avoid the situations altogether.

When it comes to your Church owned vehicles, your member's vehicles, or vehicles you might rent from a local "bus" rental company, please ***be sure that you are up to date on Federal and Local Bus Regulations and any warnings issued by the National Highway Traffic Safety Administration (NHTSA) such as the "Rollover Risk of 15 passenger vans," the needed driver's license to carry more than a certain number of passengers, and the proper way to vet drivers, train drivers, and encourage drivers for your Church's programs.***

Insuring Your Finance Committee

Those in your congregation who handle money on a regular basis should be Bonded. *This is a form of insurance that covers their handling of monies and protects them and the Church from issues related to fraud. Check with your Master Policy to see if Bonding of Financial Personnel is covered in the policy or how you might acquire it in addition to the Master Policy if it is not included.*

Risk management and insurance coverage should be a high priority of the Board/trustees who have responsibility over the program and facilities of the Church. Do not just hope that your policy covers your needs. Seek competent advice to know for sure!

Chapter Fifty-Two

Leasing Your Church Property to Other Organizations

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This information is covered in other places, but it does not hurt to emphasize the concern again. Requiring groups who use your Church to sign a lease and provide you with their insurance information is vital. Please read Policy Statement for Leasing Church Property and check with your insurance company for any additional concerns they have about people using your property before you "rent" out space at your Church for any reason.

More and more Churches are leasing out a portion of their facilities to gain some additional income. Two concerns must be raised when your Church thinks to join with this trend. One, is your lease going to jeopardize your Property Tax Exemption in your community/county within which you live? Two, is the income you generate going to fall under the category of Unrelated Business Income and possibly cause you to be required to file a 990-tax return with the IRS and your State? Is the activity of the program you are leasing to clearly related to your tax-exempt purpose? Note: just because you use the money for your non-profit work does not mean it is non-profit income and if it is UBI it might be subject to taxation. Please read Unrelated Business Income if you have outside groups leasing your Church property. Usually, if the group using the Church property is also a 501(3) Church there will not be a problem, but the local governmental agencies might want documentation to prove such.

Why the Church needs a Lease Agreement **with all Third-Party users of the Church property?**

A church is exposed to liability potential (accidents, injury, damage, theft, etc.) anytime a third party (vendor, service provider, individual, or organization) comes onto the church's grounds. Whether or not the church created the conditions which resulted in the injury or just neglected to take the steps necessary to mitigate their role in the incident, the church and their insurance company might find themselves in court. Proper steps, including lease agreements, can help to alleviate the church's liability in these situations.

Who is considered a third party?

Anyone who is not a church member doing church ministry. This includes: vendors and service providers, individuals, and organizations.

Vendors and Service Providers – Anyone who comes on the premises to help the church maintain the buildings and grounds or to help facilitate the running of church or guest programs. (Including, but not limited to: landscapers, janitorial services, wedding service providers, caterers, photographers, maintenance crews, contractors, etc.) Note: All Contractors should be licensed and bonded.

Individuals or Organizations – anyone who uses space for meetings, parties, and events. (Including, but not limited to: schools, pre-schools, tenants, people renting your parking lot, other churches, community and neighborhood organizations, support groups, mission projects, book clubs, ceremonies, receptions, concerts, etc.)

Requiring a signed Lease Agreement

Churches should require all outside groups who work on your "campus" or lease your "campus" for any function to sign a lease that makes them aware of their rights and responsibilities. You have the right and the need to create a safe environment for your members and children, and you need to protect yourselves from potential lawsuits that are not covered by your insurance. In the Appendix you will find a Policy Statement for Leases, two sample Property Lease Agreements, and a Lease Amendment for you to adapt to your own needs. One Property Lease Agreement is for short-term (3 days or less) or one-time events; the other is for anything longer, whether it is a weekly event or a quarterly event. You will also find an Amendment for Termination of a lease.

From the perspective of the IRS, any monies that the user of the property pays the Church is income. You can call it a donation or a reimbursement for the utilities, but it is still income. Any income from outside groups, whether it be one time, or long term needs to be reviewed to determine whether it falls into the category of Unrelated Business Income.

Organizations which are for-profit orgs will almost always be seen as Unrelated to the exempt purposes of the Church. Organizations which are not-for-profit Organizations should be screened with the information provided in the link above. It is possible for you to lease to a not-for-profit organization and still have the local county consider them not similar enough to your exempt purpose and increase your property tax by the percentage of the building they use.

Chapter Fifty-Three

Be Aware of Personnel Matters

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Most employers are affected by the Civil Right Act of 1964 (Title VII), as amended, which bans discrimination based on race, color, religion, sex, or national origin in employment. There are other laws prohibiting discrimination against disabled persons or veterans. Depending on the size of the employing Church, there are laws which pertain to hiring and firing an employee. A full list of these laws is included in the resource, *Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches.* (Further Information available in Chapter Sixty-Four - Resources).

The Board has the responsibility to manage the Church wisely and this includes the employment of ordained and non-ordained staff, with a concern for fair employment practices. The employment process is usually overseen by a Board Authorized Personnel Committee. Refer to *Board Personnel Committee Guidelines* and *Your Church: Employer and Small Business.* (Further Information available in Chapter Sixty-Four - Resources).

The Treasurer will be the person responsible for all employees to be paid on time according to the amounts set by the Board in the annual budget and according to the personnel laws in your State and local community. Every employee should have a separate personnel file which includes basic data; date of hire, starting wage, W-4 form (updated annually), copies of annual reviews, and other pertinent information. These files should be kept under lock and key.

Fair employment practices will include:

- The incorporation of hiring policies and practices which include drug testing, and background checks as well as references. (See Resource List for publications about Hiring and Firing Policies)
- A policy to have all staff, officers, and appropriate volunteers trained in "safe Church practices" to prevent abuses of any type. The Church should talk with their insurance company or Denominational office about acceptable Safe Church Policies and have a program within the Church to adhere to the appropriate policies.

- An up to date Personnel Policy and make sure that each employee receives a copy at the time of hire and receives a new copy when the Policy is amended or updated.
- The new hire to receive a written Job Description which includes the duties and expectations the Church has for the employee and annual job performance reviews to check on the adequacy of work and compensation.
- A way to solve disputes if they surface in your Church for a fair resolution for both the employee and the Church.

Personnel Files

These files contain documents used to determine qualifications for employment, promotion, compensation, and corrective action. Such documents include employment applications and accompanying documents such as résumés, transcripts, and references; immigration (1-9) form; payroll authorization notice/change of status, personnel action notices and any supporting documents; performance evaluations and supporting documents; corrective action memos and employee responses; salary actions; and other, similar documents.

The Church should also maintain files containing benefits-related and confidential medical information. Each employee is required to keep his/her benefits records current. This enables the Church to reach an employee's contact person in an emergency, and properly maintain employee insurance and other benefits.

If an employee changes his/her name, address or phone number, the number of an employee's dependents increases or decreases, the number of W-4 deductions changes, or the person to contact in case of emergency changes s/he should notify the benefits administrator as soon as possible so the benefits files can be updated.

Information recorded in personnel and benefits files is confidential and is made available to authorized personnel only. An employee may review his/her personnel and/or benefits file upon request to the Personnel Committee or the Board. Examination of files will be limited to the premises, in the presence of the Board or their delegate and during normal business hours. In addition, employees may request copies of documents in their personnel files.

Chapter Fifty-Four

Following Approved Personnel Policies

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As an employer, a congregation, should develop and approve a written Personnel Policy. While the policies may suit the unique needs of your congregation, it is important that such policies be in writing, comply with Local, State, and Federal laws, and be communicated clearly to all employees and other concerned persons.

A Personnel Policy should include such topics as:

a. Compensation Policy - establishing salary ranges for each position. These policies should also cover such employee benefits as:
   1. Pension Consideration, either Pension Plan or 403b plan.
   2. Health Care Availability and Premium Assistance.
   3. Social Security and Medicare deductions and payment.
   4. Life Insurance coverage and additional options.
   5. Vacation Accrual or Award and Use.
   6. Holidays Designated.
   7. Days off Guidelines.
   8. Parental and Family Leave rules.
   9. Sabbatical and Educational Leave rules.
   10. Sick Leave rules of procedure and amount.

b. Employment Policies.
   1. Relationship and behavior policies.
   2. Conflict of Interest Policy.
   3. Equal employment/Non-discrimination Policy.
   4. Whistle blower Policy.
   5. Grievance process.
   6. Office hours & access.

Job Descriptions

It is important to have a clearly written Job Description for every employee of the Church. And these Job Descriptions should be updated

frequently with the employee at the annual review or before a new employee is hired.

The format a Church chooses to follow in developing a job description can vary and is not as important as the content contained within the description. A clearly written job description would include:

- The qualifications needed to perform the work being required.
- The scope of the work required of the employee, including specific tasks, and general expectations of the employer.
- Who the employee reports to for direct supervision and determination of changes in the scope of work from time to time?
- What the employee can do if they have a grievance with someone in the Church's membership, employment, and especially with their direct supervisor.
- And the job description should include a place for the employee to sign stating they have received a copy of the job description and agree to abide by the content of the description.

Chapter Fifty-Five

Hiring and Letting People Go

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It is appropriate for the Church to require job applications to be in writing before a person is considered for hire. The application would include a work history, strengths and weaknesses, and character/work references. Far too often the Church does not advertise their job offerings for fear of getting someone that would not fit into the workings of the staff. This causes the hiring process to be simplified, and less professional. The Church would do well to use the same scrutiny used in business when hiring. At the least, all references given by the prospective employee should be checked before a person is hired.

In hiring a new staff person, it would be helpful for the interviewers to consider the personality traits of the interviewee and how that person will get along with the other staff they will be working with. You might even bring onto the interview committee the future supervisor of the position. It is as important, maybe more so, that the person gets along well with the others they will work with.

A Job Description should be developed for every job and reviewed again at the time of any new hire. Based on the Job Description the interviewers should be able to ask appropriate questions about various job functions and determine if the candidate has the qualifications needed for the job.

Once hired, it is important to adhere to the Policies of the Church when working with staff and their illnesses, time off, vacations, and the like. Without a firm policy and good files, it is easy for the Church to be taken advantage of. Often, because the people of the Church exhibit compassion, they tend to let staff stretch out illnesses with pay or take excessive undocumented time off.

Be sure to follow all the laws of your State when terminating a staff person.

Some Specific Things to Do for Employees

- Maintain files, on each employee, which include job application, notes of conversations with references, information on background checks, timecards, sick days, vacation time, name, and phone number of the person to call in case of emergency.

Include in this file the employment application, the employee's resume, the hiring date, starting wages, exemptions (federal, state and local), obtain a copy of the I-9 form with copies of the employee's documentation (keep this is separate location from the file), copy of current W-4 (update annually), employment status (exempt or non-exempt, part-time or full-time) and any other information necessary for each employee. Also, include any insurance applications, any documentation about unemployment insurance if you do or do not offer this, signed evaluation reports and changes to employment job or pay rate. Employee files should be kept in a secure place and should be considered permanent files. Access to these files should be limited to direct supervisor or those responsible for hiring and firing.

- Note: Office supply companies often carry special folders preprinted with the information needed for each employee and all you need to do is fill out the information and gather the appropriate forms, (I-9, W-4, etc.) Then as time goes on you can add paperwork and update information as needed.
- Federal law requires all employers to verify the identity and employment eligibility of all persons hired to work in the United States. The Form I-9 should be used for all employees, and it requires two forms of identification on file…copy of driver's license or government issued identification card, and either a copy of birth certificate or social security card. This can now be filled out and filed online through E-Verify. E-Verify is an Internet-based system that allows businesses to determine the eligibility of their employees to work in the United States. E-Verify is fast, free and easy to use – and it's the best way employers can ensure a legal workforce. E-Verify is a product of the USCIS and available at www.uscis.gov/e-verify.
- Have each employee complete a W-4 indicating wage and tax information at time of hiring and every successive December for the following year.
- Notify the payroll service, if you use one of any terminations or new hire and set up the new employee on your accounting system.
- Notify appropriate agencies about a new employee hire (state, federal).
- Give employees all necessary forms to complete for benefits - insurance, pension, retirement savings, etc. (See Board of Pensions publications or website for BOP health insurance coverage, pension, retirement savings and all forms for both clergy and lay employees. Website: www.Pensions.org.) If insurance is handled by a company other than the PCUSA BOP, have that information available to the employee.
- Give employees a copy of the Personnel Policy Manual.
- Annually, for PCUSA ordained staff, fill out and return to the Board of Pensions the Member Change Form available on the website, www.Pensions.org.
- Complete all forms and notify insurance carrier if employee needs to be added to insurance for vehicles, liability, sexual misconduct, and workers' compensation.

- If the Church has a Section 125 Flexible Spending Plan or Health Reimbursement Plan be sure to give her/him the appropriate forms when hired and annually in December for update. Include a copy of the plan for your files and a copy to the employee.
- Explain payroll procedures and dates. If a time sheet is used, be sure the employee understands how to complete it and when it is to be turned in.
- If employee will be issued credit cards, have all forms completed and remind him/her of when receipts need to be turned in after using card. Be very clear about what the employee can use the credit card for and what limits the Church has placed on the amounts of expenditures without additional approval.
- If the employee is to have signature privileges on bank accounts, CD's etc., fill out the appropriate forms and give them to the bank or other places where the signature needs to be on file. (Be sure to make copies of all forms and place them in the employee file as well as Church filing system.)
- Give appropriate employees a supply of reimbursement and travel vouchers, along with a copy of the Board approved Accountable Reimbursement Plan.

Be familiar with your state and local laws related to employees so that you cross your T's and dot your I's in this area.

When an employee leaves the employment of the Church the above list can also be used to undo any actions taken when the employee was hired. (Example: Change signature cards at bank, collect credit cards, and remove name from pertinent information.) Be sure to update the records held in retention with the termination date and any other significant information.

At the time a person leaves the employment of the Church it would be appropriate to include in their file a page of notes about the employee, how they did their job, any concerns you had about the employee, and how you would recommend them to a potential employer who calls for a reference. This will make it much easier on any future Treasurer at your Church if they receive a call to give a reference for the employee.

Chapter Fifty-Six

Independent Contractor or Employee

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The question always comes up as to whether you call a worker an Employee or an Independent Contractor. That question can be complicated and crucial. An Employee costs you money for payroll taxes and worker's compensation insurance and you send them a W-2 at the end of the year. An Independent Contractor doesn't require you paying their payroll taxes and you send them a 1099 at the end of the year if you have paid them more than $2,000 total from January to December (beginning in 2026 and inflation adjusting each year after that).

Many Churches as employers, in general, try to push the rules on this subject. Since it costs the employer more money and requires more effort to have an employee, they prefer to use the Independent Contractor route in hiring part-time and temporary workers. In the Church, that includes babysitters, nursery workers, musicians, custodians, sound techs, etc. But the fines in most States for failing to withhold taxes, not giving proper time off for vacation and illness, and the like can be extremely high.

Here is my quick definition to determine which category a worker falls in:

- Do you tell them when to come to work?
- Do you tell them what to do?
- Do you tell them how to do their job?

If so, they are an employee. Otherwise they could possibly be an Independent Contractor.

I get this question a lot about music personnel and childcare workers. Churches would like to pay these people as Independent Contracts or even under the table, so they do not have to go to the trouble of adding the people to the payroll system and withholding taxes, offering vacation and sick leave, and the like. But, in most cases, you tell them to come on Sunday morning at 9 am and you direct how they do their job. They are really employees and should be paid and treated as such.

There is a new law in the State of California defining Independent Contractors vs Employees which the Governor signed into law on September 18, 2019. (AB-5) This law clarifies the definitions between an employee and an independent contractor. This was mainly aimed at companies

like Uber that hired people as Independent Contractors to start their own business of driving people from one location to another (GIG Workers).

The new Law states that an employee has legal rights they deserve under the existing law including a minimum wage, workers' compensation if they are injured on the job, unemployment insurance, paid sick leave, and paid family leave. The new law restores these protections that have been denied workers in some workplaces.

If a company wishes to consider a person who does work for them as an Independent Contractor, they must demonstrate that all the following conditions are satisfied:

1. The person is free from the control and direction of the hiring entity in fact, and in connection with the performance of the work.
2. The person performs work that is outside the usual course of the hiring entity's business.
3. The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work they are performing at the hiring entity's business.

In a previous document the State of California said a person is engaged in an independently established trade if the following are true:

1. The person maintains a business location.
2. The person has a business license and appropriate permits and licenses.
3. The person can negotiate their own rates for the services performed.
4. The person can set their own hours of work.
5. The person ordinarily has other entities they work for in the same capacity.
6. The person exercises discretion and independent judgment in the performance of the services.

There are some exceptions to this law including professionals in the fields of insurance, medicine, law, architecture, engineering, accounting, real estate, and investments. See the actual law for more clarification if you believe your Independent Contractor should be exempt from California AB -5.

Chapter Fifty-Seven

Doing Payroll or Having a Payroll Company

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The payroll process has a number of steps:

- Setting up the employee's personnel file with the I-9 form, W-4 form, a copy of their application and information about hiring and wages.
- Note: you can use the IRS web service called e-verify to check on a person's Social Security number and their right to work.
- Before payday, you will gather from all hourly employees and all regular Independent Contractors, a timecard for the period and have someone in authority verify their timecard.
- Calculate their pay and figure any taxes that need to be withheld and / or matched by the employer.
- Write the checks or set things up for direct deposit into their bank accounts.
- Send the withheld payroll tax and the matching employer's taxes into the bank.
- File the Monthly or Quarterly IRS forms, the State forms, and the Annual summary forms.

From my standpoint, it is much easier to have a payroll service do most of this work. All you would need to do then is set up a new employee, enter their hours worked for the pay period and let the payroll company do the rest.

The choice is yours, whether you wish to spend the added money to make your job easier and also, make sure you comply with all the legal rules of payroll or will you put in the time and do the tasks yourself.

Chapter Fifty-Eight

Hiring Ministers or Commissioned Lay Pastors

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What is a Minister or Clergy?

Before we delve too far into the "minister's compensation" we need to define a minister. When a minister comes to the Church already Ordained by another denomination or by another Presbytery, we don't have too much to be concerned about. But if your Church is not in the Presbyterian system and you are looking to help an employee become a "minister" for tax purposes, it would be helpful to know what the IRS requires before someone can be called a "minister" for tax purposes. NOTE: Just a clarification, the word church is used by the IRS as a generic term for any "religious" body. It does not have to be Christian in nature. It can be new-age, esoteric, healing, etc.

"Ministers defined. Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. Ministers have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination. If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes."

"Most services you perform as a minister, priest, rabbi, etc., are ministerial services. These services include: • Performing sacerdotal functions; • Conducting religious worship; and • Controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination. You are considered to control, conduct, and maintain a religious organization if you direct, manage, or promote the organization's activities. A religious organization is under the authority of a religious body that is a church or denomination if it's organized for and dedicated to carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith." Quotes from

IRS Publication *517 Social Security and Other Information for Members of the Clergy and Religious Workers.*

Specific Personnel Items for Clergy

Many of the items in the Personnel Policy, apply to clergy. However, listed below is some specific information about Ordained Ministers or Commissioned Lay Pastors in the PCUSA. Even though this information is written for Presbyterian Clergy, the concepts apply for all denominations.

1. Remember that all installed ministers must be a member of the PCUSA Board of Pensions (BOP) which provides health insurance, pension, and death/disability coverage. The cost of this insurance is set by the BOP each year. Consult the BOP website, www.pensions.org, for current information.

In addition to the basic coverage required for installed ordained Presbyterian Pastors, there are some optional forms of insurance available; dental, optional death/disability coverage, etc. from BOP and may be paid by the member or negotiated in the terms of call.

Churches that are not a part of the Presbyterian Church would do well to consider offering benefits to your ordained clergy that covers areas like health insurance, disability insurance, retirement, dental, and other forms of insurance.

2. Presbyterian (PCUSA) clergy must submit completed Member Change Forms to the Board of Pensions at the time of hire and each December until the minister no longer works for the Church. This form includes changes in address of the Minister, changes in the terms of call, and changes in the electives the Minister might have. The phrase "terms of call" is what the PCUSA calls the compensation package of the ordained clergy.

3. Ministers are considered "Self-Employed" for Social Security Tax Purposes and are considered an "Employee" for Federal Tax Purposes. The Church does not withhold taxes, either Social Security, Medicare, or Income taxes, from the ordained minister's wages unless the minister asks the Church to take "additional" taxes out of each paycheck as estimated taxes. The minister would indicate this on a completed W-4 form on file with the payroll department/company and with a copy placed in the minister's employee file.

This is something the minister might choose to do instead of sending in "estimated" taxes quarterly. However, if the Church has no other employees and does not normally file payroll forms and taxes, they should encourage the minister to pay their own estimated taxes quarterly as other self-employed taxpayers do.

4. How does the minister pay taxes if they don't have deductions from their paycheck? The minister is personally responsible for self-employment taxes (SECA at 15.3% of wages) rather than the employer withholding Social Security and Medicare (7.65%) from the minister's pay and the employer paying an equivalent share (7.65%) of Social Security and Medicare like they do for

non-ordained employees. The minister is responsible for paying self-employment taxes at the time of filing form 1040 with the IRS.

However, the ordained minister is treated as an employee when it comes to paperwork. The Treasurer or the payroll company will send/give to the minister before January 31st a form W-2 to report wages for the previous year. On the W-2 form the Church will report all wages, salary, un-receipted allowances, Social Security Offset, etc. given to the pastor in Box 1 and report any housing allowance separately in Box 14 (do not include the amount of housing in the total of box 1). Pastor expenses and allowances included in the compensations package are not included in the Box 1 wages, if the pastor has turned in appropriate "receipts" to justify the expenses or the expenses have been paid directly from the Church to the expensing organization, i.e. like in the case of paying for a seminar the pastor is attending for continuing education.

The W-2 form given to the ordained clergy at the end of the year should have the Box 1 wages filled in and the Box 14 Other, Housing filled in. Other than that, the W-2 probably will not have any other boxes filled in unless the pastor has asked the Treasurer to withhold salary deduction and send them into the IRS along with other payroll deductions. In this case, this amount would be included in Box 2 Federal Income Tax Withheld. Boxes 3,4,5, and 6 should all be left blank or the amount of 0.00 should be entered.

Note: A Presbyterian Church Treasurer must look at a Pastor's Compensation in different ways depending upon what you are trying to do.

1. **For tax purposes,** the minister is self-employed and does not have any taxes withheld from their paycheck.
2. **For tax filing purposes,** the minister is an employee and receives a W-2 form.
3. **For Board of Pension purposes,** the Church pays certain insurance and medical fees based on a number the Board of Pensions calls the Total Effective Salary.

For more information on this, both the minister and Treasurer are strongly encouraged to consult Internal Revenue Service Publication 517-Social Security and Other Information for Members of the Clergy and Religious Workers available on the IRS website, www.irs.gov.

The Board of Pensions also updates a helpful publication, annually, entitled, "Tax Guide for Ministers" and makes it available for download at www.pensions.org. Treasurers can benefit from reading this publication from time to time.

Chapter Fifty-Nine

Understanding Clergy Compensation

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There are five major categories to look at when figuring Clergy Compensation: Salary, Housing, Accountable Reimbursements, Non-accountable Reimbursements, and Benefits. This chapter will help the Treasurer better understand the ins and outs of the IRS' complicated treatment of Clergy Compensation. In the next chapter I will get specific for PCUSA Treasurers as the PCUSA Pension Dues are calculated on a slightly different set of calculations called the Total Effective Salary.

1. Salary.

- ***a.*** The Salary portion of Clergy Compensation will be treated as taxable income, subject to the SECA taxes (Self Employment taxes).
  - *i.* Salary paid.
  - *ii.* Tax deferred salary reduction payments to 403(b) plans (TSA, 401(k), IRA, etc.).
  - *iii.* Social Security Reimbursement (up to 50% of SECA). To compensate the Clergy for what the employer would pay for Social Security and Medicare tax if the pastor were an employee.
  - *iv.* Social Security Reimbursement (in excess of 50% of SECA). I.E., more than what the employer would pay.
  - *v.* Cash Bonuses, and other income. (Includes Christmas Bonuses, Love gifts, Work Incentive Bonuses, Tuition Reduction for Pastor's children at Church owned school, Computers, Child Care, Clothing, etc.)
  - *vi.* Any monies paid to the pastor under "Non-Accountable" Allowances. (see Expense Reimbursements below for definitions.)
  - *vii.* Cost of employer paid life insurance for the employee for any insurance over the $ 50,000 benefit limit.
  - *viii.* Moving expense payments.
  - *ix.* NOTE: all this will show up in Box 1 of the W-2 form for the pastor at the end of the year.

2. Housing Allowance and possibly Utility Allowance. Only for one home,

a. A sample of a motion to the Board before the clergy's first paycheck of the year might look like this:

b. RESOLVED, that (name of congregation), authorizes and establishes the following individual(s) housing allowance for the year 20xx:
Name_____ Amount_____
Name_____ Amount_____

c. The housing allowance will be paid from _____, 20xx, to December 31, 20xx

d. Or RESOLVED, that (name of congregation), as a standing resolution to remain in force and effect until such time as amended or revoked, hereby authorizes, and establishes a housing allowance for (individual's name) at any time serving it in the amount of $_____ per year.

e. The Housing portion of Compensation is a portion of the salary of clergy that the IRS considers income exempt from Federal Income Taxes as long as the amount can be justified as actually being spent on "housing related" expenses. This portion of Compensation will be treated as non-taxable income but will still be subject to the SECA taxes when the clergy person files a Form 1040 tax return.

i. The amount of the Housing Allowance and the Utility Allowance must be set by the Board at the beginning of the year (i.e. before the first paycheck of the year) and can be adjusted as needed during the year however it can never be set retroactive.

1. If during the year the clergy person determines that he or she will spend more money on housing and utilities than the current allowances will cover, they can request the Board to reconsider the amount of the allowances moving forward to compensate for the current expenses.

ii. Fair rental value of a manse will be used by a pastor who lives in a manse or Church owned property for no cost as part of his or her compensation. The Church should be aware the pastor must pay 15.3% of this amount as SECA taxes when filing the annual tax return.

iii. The amount of the Housing Allowance designation should be based upon the amount of the acceptable housing expenses allowed by the IRS plus a little. Any amount the minister cannot justify as housing expenses will be added back into their wages at the time of filing their annual taxes with the IRS. The following items can be included in the pastor's justification to claim the maximum amount of the housing allowance:

1. Down payment of a home purchase and closing costs associated with the purchase.

2. Real estate commission on new purchases.

3. Principal and Interest payments on a mortgage, including any additional principal payments.
4. Rent paid for housing.
5. Payments on Home Equity Loans where the loan was used on valid housing expenses.
6. Utilities for the house, such as gas, elec., water, sewer, garbage, fuel oil, other heating sources, i.e., solar, wood, pellets, etc.
7. Local Telephone expenses, base rate of home phone.
8. Property Taxes.
9. Decoration and redecoration, renovation, and repair; including wall coverings, paintings, curtains, furniture, carpeting, etc.
10. Cleaning services and supplies.
11. Landscaping, gardening, pool maintenance and pest control.
12. Furnishings and appliances; purchase, repair, and replacement.
13. Insurance on property and personal property, including renter's insurance and earthquake insurance.
14. Liability Insurance and excess liability or umbrella policies.
15. Homeowners' association dues
16. Mobile Home Space Rental.

iv. Note: All the Housing payments (not Fair rental value) will show up in Box 14 of the W-2 listed as "housing allowance" with the amount and /or "utility allowance" with the amount.

v. The fair rental value is defined in Revenue Ruling 71-280 as the amount of rent that an unrelated party would pay for the home, including furnishing and related structures such as garages, plus utility costs. (More information on Housing Allowance is found in the Board of Pensions publications, see Chapter Sixty-Four Resources.)

3. Accountable Reimbursements.

a. Accountable Allowance is money paid to the pastor where the Church requires receipts or accountability for expenses. A Fully Accountable Reimbursement Plan Policy should be adopted by the Board for all employees, including the pastor.

b. The Church should require receipts or other documentation to justify that the money was spent for appropriate expenses acceptable to the IRS.

c. The receipts need to be turned-in to the appropriate Church financial person within a "timely period," often determined by the IRS to be no later than two or three months after the expense was made or the allowance was paid out. If the Church so chooses, "timely period" could mean before reimbursement will be made.

d. The accountable portion of Compensation will be treated as non-taxable income; it is not subject to the SECA taxes and consequently will not be reflected on the pastor's W-2. It fits in the same category as employer paid benefits.

e. Some common allowances that Churches include in a clergy compensation package are:

i. Auto Allowance paid with mileage justified in a timely manner or reimbursed based upon miles driven or receipts turned in.

ii. Travel Allowance paid to reimburse receipts from Church related travel.

iii. Study Leave Allowance paid to reimburse the cost of study, travel, meals, etc.

iv. Book and Professional Expense Allowances paid to reimburse receipts for supplies.

v. Other Allowances.

4. Non-accountable Reimbursements

a. "Non-accountable" Allowance is any money paid to the employee without the Church requiring receipts or accountability for expenses. These allowances are **considered taxable income** and should be included in the total Salary figure placed in Box 1 of the W-2 form.

5. Benefits.

a. The Fringe Benefits portion of Compensation is made up of expenses that can be legally sheltered as a tax-free benefit. This portion of Compensation will be treated as non-taxable income, and not subject to the SECA taxes.

b. Any payments paid directly to the Denomination or provider for Medical, Disability, and Retirement Plans.

c. Insurance Premiums paid by the Church for life insurance (up to $50,000), costs of long-term care, dental, vision, Professional liability, or Malpractice.

d. Other Fringe Benefits.

6. Figuring Clergy Social Security and Medicare

a. Clergy are allowed to "opt-out" of Social Security if they so choose. I always recommend against this. This must be done by the clergy person by filing a Form with the IRS within the first two years of a clergy person's first ordination.

b. Social Security and the Pastor's Compensation.

i. For all employees except clergy, the employee's Social Security rate is 6.2% of their income with certain limits and the Medicare tax is 1.45% of income with no limits.

ii. For all employees except clergy, the employer pays the same rates based upon the employee's income.

iii. Clergy, however, are considered Self-Employed by the IRS for purposes of Social Security and Medicare payments. The Church does not pay the clergy what are called "Social Security wages." The clergy pays towards their Social Security and Medicare in the same way that Self-employed workers pay, through SECA taxes assessed in the annual filing of their 1040 Tax Return. At that time, they will

pay 15.3% tax on all Self-Employed income which will include their Salary and Housing Allowance.

iv. Note: when the Church fills out the W-2 form for pastors, box 3,4,5,6 should all be left blank. If the pastor requested additional taxes taken out and the Church withheld tax money from the pastor and submitted those to the IRS, then that amount should be included in Box 2. In other words, the pastor does not receive Social Security or Medicare wages, and the Church should not withhold money from the pastor's paycheck to pay these taxes.

v. If the Church would like to help with the "employer's share" of these taxes they could give the pastor an additional 7.65 percent as a Social Security allowance. This would be taxable income and should be included in the total Wages listed in Box 1 of the W-2.

Chapter Sixty

Understanding Total Effective Salary (PCUSA Board of Pensions)

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The Board of Pensions for the PCUSA calculates a number on which the Church pays the Medical and Pension dues related to an ordained clergy. They call this number the "Total Effective Salary" of the ordained person. This number is similar to the Clergy Compensation package but with a few adjustments.

Salary: the Total Effective Salary (TES) is the total amount of salary used for the Wages Box 1 of the W-2, minus the amount of compensation the Board separates out designated as a Social Security reimbursement up to 7.65% of Salary and Housing.(This is the amount an employer would have to pay for an employee if they were not ordained.) The TES is the salary before any deductions for employee contributions to 403(b)(9) plans, tax-sheltered annuity plans, salary reduction contributions to flexible health spending accounts, and cafeteria plans.

Housing: The Total Effective Salary includes all Housing and Utilities and Furnishings Allowances paid to the Clergy person. This is the amount designated at the beginning of each year as being the amount to pay the pastor for housing costs. If the minister can justify household related expenses up to the value of the housing allowance, they can exclude this amount of money from their taxable income on their Tax Return.

Employer Contributions: The Total Effective Salary includes employing Church contributions to 403(b)(9) or other tax-sheltered annuity plans, and equity allowances. Matching contributions to the Church's optional Retirement Savings Plan are not included in Total Annual Effective Salary.

Expense Reimbursements: The Total Effective Salary does not include any reimbursements made to the Clergy if they are included in the Accountable

Reimbursement Plan of the Church. If the Clergy submits proper documentation for expenses in the area of Auto/Mileage, Travel, Study Leave, Books and Professional Expenses, and Other allowances, then these reimbursements do not become a part of Wages for W-2 purposes or a part of the Total Effective Salary.

Fringe Benefits: The Total Effective Salary does not include any Fringe Benefits paid on behalf of the Clergy for Medical and Pensions Dues, Life Insurance Premiums (up to $50,000 of coverage), Cafeteria Plan payments, or Employer Matches to the optional Retirement Savings Plan, etc.

Bonus: the Total Effective Salary includes any year-end or other bonuses, unvouchered allowances (such as expenses that are not paid through an accountable reimbursement plan), down payment grants for the purchase of a home, savings from interest-free or interest-reduced loans (not loan principal), and gifts paid by the employing Church. (Gifts received directly from private donors or honoraria are NOT included.)

SECA: Self Employed Contributions Act governs how self-employed people have to pay taxes for Social Security and Medicare. If the Church or employing Church pays for or reimburses the member for more than 50% of their SECA tax obligations, then the amount in excess of 50% of the expense must be included in this line.

Other: Include all other forms of compensation not otherwise covered in the fields above, including medical deductible and medical expense reimbursement allowances not paid through a group benefit plan, insurance premiums for additional insurance coverage provided for individual employees (premiums for group plan coverage are not included), and others.

Manse: The Manse amount must be at least 30% of the fields above for members residing in employer-provided housing.

Commissioned Lay Pastors

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Commissioned Lay Pastors (CLPs) must pass the test of whether they are defined as “ministers” under the law in order to qualify for the special tax treatment outlined by the IRS Code. According to the IRS Code the definition of a minister or clergy is one who:

1) Administers sacraments.

2) Conducts religious worship.

3) Has management responsibility in a local Church or religious denomination.

4) Is ordained, commissioned, or licensed, and,

5) Is considered to be a religious leader by his or her Church or denomination.

The most important factor is number 4. However, it will be up to your presbytery and its Committee on Ministry to ascertain whether a person is a Commissioned Lay Pastor and meets the test for "minister." If so decided that a Commissioned Lay Pastor is a "minister," then he/she is entitled to all the special tax treatments afforded an ordained minister of the PC (USA) including Housing Allowance, treatment of Self-employment and Federal Income Taxes.

Be sure to consult your Presbytery for guidance in the area of taxes and the Commissioned Lay Pastor. (Please look over Chapter Sixty-Four for a list of Resources for additional help.),

Remember to follow the recommended procedures for all employees when a Minister or Commissioned Lay Pastor is terminated.

Chapter Sixty-One

Anticipating Financial Problems

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The Treasurer should have a firm grasp of the financial picture of the Church and make every effort to notify the Finance Committee and / or Board when he/she sees irregularities. These could include:

*donors who have greatly reduced their giving to the Church,
*donors who have greatly increased their giving to the Church,
*pledges or offerings not coming in as strong as expected,
*the need to move money from Reserves,
*unexpected or unplanned for bills,
*areas of the budget that are spending way past expectation.

It is not the role of the Treasurer to worry about or fix these concerns. The Treasurer is the person who sees these changes before anyone else and therefore, it becomes their responsibility to notify the Board. This allows the Board to appropriately adjusted in time to avert a crisis.

There may be systems the Treasurer can suggest to the Finance Committee or Board that would help the Church better "control" income and expenses. These could include quarterly mailings to the congregation to communicate the financial situation or developing a form for reimbursements which require a supervisorial signature, or other "systems" that will help the Church increase income and decrease unwanted spending.

A Church I recently attended only highlighted one or two activities of the Church during the announcements of the Church and added the following comment: "as we turn to the offering, we wish to thank you for your generosity. Without your support we could not put on programs like this."

Again, it is not the responsibility of the Treasurer to fix situations of fundraising but to suggest ideas to the Finance Committee or the Board when appropriate.

Chapter Sixty-Two

Receiving Board Minutes

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Make it a regular practice that the Treasurer receives a copy of all Board minutes so they can determine what financial actions the Board took. This way the Treasurer will be able to anticipate future expenditures or quickly comply with the wishes of the Board.

Often in Churches a decision is made in the Board but never gets communicated to the Treasurer and things fall through the cracks. Having the minutes on a regular basis would help to alleviate some of these issues.

Chapter Sixty-Three

Continually Preparing for Annual Review

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The Treasurer should always keep in mind the annual review that will come at the end of the year. All the record keeping, documentation, systems, processing, and the like will become a factor in a smooth Review. Anything not properly documented or processed will create extra work for the volunteers when they come to look over the finances of the Church and report their findings to the Board. Why not make your job run more efficiently and make the reviewers' jobs more pleasant by having well thought out systems in place and continually requiring clear and thorough documentation?

One thing a Treasurer can do is have a notebook and collect the following information throughout the year.

1. Last year's report and recommendations of the review committee.
2. A current copy of your Chart of Accounts.
3. Bank and/or account statements from all accounts and from all months with the date and initials of the person reconciling the accounts.
4. Reconciliation reports from each month's bank reconciliation process.
5. Balance Sheet (Statement of Financial Position) for the previous year-end and each month-end of the year being reviewed. (If the closing date of your statements is not the end of the month, then you would need reports for the dates on the statements).
6. A list of valid authorized signers for each account and, if possible, a copy of their signature.
7. A copy of the 990-tax return filed for the organization for the year being audited. (Note: if your organization's fiscal year is different from the Calendar Year, please keep that in mind when trying to verify numbers.)
8. The sheets used by those who collect money and make the deposits. (Accounts Receivable documents)
9. A copy of the organization's Gift Acceptance Policy.
10. All vouchers, invoices, bills, requests, etc. which were used by the financial team to process checks / disbursements.
11. A copy of the check register or the general ledger for the year.

12. Profit and Loss (Statement of Financial Activity) reports for all months and the year-end (with budget).
13. A copy of the organization's Personnel Policy.
14. Timecards for employees, personnel files, and the monthly/ quarterly/ annual 941, 940 payroll reports.
15. A copy of the Approved Annual Budget from the Board minutes.
16. Complete information on all monies received during the year with Donor Restrictions.
17. And any other policies in place for the organization which impact the financial processes of the organization.

Chapter Sixty-Four

Resources

General Resources.

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- Book of Order, Part II Constitution of the Presbyterian Church (U.S.A.).
- Office of Legal / Risk Management of the General Assembly.
    - Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches, (to download a copy go to www.pcusa.org and search for Legal Resource Manual)
        - "As always, you are welcome to use this as a resource for information on a number of legal issues. However, since laws in each state may be different and interpretations of laws by courts may vary both state-by-state and in state and federal courts, it is always advisable to seek guidance and advice from your local attorney."
- The Board of Pensions of the Presbyterian Church (U.S.A.).
    - www.pensions.org resources:
    - Look under "Members and Employers" and then "Treasurers and Administrators" for some general information.
    - Tax Guide for Ministers updated annually.
    - Understanding Effective Salary, how effective salary is determined.
    - Frequent Tax Questions and Answers for Treasurers, Administrators, etc.
    - Housing Allowance Letter.
    - Dues Calculator for determining the amount of dues the Church will owe based upon the Pastor's terms of call or the employee's salary.
- The Presbyterian Foundation.
    - www.presbyterianfoundation.org.
    - Resources/Ministry Toolbox.
    - Resources/Stewardship Resource Center.
- The Texas Presbyterian Foundation.
    - www.tpf.org.
    - Resources/ Resource Library.

- Internal Revenue Service Publications, www.irs.gov.
  - Employer's Tax Guide, Circular E.
  - Charitable Contributions.
  - Determining the Value of Donated Property.
  - Social Security for Members of Clergy and Religious Workers.
  - Tax Guide for Churches and Other Religious Organizations.
  - Taxable and Non-Taxable Income.
  - Travel, Entertainment and Gift Expenses.
- Church Law and Tax, Richard Hammar, J.D.,
  - www.Churchlawandtax.com.
  - Variety of resources on all phases of Church Law and Tax Law and Employment Law.
- Articles on Church finances and tax law.
  - www.freemanlaw.com
  - Written by Cory Halliburton, non-profit attorney.
  - http://www.wkpz.com/nonprofit_articles.php
  - Written by Frank Sommerville, non-profit attorney.
- Kaleidoscope Conference for the PCUSA – Early each Fall.
  - www.stewardshipkaleidoscope.org
- The Church Guide to Employment Law, by Julie L. Bloss, J.D., available on Amazon.com.

Insurance Carriers,

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Each of these companies have additional resources on their sites for help with Risk Management and Safety Concerns including Sexual Abuse training for your Church volunteers.

- GuideOne Insurance – www.guideone.com.
- Insurance Board – www.insuranceBoard.org.
- Church Mutual Insurance – www.Churchmutual.com.

Personnel Resources.

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- Church Law and Tax, Church, and Clergy Tax Guide, by Richard Hammar. www.Churchlawandtax.com.
- Legal Resource Manual for Presbyterian Church (U.S.A.) for Middle Governing Bodies and Churches, General Assembly Council Office of Legal/Risk Management Services.
- Board Personnel Committee Guidelines, available for download on the pcusa.org website.

- Social Security and Other Information for Members of the Clergy and Religious Workers, Internal Revenue Service Publication 517.
- Understanding Effective Salary, Church of Pensions Publication.

Stewardship Resources.

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- Stewardship Manual: A Guide to Year-round Financial Stewardship Planning available on the website of the Presbyterian Foundation/Resources, www.presbyterianfoundation.org.
- Stewardship Resources, available on the website of the Presbyterian Foundation www.presbyterianfoundation.org.
- The resources of the annual Stewardship Kaleidoscope Conference put on by a variety of Presbyteries of the PC USA are available at www.StewardshipKaleidoscope.org.
- The Ecumenical Stewardship Center has a variety of resources, www.stewardshipresources.org.
- Employee or Independent Contractor – Published by Office of Risk Management PC(USA), A twenty (20) factor checklist to determine if a person should be treated as an employee or independent contractor.
- Financial Review Guide – An Annual Financial Review Committee Checklist, PDS#70-450-01-504.
- Guidelines for Board Personnel Committees, PDS#7221099001.
- Presbyterian Church (U.S.A.) Employee Handbook, Human Resources Office.
- Stewardship Manual: A Guide to Year-Round Stewardship Planning, PDS#72530-94-001

Appendix

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General Responsibilities

List of Typical Treasurer Responsibilities.

Guidelines for Job Descriptions

- Job Description, Treasurer
- Job Description, Finance Committee
- Job Description, Financial Secretary
- Job Description, Usher
- Job Description, Bookkeeper
- Job Description, Fundraising

Ethics Policy (Sample)

Conflict of Interest Policy (Sample)

- Conflict of Interest Policy Disclosure Form

Suggestions for Records Retention (Alphabetical)

Suggestions for Records Retention (Length of Time)

Include the Church in My Will

Internal Financial Controls Policy

Cash Revenues

Gift Acceptance Policy Guidelines

Guidelines for Specific Investment Policies

- Thoughts on Allocating the Investment Portfolio

Investment Policy Sample

Electronic Funds Transfer and Credit Cards

Procedures for Counting Offerings

Cash Disbursements Policy

Reimbursement Request and Disbursement Form (Sample)

Fully Accountable Reimbursement Policy

Employee Expense Reimbursement Voucher

Benevolence Fund Policy

Voucher for Benevolence Disbursements

Mission Funding

Reporting

Step by Step to a Healthy Budget

Guidelines for a Narrative Budget

Restricted Gift Information Sheet

Property, Insurance, and Personnel

Leasing the Church Property – Policy Statement

Leasing the Church Property – Standard Lease (Long Form)

Leasing the Church Property – Standard Lease (Short Form)

Leasing the Church Property – Amendment to the Lease

Leasing the Church Property – Amendment for Termination

LIST OF TYPICAL TREASURER RESPONSIBILITIES.

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A typical list of responsibilities might include oversight of the following:

1. The congregation's financial records, security, retention,
2. Following and updating all financial policies as needed,
3. All bookkeeping,
4. Cash revenues (income), collecting, counting, depositing,
5. Sending contribution receipts/statements,
6. Cash disbursements (expenses), vendors, authorizations, checks,
7. Payment of Denominational assessments and special offerings,
8. Monthly reconciling the bank accounts as appropriate,
9. Preparing accurate financial reports for the Board/trustees, and congregation, as well as Denominational and Governmental reports when needed,
10. When needed notifying the Board of overruns, questionable spending, upcoming expenses, and unused funds available.
11. Being involved in Budgeting along with the Finance Committee as directed by the Board,
12. Anticipating financial problems and reporting to Finance Committee and Board,
13. Overseeing that internal controls set by the Board/trustees are adequately being followed to prevent any misrepresentation or possible fraud,
14. The Treasurer should be prepared to attend any committee, trustee, and Board meetings if invited, and be prepared to present at those meetings figures and recommendations in regard to the budget and Church financial matters that pertain to that committee or group. (Be sure you communicate with the Board before you disclose information to a committee that does not directly pertain to their role.)
15. Scheduling and overseeing the annual review or audit,
16. Managing, safeguarding, and maintaining the congregation's financial resources and facilities,
17. Verifying that the Board provides adequate Insurance for operations and property,
18. Developing plans for the investment of excess Church funds,
19. Being involved in ongoing opportunities for enrichment.

GUIDELINES FOR JOB DESCRIPTIONS

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You will need to adjust the wording of this Job Description depending on your Church's expectations of the role of the Treasurer and the Finance Committee. i.e., does the responsibility rest on the Treasurer who is helped by the Finance Committee or vice versa. This Job Description assumes the first scenario.

As mentioned in the Manual under Personnel Policies, the format of the Job Description is not as important of the elements needed. The format should include: the name of the Church, the name of the volunteer or employee and who the position reports to as their authority in the Church. Then include some statements of what the scope of their job will involve and what authority they will have to carry out the job. A list of needed qualifications would come next and then a list of the specific tasks the position would be responsible to conduct or to have carried out by someone on the Finance Team. The Job Description should end with a place for the employee or volunteer to sign the document attesting to the fact they understand the job they are being "hired" to do.

List of Tasks divided by a traditional division of position.

Job Description, Treasurer:

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1. Oversight of all the Financial Record Keeping of the Church, including day-to-day finances, personal records, permanent records, and other vital information.
2. Working according to the policies and procedures established by the Board and administered by the Finance Committee.
    a. Suggested Policies for a Church include Accountable Reimbursement, Credit Card usage, Gift Acceptance, Investment, Check Writing and Signing, Financial Reviews or Audits, Conflict of Interest, Property Use, and Personnel,
3. Oversight of the Bookkeeper, if the Church has one, who will often do the majority of four, & five below.
4. Oversight of all Revenues and the volunteers or employees responsible for revenues; Ushers, Counters, Record Keepers, etc.
    a. Work with the Church Financial Secretary in any way needed to help with the accurate recording of individual gifts and other contributions.
5. Oversight of the Disbursement of all funds contributed to the local Church budget, keeping accurate records of how funds are spent.
    a. Check all invoices for accuracy and appropriateness before paying.
6. Monthly reconcile the bank account(s) as appropriate.

7. Prepare accurate monthly financial reports for the Finance Committee and Board, indicating the financial well-being of the congregation.
    a. And other reporting to denominational as required.
    b. Governmental Reporting to the IRS, State, and County as required for things like; Payroll taxes, Property taxes, Business taxes, Religious exemptions, Corporate filings, and appropriate filing of the annual 990 if needed.
8. Serve as a member and report regularly to the Finance Committee and when needed to the Board and/or at the Congregational Meetings.
9. Provide all needed information to the Finance Committee as they prepare the draft and final Budget for the approval of the Board.
10. Ensure there are adequate records documenting the assets of the Church for insurance and other purposes.
11. Ensure that all Church property is appropriately covered by insurance for casualty and liability losses.
12. Make recommendations for the investment of excess funds (if any).
13. Maintain confidentiality of all financial information pertaining to giving and givers.
14. The Treasurer should maintain the checkbooks. Signers for checks should be authorized by the Board. (for audit/review purposes the Treasurer should have available the signatures of authorized signers to compare to signatures on requests and checks.) It is recommended that all checks over a specific dollar amount set by the Board be reviewed by the Board before being signed by the Treasurer.
15. The Treasurer should be sure that at least one other authorized individual knows how to access all aspects of the financial information in case of an emergency need when the Treasurer is out of town or unable to continue serving for some period of time.

Job Description, Finance Committee

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1. Work according to the policies and procedures established by the Board and administered by the Finance Committee.
2. Monthly review of the financial condition of the congregation, as reported by the Treasurer. You are looking for adequacy of process and any financial concerns to report to the Board. Review Budget items for adequate funding, overspending, and appropriate categorizing. Review the check register, bank statements, and the reconciliation report for accuracy and any potential irregularities.
3. Financial recording and reporting of member giving.
    a. Recruit, train and schedule offering Counters.
    b. Provide quarterly and annual financial statements to the donors.
    c. Provide individual gift receipts for larger financial gifts. (i.e., over $250.00)

    d. Provide individual gift receipts for gifts other than cash, when appropriate.
4. Regular evaluation of the Church's financial picture and report to the Board any irregularities.
    a. Evaluate giving patterns and seek ways to increase giving.
    b. Evaluate expenses by budget category and seek ways to decrease unnecessary spending.
    c. Make projections in the middle of the fiscal year as to the possible outcome of the budget by the end of the fiscal year and report to the Board for their awareness and action.
    d. Identify potential problems and report to the Board and implement corrective actions as appropriate.
5. Annual Budget preparation and submission to the Board for approval.
6. At least quarterly, review the ins and outs of the Funds with Restrictions.
7. Financial Review or Audit, if to be done internally recruit members for the review committee and ensure review is completed in a timely manner.
    a. The review committee will consist of three members with financial knowledge not related to anyone officially or ex-officially on the Finance Committee.
8. Financial records will be audited/reviewed at least every three years or more often if deemed necessary by this committee, the Board, or required in the By-Laws.
9. Insurance – review and maintain policies and be the point of contact for insurance representatives.
10. Oversee the Investment of Church funds with checking, savings, and investment accounts as seems beneficial to the Church. Annually review and update the Investment Policy.
11. Annually evaluate the work of this committee and its job description and suggest/make any necessary changes.
12. Provide for professional growth of Committee members as needed through conferences, conventions, and continuing education.
13. Provide regular financial updates to the congregational meetings and an annual report to the congregation.

Job Description, Financial Secretary, Record Keeper

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1. Work according to the policies and procedures established by the Board and administered by the Finance Committee.
2. Collect offerings weekly, count, record, and deposit funds from all sources and report them to the Treasurer.
3. Ensuring more than one person participates in collecting and counting at any given time.

4. Ensure funds are deposited in the appropriate bank as soon as possible after they are received. Deposits should be made within three days of receipt.
5. Establish a procedure to collect and record funds received other than through regular offerings, including funds received by mail or electronically.
6. Produce individual charitable gift report summaries of all donations received during a calendar year and mail within two weeks of the end of that year. (Quarterly reports may be made as deemed appropriate by the Board or the Finance Committee.)
7. Maintain confidentially of all financial information pertaining to receiving, recording, and depositing of funds.

Job Description, Usher

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1. Work according to the policies and procedures established by the Board and administered by the Finance Committee.
2. Collect the offerings and place in a secure place for the Financial Secretary.
3. If appropriate, count, record, and deposit.
4. Make sure funds are deposited in a bank in a timely manner.

Job Description, Bookkeeper

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1. Work according to the policies and procedures established by the Board and administered by the Finance Committee.
2. Receive all bills and authorization slips and pay accordingly in a timely manner.
3. Return any authorization slip that is not completely filled out so you can train the members to fill the forms out accurately.
4. Keep adequate records for ease of retrieval if necessary.
5. Prepare all the checks for the Treasurer to sign.

Job Description, Fundraising, Stewardship Committee

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1. Develop an ongoing Stewardship Training program in the Church so the members have the tools necessary for healthy giving.
2. Assist the Finance Committee with resources to educate the congregation in the areas of Christian Stewardship.
3. Conduct the Annual Campaign as required by the Board and the Finance Committee.

ETHICS POLICY (guidelines)

Adapted from the Handbook for Treasurers of the Christian Church (Disciples of Christ)

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It is the policy of _____ Presbyterian Church that its employees and Church members uphold the highest standards of ethical, professional behavior. To that end, these employees and Church members shall dedicate themselves to carrying out the mission of this Church and shall:

1. Hold paramount the safety, health, and welfare of the public in the performance of professional duties.
2. Act in such a manner as to uphold and enhance personal and professional honor, integrity, and the dignity of the profession.
3. Treat with respect and consideration all persons, regardless of race, religion, gender, maternity, marital or family status, disability, age, or national origin.
4. Engage in conducting Church's mission in a professional manner.
5. Collaborate with and support other professionals in carrying out the Church's mission.
6. Build professional reputations on the merit of services and refrain from competing unfairly with others.
7. Recognize that the chief function of the Church at all times is to serve the best interests Christ our Lord.
8. Accept as a personal duty the responsibility to keep up to date on emerging issues and to conduct themselves with professional competence, fairness, impartiality, efficiency, and effectiveness.
9. Respect the structure and responsibilities of the Board, provide them with facts and advice as a basis for their making policy decisions, and uphold and implement policies adopted by the Board.
10. Keep the community informed about issues affecting it.
11. Conduct organizational and operational duties with positive leadership exemplified by open communication, creativity, dedication, and compassion.
12. Exercise whatever discretionary authority they have under the law to carry out the mission of the Church.
13. Serve with respect, concern, courtesy, and responsiveness in conducting the Church's mission.
14. Demonstrate the highest standards of personal integrity, truthfulness, honesty, and fortitude in all activities in order to inspire confidence and trust in such activities.
15. Avoid any interest or activity that conflicts with the conduct of their official duties.
16. Respect and protect privileged information to which they have access in the course of their official duties.
17. Strive for personal and professional excellence and encourage the professional development of others.

CONFLICT OF INTEREST POLICY (SAMPLE)

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I. Introduction.

The _____ Church (Church) exists legally as a nonprofit, Church-related, corporation. This means that we are required by law to operate for the benefit of the Church and its ministries rather than to serve private interests. In an effort to achieve the highest organizational integrity and ethical standards possible and ensure that investor and donor interests take precedence over any private interests, the Church has developed this Conflict-of-Interest Policy (the "Policy") with which all officers, directors and employees with policy-making roles must comply. Cooperation with and support of this Policy are essential to its success.

II. Definitions.

1. Who is an Interested Person? Any person who has a Direct Personal Interest in the working of the organization and has a role in making policies and decisions of the organization, i.e., a director, an employee, or volunteer with decision making power.

2. Who is Family? Your spouse, children, parents, or any other persons included in your "household," or extended family.

3. What is the Church? For purposes of this Policy we are referring to the membership of the _____ Church.

4. What do we mean by having a Personal Interest? The following three ideas taken together will constitute a personal interest:

- ***a.*** Whether by ownership or investment, directly or indirectly, through business, investment or family, the interested person has some financial benefit from a transaction or arrangement with the Church.
- ***b.*** Whether an interested person is employed, directly or indirectly, with an entity or individual which enters into a transaction or arrangement with the Church.
- ***c.*** Whether an interested person has a potential ownership interest, investment interest, or compensation arrangement with any individual or entity with which the Church is negotiating a transaction or arrangement.

5. What is meant by Compensation? Compensation includes direct and indirect remuneration, both current and deferred, as well as gifts or favors, which you in good faith believe to have a value greater than $100.

III. Avoidance of Conflicts.

Interested Persons should acknowledge any potential conflicts, even if "obvious to the other interested persons," as soon as practical if something is being discussed or decisions are being made. Often these conflicts are only perceived but even in these cases, to prevent misunderstandings among the membership, these Conflicts should be divulged to as many people as the Board deems appropriate.

The Board has the power to determine which other people this policy might apply to. Again, the goal is as much the perception of Conflict as the real Conflict. This might include contributors and influential members of the Church.

IV. Disclosure of Conflicts.

There are occasions when relationships within the Church and/or other Personal Interests may create an actual or perceived conflict with the best interests of the Church. When conflicting interests are present, they must be disclosed and properly handled so as to minimize any possible, actual, or perceived, harm to the interests of the Church.

All Interested Persons will complete this Policy's disclosure form, attached, at least annually. They will also be asked to update this disclosure if or when as new interests develop. This must at least be done verbally as soon as the interest is recognized or disclosed. When disclosure is required, the interested person shall disclose to the Board all facts material to the subject conflict of interest.

V. Procedures for Handling of Conflicts

The goal of any Handling of Conflicts is to make sure the Church, at least through the Board, is fully aware of any Conflict before decisions are made and that, if needed, the Board can attempt to take action that might allow them to remove the conflict (i.e. hire another entity which has no conflict) if they so choose. In the event the Board chooses to proceed with a vote in an area of potential Conflict they should proceed as follows:

- ***a.*** The interested person will be given the opportunity to disclose all potential conflicts and the information surrounding the conflict.
- ***b.*** The Board should be given a time to ask questions related to the conflict presented.
- ***c.*** The interested person will then leave the room to give the Board ample time to discuss the conflict and the potential impact on the Church.
- ***d.*** Any other interested person may request that the Board determine by a majority vote whether a matter of substantial personal interest exists.
- ***e.*** The Board might invite the interested person back into the meeting, if they are a member of the Board, as either a voting or non-voting

member on this issue. Interested persons with a potential conflict of interest might choose to abstain from a vote on all matters affecting a substantial personal interest.

f. The minutes of the meeting should disclose as briefly as possible the nature of the conflict, the members present for the discussion, and the vote, the content of the discussion, and the details of the vote.

g. The Board shall have the freedom to not approve any transaction, relationship, or compensatory arrangement if it appears to the Board that the interested person has, directly or indirectly, received or will receive economic benefit from the Church.

h. Except as otherwise provided in this Policy, interested persons will have voice and vote on Church policies, programs and services to the extent their general responsibilities dictate, provided that any conflict of interest or potential conflict of interest has been disclosed prior to any vote.

i. Inadvertent Errors. Inadvertent errors in complying with these procedures shall not invalidate any decision on an issue or any transaction, provided that prompt corrective measures (to the extent possible) are taken after such errors are discovered and brought to the attention of the Board.

VII. Violations of Policy

If the Board has reasonable cause to believe that an interested person has failed to disclose an actual or potential conflict of interest, it shall inform the person of the basis for such belief and afford the person the opportunity to explain the alleged failure to disclose. If, after hearing the response of the person and making such further investigation as may be warranted under the circumstances, the Board determines that the person has in fact failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and/or corrective action. Such action may include suspension or termination of the person's service for the Church, either as elder, officer, or covered employee.

Conflict Of Interest Disclosure Form

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Pursuant to the purposes and intent of the Church's Conflict-of-Interest Policy (the "Policy"), a copy of which has been furnished to me, I hereby state that I and/or members of my immediate Family have the following affiliations or Personal Interests, or have taken part or, to the best of my knowledge, may be expected to take part in transactions or activities which, when considered in conjunction with my position in relation to the Church, might constitute an actual or perceived conflict of interest. (Check NONE if applicable, or report interest in the space provided, attaching additional pages if necessary.)

1. Investments and relationships: List and describe, with respect to yourself or your immediate Family or household, all Personal Interests in outside entities (the "Conflict Entities") from or with which the Church does or may be expected to: purchase goods or services, invest funds, transact business, or compete for donated funds. *Describe/Explain or check:* ____NONE

2. Proprietary Information: List and describe any situations in which you may use or disclose any information gained through your affiliation with or service to the Church which could result in personal profit or advantage to you or members of your Family. *Describe/Explain or check:* ____NONE

3. Gifts, Gratuities, and Entertainment: List and describe any instances within the past twelve months in which you or members of your Family have accepted gifts, gratuities, favors, free services, special discounts, bargain purchases, entertainment, travel, education, or training from a conflict entity which you in good faith believe to have a value greater than $100. *Describe/Explain or check:* ____NONE

4. **Other:** List and describe any other direct or indirect interest that you or members of your Family have that could appear to constitute a conflict of interest or appear to influence your judgment, advice, or decisions on behalf of the Church in any way. *Describe/Explain or check:* ____NONE

I agree that I have the continuing, affirmative duty to report immediately and completely any new interests, as well as any changes in previously reported interests, which may appear to constitute a conflict of interest under the current policy, or which might appear to affect my ability to exercise impartial, ethical judgment on behalf of the Church.

_____ _____

Signature Position

_____ _____

Printed Name Date

SUGGESTIONS FOR RECORDS RETENTION

(in alphabetical order)

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Requirements for computer records are generally the same as printed records.

- Accident reports and claims. 7 years.
- Accounts payable ledgers/schedules. 7 years.
- Accounts receivable ledgers/schedules. 7 years.
- Articles of Incorporation Permanently
- Audit report of accountants. Permanently.
- Audit records. 7 years.
- Bank deposit slips. 7 years.
- Bank reconciliation. 1 year.
- Bank statements (and canceled checks). 7 years.
- Brokerage statements (annual). Permanently.
- Budgets. 3 years.
- Capital stock and bond records: ledgers, transfer registers, stubs showing issues, record of interest coupons, options, etc. Permanently.
- Cash books. Permanently.
- Checks (canceled but see exception below). 7 years.
- Checks, canceled for important payments, i.e., taxes, purchases of property, special contracts, etc. (Checks should be filed with the papers pertaining to the underlying transaction). Permanently.
- Contracts, mortgages, notes & leases (expired). 7 years after expiration.
- Contracts, mortgages, notes & leases (still in effect). Permanently.
- Corporate records, minutes, articles, by-laws, reports. Permanently. Note: When articles are revised, keep both the old and the new copy.
- Copyright registration. Permanently.
- Correspondence (routine) with customers/vendors. 1 year.
  - Includes emails, texts, etc.
- Correspondence (general). 3 years.
  - Includes emails, texts, etc.
- Correspondence (legal and important matters only). Permanently.
- Counting Sheets. 7 years.
- Credit Card numbers. Disposed of as soon as business is transacted.
- Credit Card statements with Receipts. 7 years.
- Deeds, mortgages, and bills of sale. Permanently.
- Depreciation schedules. Life of asset plus 7 years.
- Duplicate deposit slips. 3 years.
- Emails and Electronic materials. 1 year.

- Employee expense reports. 3 years.
- Employee Handbooks. Permanently retain a copy of each revision.
- Employee payroll records (W-2, W-4, I-9, annual earnings records, etc.). Permanently.
- Employee personnel records (after termination). 7 years.
- Employee personnel records (never hired) 3 years.
- Employment applications. 3 years.
- Employment Tax returns. 7 years.
- Expense analyses and expense distribution schedules. 7 years.
- Financial statements (end of year, other months optional). Permanently.
- Freight bills. 3 years.
- Garnishments. 7 years.
- General & private ledgers (and end of year trial balances). Permanently.
- Information returns for Fed and State. Permanently.
- Insurance Policies (expired). 7 years.
- Insurance records, current accident reports, claims, policies, etc. Permanently.
- Internal audit reports (in some situations, longer retention periods may be desirable). 3 years.
- Internal reports (miscellaneous). 3 years.
- Inventories of materials and supplies. 7 years.
- Investment records. Ownership period plus 7 years.
- Invoices to customers. 7 years.
- Invoices from vendors. 7 years.
- IRS correspondence. Permanently.
- Job descriptions. 3 years after revision.
- Journals and general ledger. Life of business plus 7 years.
- Magnetic tape and tab cards. 1 year.
- Minute books for director and stockholders, including By-Laws and charter. Permanently.
- Notes receivable ledgers and schedules. 7 years.
- Payroll records and summaries, including payments to pensioners. 7 years after termination.
- Permits and Licenses. Permanently.
- Petty cash vouchers. 3 years.
- Property appraisals by outside appraisers. Permanently.
- Property records: including costs and depreciation reserves. Permanently.
- Purchase orders. 7 years.
- Real Estate records. Ownership period plus 7 years.
- Restricted Fund documentation, when given, by whom, for what, how long, and records of expenditures. 7 years after the Fund depleted.
- Retirement and pension records. Permanently.
- Sales Tax records. Permanently.

- Savings bond registration-records of employees. 3 years.
- Stenographer's notebook. 1 year.
  - Or any other notes, paper or electronic.
- Stock and bond certificates. Permanently.
- Subsidiary ledgers. 7 years.
- Tax Exempt filings and paperwork. Permanently.
- Tax returns and worksheets, revenue agent's reports and other documents relating to determination of income tax liability. Permanently.
- Telephone logs/message books. 7 years.
- Timecards. 3 years.
- Trademark registrations. Permanently.
- Training manuals. Permanently.
- Voucher register and schedules. 7 years
- Voucher for payments to vendors, employees, etc. (Includes allowances and reimbursements of employees, officers, etc. for travel and professional expenses). 7 years.
- Withholding tax statements. 7 years.

SUGGESTIONS FOR RECORDS RETENTION

(Listed by length of time)

(Return to Table of Contents)

One Year

- Credit Card numbers of donors disposed of as soon as business is transacted. Immediately.
- Bank reconciliation. 1 year.
- Correspondence (routine) with customers/vendors. 1 year.
  - Includes emails, texts, etc.
- Electronic Communications 1 year.
- Magnetic tape and tab cards. 1 year.
- Stenographer's notebook. 1 year.
  - Or any other notes, paper or electronic.
- Bank deposit slips. 3 years.
- Budgets. 3 years.
- Correspondence (general). 3 years.
- Duplicate deposit slips. 3 years.
- Employee expense reports. 3 years.
- Employee personnel records (never hired) 3 years.
- Employment applications. 3 years.
- Freight bills. 3 years.
- Internal audit reports (in some situations, longer retention periods may be desirable). 3 years.
- Internal reports (miscellaneous). 3 years.
- Job Descriptions, after revision. 3 years.
- Petty cash vouchers. 3 years.
- Savings bond registration-records of employees. 3 years.
- Timecards. 3 years.
- Accident reports and claims. 7 years.
- Accounts payable ledgers/schedules. 7 years.
- Accounts receivable ledgers/schedules. 7 years.
- Audit records, notes taken during audit. 7 years.
- Bank statements (and canceled checks). 7 years.
- Contracts, mortgages, notes & leases (expired). 7 years.
- Counting Sheets 7 years.
- Credit Card Statements with receipts. 7 years.
- Employee payroll records (W-2, W-4, annual earnings records, etc.). 7 years.
- Employee personnel records (after termination). 7 years.

- Expense analyses and expense distribution schedules. 7 years.
- Garnishments. 7 years.
- Insurance Policies (expired). 7 years.
- Inventories of materials and supplies. 7 years.
- Invoices to customers. 7 years.
- Invoices from vendors. 7 years.
- Notes receivable ledgers and schedules. 7 years.
- Payroll records and summaries, including payments to pensioners. After termination. 7 years.
- Purchase orders. 7 years.
- Restricted Fund documentation, when given, by whom, for what, how long, and records of all related expenses. 7 years.
- Subsidiary ledgers. 7 years.
- Telephone logs/message books. 7 years.
- Timecards. 7 years.
- Voucher register and schedules. 7 years.
- Voucher for payments to vendors, employees, etc. (Includes allowances and reimbursements of employees, officers, etc. for travel and professional expenses). 7 years.
- Withholding tax statements. 7 years.
- Articles of Incorporation. Permanently.
- Audit report of accountants. Permanently.
- Bank statements (not including canceled checks). Permanently.
- Brokerage statements (annual). Permanently.
- Capital stock and bond records: ledgers, transfer registers, stubs showing issues, record of interest coupons, options, etc. Permanently.
- Cash books. Permanently.
- Checks, canceled for important payments, i.e., taxes, purchases of property, special contracts, etc. (Checks should be filed with the papers pertaining to the underlying transaction). Permanently.
- Contracts, mortgages, notes & leases (still in effect). Permanently.
- Corporate records, minutes, articles, by-laws, reports. Permanently. Note: When articles are revised, keep both the old and the new copy.
- Copyright registration. Permanently.
- Correspondence (legal and important matters only). Permanently.
- Deeds, mortgages, and bills of sale. Permanently.
- Depreciation schedules. Permanently.
- Employee Handbook. Retain a copy of each revision. Permanently.
- Employee payroll records (W-2, W-4, I-9, annual earnings records, etc.) Permanently.

- Financial statements (end of year, other months optional). Permanently.
- General & private ledgers (and end of year trial balances). Permanently.
- Insurance records, current accident reports, claims, policies, etc. Permanently.
- IRS correspondence. Permanently.
- Journals. Permanently.
- Minute books for director and stockholders, including By-Laws and charter. Permanently.
- Permits and Licenses. Permanently.
- Property appraisals by outside appraisers. Permanently.
- Property records: including costs and depreciation reserves. Permanently.
- Retirement and pension records. Permanently.
- Sales Tax records. Permanently.
- Stock and bond certificates. Permanently.
- Tax Exempt filings and paperwork. Permanently.
- Tax returns and worksheets, revenue agent's reports and other documents relating to determination of income tax liability. Permanently.
- Trademark registrations. Permanently.
- Training manuals. Permanently.

INCLUDE THE CHURCH IN MY WILL OR TRUST?

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I, _____, request my attorney to include the following distributions in my/our trust at the time of my / our death.

Upon the death of the Grantor, and after the payment of the Grantor's just debts, funeral expenses, and expenses of last illness, the following distributions shall be made:

Specific Distributions. The following specific distributions shall be made from the assets of the Trust.

$ _____ (amount or %) shall be distributed to _____. If this Church does not survive the Grantor, this bequest shall be distributed.
____ to the Presbytery of _____ or _____ with the residuary assets of the Trust.

Name, address, phone number and contact person of Church
_____

Name, address, phone number and contact person of Presbytery
_____

Other designated distributions (include name, address, phone number and contact person):

1. _____, _____
2. _____, _____
3. _____, _____

INTERNAL FINANCIAL CONTROLS

(Creating a separate Internal Financial Controls policy would be helpful for most churches. The following is a basic outline of a policy which you can follow and adapt for your church. Having a Financial Policy helps the process be efficient, consistent, and helpful to the congregation and for the Treasurer.)

The following practices are the standard which this organization believes should be followed by all who handle money and the financial records.

1. ***What is the treasurer's role in the finances?***
    a. ***Role:*** *Overseeing all aspects of the financial well-being of the organization.*
    b. ***Tasks:*** *maintain orderly books, follow the instructions of the Board, communicate with the Board regarding potential fraud, overruns, and questionable spending, help with the annual audit or financial review, and provide needed information for the budget and stewardship campaign.*
    c. ***Reporting:*** *Usually reports to the board and sits as a voting member of the finance committee.*
2. ***Basic Best Practices***
    a. ***Job descriptions of all positions,***
        a. ***Current*** *(review every other year)* ***descriptions for each:*** *treasurer, finance committee, ushers, collections, counting, depositing, recording gifts, reporting, bill paying, and record keeping.*
    b. ***Policies that should be in place,***
        a. ***Current*** *(review every other year)* ***policy for each:*** *Accountable Expense Reimbursement, Benevolence, Cash Disbursement, Check writing /signing, Conflict of Interest, Credit Card use and reimbursement, Ethics, Finance review practices, internal or external audits/reviews, Gift Acceptance, Investment, Property use, and Personnel.*
    c. ***Filing System, Record keeping***
        a. ***Temporary Files***
            i. ***Vendor files:*** *Maintain files by vendor which include every bill with attached completed voucher (if needed) and copy of check.*

ii. ***Boxed files:*** *Box for each year or two years so that you can have the box shredded after seven years.*

b. ***Permanent Files***

i. ***Where are the by-laws, articles of incorporation?*** *Are they kept in a safe place that the treasurer knows about? Are they reviewed at least every 3-5 years?*

ii. ***501c3 letter:*** *Who knows where this is kept when it is needed? Do you have a copy of this letter for your church?*

iii. ***Location of deeds and titles?*** *Where does the organization keep these documents and who has access to them? (for buildings, vehicles, equipment,) More than one person needs to know the location in case of illness, trips, or death. Change codes, passwords, keys annually.*

d. ***Electronic Banking*** *Do you allow electronic banking? If so, how do you verify the payments before they are sent? Prefer to have two people involved in every transaction, one to enter, one to approve and send.*

e. ***Security Issues***

a. ***Where is the safe deposit box?*** *Who has the key and does someone else know the system if something were to happen to the person in charge?*

b. ***Secure Document Sharing:*** *Use cloud storage options to avoid sharing sensitive information via email or text. Have folders available for people to upload and read.*

c. ***Antivirus software:*** *Make sure the protection software is installed on the Church computer system and keep it up to date.*

d. ***Phishing,*** *Train all who use the Church's computers, and email, to know how to spot phishing techniques, and avoid any potential scams.*

f. ***Protecting Passwords and Keys***

a. ***Who is the keeper of all the organization's keys?*** *Does someone else know how to access them if needed? Do you have rules about who can have keys? How do you enforce the policy? Keep all extra keys under lock and key.*

   b. ***Computer passwords?*** *Assure that more than one person has access to the Church computers and the financial software and account passwords in case of emergency?*
   c. ***Change often:*** *Change the passwords at least annually and whenever an employee leaves the Church (pastor, admin, treasurer, etc.)*

g. ***Filing the annual statement of information and other corporation papers:*** *There are annual forms for corporations that need to be filed and additional forms for payroll, insurance, exemptions, etc. These forms used to come in the mail but now most agencies are requesting that you know they need to be filed and file them (without notice). Know what needs to be filed and file it. The policy should indicate who is responsible to file the paperwork.*
h. ***At the time of a new treasurer****? Does your organization have specific training for a new treasurer or new member of the financial team?*
i. ***Loans to employees?*** *Does your organization have a rule against any loans to employees or board members? This is a very good policy to follow.*
j. ***Co-mingling funds?*** *Does your organization keep all Restricted funds in a separate fund than general operating funds so that you cannot easily spend the restricted funds for a non-restricted expense?*

3. ***How to open and close bank accounts****,*
   a. ***Which accounts has the Board authorized for the Church to have?*** *including checking, savings, investment, safe deposit boxes, and other accounts. This would also include the credit lines, loans, etc.*
   b. ***Who authorizes and who opens:*** *at the direction of the Board, the treasurer identifies the financial institutions, opens and closes accounts on behalf of the organization.*
   c. ***Do not ever open on your own authority:*** *Accounts should always be in the name of the Church, with the Church's EIN number, never in a person's name and never under a person's Social Security number.*
   d. ***Who can have signing privileges?*** *The Board should approve limited signers on each account. The treasurer works with the approved signers of each account.*

e. ***Review all accounts regularly:*** *The board should review and adjust the accounts and the signers annually and this action should be include in the minutes of the Board meeting.*
f. ***Commingling Funds:*** *Because Churches more often than not, have one or two checking accounts rather than multiple accounts for each of their General Funds and Restricted Funds, the Treasurer should take extra care to keep the funds separated so that Restricted Funds do not get spent to cover General expenses and vice versa.*

4. ***Handling Money, the inflows and outflows***
   a. ***Collecting monies,***
      i. ***Ultimate authority:*** *The Board determines which ways the organization will receive funds from donors.*
      ii. ***Accepted methods:*** *Options include through the offering, cash, check, credit cards, mail, electronic means like bank transfers, Paypal, Venmo, Zelle, etc. and certain non- cash gifts like stock, valuables, etc.*
      iii. ***Regular oversight:*** *The Treasurer watches over all methods of receiving money on a monthly basis and keeps records of where the money came from, how much was given, what funds the amount was given for, and the date of the gift.*
      iv. ***Gifts to accept and how to handle:*** *The board determines what kind of non-cash gifts they will accept and which they will not accept. They should also decide ahead of time how they will handle non-cash gifts, i.e., hold for appreciation or liquidate immediately. Unless your Church has a regular investment plan with stocks and bonds, the recommendation is that the Church sell any stock gifts as quickly as possible and transfer the cash to the appropriate account.*
      v. ***Memorial gifts:*** *When gifts are given in memory of a loved one or beloved Church member, the Board should have a plan of how to handle the gift. Whether they use the money for general expenses or accumulate the money in a Memorial Fund for special expenses later, there should be a plan known by all ahead of time. Someone should write a thank you note to the donor and notify the family that a gift has been given (without mentioning the amount). Again, the Board*

should know ahead of time what is to be done with the money, whether it is added to the general fund or kept separate? If separate, what are the rules on how it will be used and who the Board authorizes to make those decisions?

vi. ***Notify board when gift includes a restriction:*** *When the Treasurer receives funds with a Donor Restriction, if the restriction is new to the organization versus adding to an existing fund, the Board needs to be notified before the check is deposited. The Board can then discuss the Restriction and approve receiving the gift with the stated Restriction. If the Board approves, the Treasurer deposits the gift appropriately and keeps a record of date, donor, gift, amount, restriction, expenses related to restriction, and any Board approved and authorized person who can instruct the Treasurer to pay expenses from this fund. (See Restricted Funds, later)*

vii. ***Unrelated Business Income:***

1. *It is important for the Treasurer to know about Unrelated Business Income to protect the Church from penalties that might come if the Church receives UBI and does not file the appropriate forms and pay the added taxes.*

b. ***Counting money,***

i. ***Who authorizes money counting:*** *The Board should approve a list of people who are authorized to count, record and deposit funds for the organization.*

ii. ***Keeping records:*** *A record sheet for counting by date should be kept which includes a photocopy of all checks (kept for purposes of future clarification). These records need to be kept in a secure place for three years and can be shredded after that.*

iii. ***Protecting the counters:*** *The Treasurer should make sure all counters are bonded in the insurance policy?*

iv. ***Paper trail:*** *The Treasurer and whoever does the recording of all gifts should be given the recording sheet along with the deposit information following the money being deposited in the bank.*

c. ***Depositing the money***
    i. ***Records:*** *Those counting and depositing the money need to make a copy of all checks for the files, to go with the deposit receipt from the bank.*
    ii. ***Secure deposits:*** *Those counting and depositing the money need to make a copy of the deposit slip, take the money to the bank, return the verification receipt of the amount deposited, and attached the verification receipt to the copy of the deposit slip ?*
    iii. ***Verifying the deposit on the bank statement:*** *At the time of reconciling, the Treasurer should match the deposit records with the bank records and clear up any discrepancies.*
    iv. ***Checks and balances:*** *The Treasurer should retrieve the bank statement from the bank website or the mail and reconcile the statement with the books in the computer, comparing all deposits and withdrawals. This should be done by someone other than the regular bookkeeper to avoid the temptations of fraud. Note: most fraud is committed by those who are most trusted because they have little oversight and the temptation is great.*
    v. ***Paper trail:*** *File documentation appropriately.*

d. ***Recording the donation,***
    i. ***For each donation:*** *All donations should be recorded in a timely fashion, by donor, by date, amount, and account for which the gift was given.*

e. ***Donor statements:***
    i. ***Communicating with donors:*** *At least annually, but also quarterly as needed, each donor should receive from the finance team a statement of all gifts they have given to the organization, listing the date, the amount, and the purpose of the gift. These statements should be distributed to the donors in compliance with the IRS requirements including tin, and disclosure, plus date of gift, purpose, amount, etc.*
    ii. ***Responsibility for statements:*** *The Treasurer is responsible for the statements but might authorize someone else in the Church to carry out the task. The Board should determine how often the statements are sent*

out but at least at the end of the calendar year so the donors have the records they need when filing their taxes. Note: Treasurer should keep a copy of the annual statements for four years so that a copy of a donor's statement can be made available if they are in the midst of an audit by the IRS or the State.

iii. ***Statements:*** *When the statements are sent, it is a great opportunity to thank the donors and tell them the ways their gifts are being used by the organization?*

f. A variety of Forms of Income the Church might wish to explore:

i. Contributions,
ii. Gifts, stocks, non-cash,
iii. QCDs and RMDs
iv. Income from investments,
v. Beneficiaries, Life Ins, IRAs
vi. Leasing out your facility,
vii. Moneymaking ventures, Book Stores, Thrift Store
viii. Cell Towers,
ix. Wills and Trusts,
x. Endowment accounts,
xi. Royalties,
xii. Employer Matching Plans,
xiii. Campaigns,
xiv. Unrelated Business Income,

1. ***Not substantially related to your exempt purpose.***

g. Payment of all bills and obligations,

i. ***Bill paying vouchers:*** *It is beneficial for a Church to have a required voucher for bill paying or reimbursements. This voucher would state the purpose of the expenditure, the amount, who the reimbursement is paid to, what their address is, and which account the expenditure should come out of. This takes the burden off the Treasurer and puts it on the person seeking the reimbursement or the Church member wishing to have a particular bill paid.*

ii. ***Who can sign checks, who can authorize expenses?*** *The board authorizes who will oversee bill paying and sign checks. There should be at least two people and they should be assigned or at least reviewed annually.*

iii. ***Protecting your signers:*** *Require two people to review the check before it is signed and sent. This relieves one person for the burden and temptation of handling the Church's money and it provides for assistance when one person is sick, out of town, or unable to perform the task.*

iv. ***Protecting your money:*** *Keep blank checks in a safe locked location. If you are still using checks, review checks regularly to make sure checks are being used in consecutive order and all checks are accounted for. Again make sure mor than one person knows the location and has access to the location of the checks, the computer codes and the accounting software.*

v. ***Record keeping:*** *Keep all canceled checks or a copy of them attached to their respective bills for help in reviewing the payments at a later date and help with the audit process.*

vi. ***Electronic Payments:*** *If you use electronic payments, and this is very advisable to move away from written checks, you need to make sure you have some safe guards in place to protect the financial people in the organization and to protect the Church's funds. If you make payments regularly to other organizations or people, have them fill out an ACH payment request form so you can deposit the payment directly into their account.*

vii. ***Positive Pay:*** *This is a system provided at your bank to prevent fraudulent checks. Look into it and see if it might be helpful for your Church.*

viii. ***Credit Card Expenditures:*** *When the Church uses Credit Cards, the statement should be reconciled with receipts for each purchase, information from the spender as to what was purchased, for what program of the church, and which account the expense should be taken from. This can be done with a Credit Card Reconciliation Sheet or*

receipts and notes. Any expenses not having receipts and documentation need to be reimbursed to the Church.

ix. ***Petty Cash accounts:*** *If you choose to have Petty Cash around the office, keep it in a safe place and replenish it only when you receive valid receipts for the expenses so you can charge the expense to the appropriate account.*

x. ***Sales Tax:*** *If your Church has a need to pay sales tax, file the appropriate paperwork to receive a valid sales tax number, and learn the rules for filing and paying sales taxes in your State.*

xi. ***Per Capita and General Mission Giving (PCUSA):*** *Remittance is done through the designated receiving center in your area. Keep clear records of your transactions.*

h. Reconciling, Who should balance the checkbook?

i. ***Separate the duties:*** *Someone other than the person handling the receivables and payables should do the monthly balancing of account statements?*

ii. ***Resolving old (3 months or more) uncleared items:*** *Old uncleared items produce reports that do not present a true and accurate accounting of current position. Resolve them as soon as possible, i.e. issue new checks, void entries, etc.*

5. Restricted and UnRestricted Funds:

a. UnRestricted Funds: General Fund Money:

i. ***Most money is given to the Church as UnRestricted Funds:*** *These are usually called general fund monies or operating funds. This money can be used by the Board for taking care of Church business. They have the freedom to set some funds aside for specific purposes and we call these set aside funds, Board Restricted Funds. Board Restricted Funds can become unrestricted at any point the Board votes to do so as long as they have not asked for donor contributions for the Restriction and added money to the fund.*

b. Donor Restricted Funds:

i. ***Handling restricted funds:*** *The Treasurer sees to it that the difference between Donor Restricted funds and Board Restricted funds are maintained.*

ii. ***Keep accurate documentation for all Restrictions,*** *including the date of the gift or restriction, the amount of the gift, the specifics of the restriction, and donor's information. Add Notes to the Balance Sheet reports annually.*

iii. ***Oversee the spending of Restricted funds*** *so that the fund is only used for purposes in keeping with the planned Restriction.*

iv. ***Restricted and benevolence fund record keeping:*** *Require that no funds are spent out of Restricted or benevolence or expense accounts without proper receipts signed by authorized signers. Make sure the expense is according to the account Restriction and for a legitimate expense according to IRS guidelines?*

c. ***Board Restricted Funds:***

i. ***Benevolence Funds:*** *Funds to care for the needy in the community. These might become a Donor Restricted fund if funds come from the congregation request or plea.*

ii. ***Scholarship Funds:*** *These also might be a Donor Restricted fund if the money comes from donors rather than general fund monies appropriated by the Board.*

iii. ***Reserve Funds:*** *Money set aside by the Board for months when the contributions are low and bills need to be paid.*

1. *Usually set at 3 to 6 months of operating expenses.*
2. *Use only if you have to.*
3. *Replenish the account as soon as possible.*
4. *Reassess each year, adjust the amount as needed.*

d. ***Investment Accounts:*** *These can be Restricted or not, depending on the source of the funds and the intended use of the investments. They are Donor Restricted if donor money is included and designated for a specific use. They are Board Restricted if the Board sets aside excess contributions for growth and income.*

6. ***Employees:***

a. ***Personnel Files, what to include:***
   i. *Documents used to determine qualifications for employment, promotion, compensation, and corrective action;*
   ii. *Employment applications and résumés, transcripts and references;*
   iii. *Immigration (1-9) form;*
   iv. *Payroll authorization notice/change of status,*
   v. *Personnel action notices and any supporting documents;*
   vi. *Performance evaluations and supporting documents;*
   vii. *Corrective action memos and employee responses;*
   viii. *Salary or hourly pay changes or actions;*
   ix. *and other, similar documents.*
   x. *Benefits-related and confidential medical information.*
   xi. *Annual update of the W-4 to make sure you have the latest address, dependent information, and emergency contact data.*
   xii. *Current contact person in an emergency,*
b. ***Payroll***
   i. *Choose to do your payroll in house or by an outside company. I encourage Churches to use outside companies because they are more familiar with current laws and practices.*
   ii. *Comply with all State personnel laws.*
   iii. *File all payroll forms regularly.*
   iv. *Have current data for withholding taxes.*
   v. *Send checks to government.*
   vi. *Keep employees informed with paystubs or access to their paystubs.*
   vii. *Track all medical, retirement, and sick days.*
c. ***W-2s or 1099s***
   i. ***Handling independent contractors?*** *Obtain a W9 form prior to issuing a check to a 1099 independent contractor or worker so you can comply with the laws and send a 1099 tax form at the end of the year if necessary. Up until December 2025 the Church needed to issue a 1099 for any non-corporation worker who was paid over $600 during the calendar year. Beginning in 2026, the number increases to $2,000 and will step up with inflation every year after that.*

ii. ***Clergy receive a W-2 and do not have taxes withheld:*** *More information is provided below.*

d. ***Clergy Compensation***

i. ***Salary:*** *This includes basic salary, non-accountable allowances, Social Security Allowances, etc. This gets reported in Box 1 of the W-2 form.*

ii. ***Housing/Manse Allowance:*** *This money is paid to the Clergy for housing expenses. The amount of the Housing Allowance must be set in advance and if not spent on accepted household expenses will be considered taxable income. The whole Housing Allowance is subject to the SECA tax at the time of filing the 1040 Tax Return.*

iii. ***Accountable Reimbursable Allowances:***

1. ***Auto, Professional Expenses, Study:*** *These allowances, when fully receipted are not reported as income to the Clergy.*

iv. ***NON-Accountable Allowances***

1. ***These are lumped with salary for tax purposes***
2. ***includes Social Security Allowance***

v. ***Benefits,***

1. ***Pension, medical, insurance:*** *These are costs paid on behalf of the Clergy and are not considered income for Tax purposes.*

vi. ***Withholding for Clergy:*** *Do not withhold income or FICA taxes from Clergy payroll for any reason unless they have submitted a W-4 form requesting additional taxes withheld. The Church is exempt from withholding taxes for all Clergy.*

vii. ***For PCUSA Churches: Board of Pension's "Total Effective Salary" is different from IRS Taxable salary.***

7. ***Budgets:***

a. ***Provide information to the team preparing the budget:*** *The Treasurer should prepare information needed to help the Board or the Finance Committee in preparing the budget for the coming year. They will also have the role of helping the Board and Finance Committee become aware of budget overruns or potential overruns during the year.*

b. ***Fiscal year to date expenses vs annual budget***

i. ***Showing areas where the budget may not be adequate:*** *During budget planning periods a report showing the amount of expenses to date will be helpful in seeing what changes might need to be made in the coming year.*

c. ***Any increases known by the treasurer***
   i. ***Such as insurance costs going up, utilities going up,***
   ii. ***Any approved expenses that have not yet been accomplished or paid for.***

d. ***Any significant pledging or giving differences that might be beneficial for the Board or Finance Committee to know:***
   i. ***Donors who have increased or decreased their giving:*** *This should be amounts not names. It might be helpful for the pastor to know that "Mr. and Mrs. Jones have significantly changed their giving pattern recently." This way the pastor can check up on them and see if they have additional needs or concerns in their lives.*
   ii. ***Flow of money from one project to another; i.e., from general giving to youth fund or building.*** *Sometimes there is a shift that the Treasurer can see and the Board needs to be made aware of, like significant changes to a donors gift away from the general fund to a specific project, like, building, missions, or youth.*

8. ***Financial Review, Audits: The financial review or audit****? Most Churches have in their bylaws a need to have an annual audit. This might be a CPA driven audit or just a general Financial Review. These reviews take a lot of time and many Churches ignore this when it would be helpful for them to have this annual look at the finances. Does your organization require an annual audit or review? If so, does your organization comply with this requirement? If not, seek to change the by-laws. Can an audit be requested by two or more board members at any time?*
9. ***Exemptions:***
   a. ***Is your Church incorporated and exempt?*** *This would show up in your official papers and your 501c3 letter. Make sure that these documents are in order. If not your donors cannot legally deduct their contributions.*

b. ***PCUSA Churches are exempt under the denomination's exclusion:*** *Receive a copy of your letter of exemption from www.pcusagroupruling.org*
c. ***Local exemptions for Property Tax: (California)*** *If these documents or something similar are needed file them regularly, Religious, Welfare, Supplemental, Church*

10. Insurance:

- ***a.*** *Review your coverage every time you receive a renewal notice.*
- ***b.*** *Are your limits high enough to replace the building in a disaster?*
- ***c.*** *Are your special programs covered?*
- ***d.*** *Are your volunteers covered adequately?*
- ***e.*** *Is the board covered properly?*
- ***f. Preparing for Disasters:***
  - ***i.*** *Take Pictures*
    1. *What you Use and What you Don't use.*
    2. *Estimate the Cost of Purchase.*
    3. *Include all renters property also*
    4. *Insurance pays for all that is lost, whether you use it or not.*
  - ***ii.*** *Make sure you have a way to approve immediate funds, up to $10,000*
  - ***iii.*** *Wish list on-line for people to donate*
  - ***iv.*** *Mobilization*
    1. *If total, how do you continue to meet*
    2. *Don't change the time you meet*
  - ***v.*** *Seating meets your parking (if rebuild)*

11. Records and Reports:

- ***a. Record Retention:***
  - ***i.*** *Permanent papers vs annual*
  - ***ii.*** *Permanent Papers forever or until you no longer own the item.*
  - ***iii.*** *Annual*
    1. *3 year receipts etc.*
    2. *5 year*
    3. *7 year what would be tax related docs*
    4. *One box per year.*
- ***b. Reporting:***

i. *Board monthly*
ii. *Congregation at least annually*
iii. *Committees as needed*
iv. *Reports*
    1. *Profit and Loss, year over year*
    2. *Balance Sheet, year over year*
        a. *Breakdown as needed*
        b. *Restricted,*

12.Resources Available on Amazon:

a. ***The Church Treasurer's Manual.*** *Edd Breeden*
b. ***A Handbook for Church Treasurer's.*** *Edd Breeden*
c. ***The Volunteer's Audit Guide for Churches*** *Edd Breeden*

Church Compensation. *Elaine Sommerville*

GIFT ACCEPTANCE POLICY (guidelines)

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Statement of Purpose

In the beginning of the Policy statement it is appropriate to include some statement of purpose for your policy. A few examples are listed here:
Christian stewardship involves the faithful management of all the gifts God has given us - time, talents, the created world, even our money. For many people, the stewardship of money means current income and its use. Stewardship is concerned equally, however, with accumulated, inherited and appreciated resources.

Those who came before us have provided a meaningful heritage of religious experiences and physical facilities. We have been entrusted with the continuing duty of the benevolent, educational and mission work of the Christian Church. It is also our obligation to provide for the continued care and upkeep of the structures erected and paid for by our predecessors. These buildings that serve us today are a tribute to their vision, faith and sacrifice.

To aid in expanding our work and mission as Christians to our community and world, to provide perpetual care and upkeep for the physical facilities of the _____ Presbyterian Church, and to seek and receive gifts, bequests, memorials and other contributions for these purposes, we therefore create, adopt and establish an endowment and gifts plan.

This plan is to be administered in such a way that it does not diminish responsible, continued support and involvement of Church members.

The intent of the policy is to ensure that all gifts given in support of the work of the Church are appropriate and useful to the needs of the organization, do not impose undue financial burdens on the Church, are given with enough flexibility to maximize the usefulness of the gift to the organization, and are given in a spirit of trust that the gift may still be utilized if, at a later date, its Restricted purpose no longer exists or aligns with the mission of the organization.

General Information

A. The Date of the beginning of the Policy should be mentioned.
B. The object or purpose of the Policy should be mentioned. See above.
C. The definition of Gift. A gift is a transfer of assets from one party to the Church, without any goods and services being provided in return except for intangible spiritual benefits. The gift is given with the intention of charity. The gift is irrevocable. The gift, after given, is used by direction of the Board of the Church, to be used as they see fit, except when the donor restricts their gift and the Board accepts the restriction.

D. The Policy should include definition of any Special Funds which the Board presets for members to contribute to; Operating Funds, Reserve Funds, Mission Fund, Endowment Fund, Building Fund, etc.
E. The Group of people who will manage the Restricted Funds should be identified and their responsibilities and limitations should be listed.
F. How the Board chooses to disburse Funds given without Restrictions.
G. What the plan of the Board is for non-cash gifts given to the Church, i.e., to liquidate as soon as possible and deposit the generated cash in an appropriate Fund of the Church.
H. How the pooled Funds will be Invested.
I. A statement of confidentiality regarding personal and privileged donor information. They will also respect any donor who wishes to remain anonymous.
J. The fact that the Church does not offer legal, tax, or financial advice, and donors are expected to contact their own legal, financial, and tax advisors.
K. How the Policy can be amended if anyone chooses to change things.
L. And what happens to the Funds if the Church dissolves.

Definitions which might be helpful

A. *The Church encourages unrestricted gifts to allow for maximum flexibility in the pursuit of its mission. A FUND WITHOUT RESTRICTIONS* is any gift which a donor gives without a "Restriction" placed on the future use of the monies given or the monies gained from the sale and/ or investment of the gift. This is often called an "undesignated gift." Any gift given to the Church without Restrictions can be used by the Board in whatever manner they choose. The first use is often the Operating Fund, then when enough cash flow exists in the Operating Fund the Board should consider setting up a Reserve Fund of at least three months' worth of operations. With the Reserve Fund in place the Board can then begin to set monies aside for specific causes and general investments. Even when the Board sets up a Designated/Restricted Fund for a particular cause, the Fund is a "Fund without Restrictions" because the Board can change the Designation at any time; unlike a Restriction set by the donor and accepted by the Board which cannot be changed by the Board just because they want to do something different.
B. *DONOR RESTRICTED GIFT*, i.e., Fund with Restrictions, is any gift which a donor gives to the Church with a "Restriction" placed on the future use of the monies given or the monies gained from the sale and or investment of the gift. This can include verbal instructions, but the preference would be to have the donor write out their wishes on a Restricted Gift Information Form so the Board can decide whether they will accept the gift to the Church with the Restrictions or whether they would like to talk further with the donor before accepting or rejecting the gift. Direct the giver to the Restricted Gift Information Form, found in the Appendix.

C. *BOARD RESTRICTED FUNDS* are specific designations that the Board will determine as they are needed. Any Restricted Fund, when created by the Board, will clearly state the uses of the Fund, as well as the length of time the Fund will be in existence. When that time has passed the Board may either extend the time period or transfer any remaining Funds to the Operating Fund or some other place that they have determined is a better fit.
D. *AN ENDOWMENT FUND* more appropriately called a Fund with Permanent Restrictions may be set up by the Board at some time they so determine, and the Endowment Fund will be money set aside for the purpose of preserving the principal and only spending a portion of the growth and interest according to this Policy.
E. *A MEMORIAL GIFT* is any gift given by a donor in memory of another person. Memorial gifts will be acknowledged to both the donor and the family of the deceased and will be placed in the General Fund and the money used for such purposes as the Board deems necessary. If the gift comes with a Restriction attached, the gift will be handled according to this Policy and if accepted will be allocated along with other Funds with Restrictions.

Policy

A. All monies given to the Church will be used for the benefit of the Church at the discretion of the Board unless the Board accepts Donor's designated Restriction at the time of the gift. The Board might identify from time-to-time Funds to which donors can contribute. These Funds will be considered Donor Restricted Funds and will only be used for the defined Restricted use. A note in the memo line of the check or a written notice to the Board will direct the Board to use the money for the Restricted purpose.
B. If a donor would like to contribute to a project where the Board does not have a Board Restricted Fund, the donor may request, in writing, the Board consider a new Restricted Fund to be used for the purposes the donor wishes. The Board shall consider this request in accordance with this Gift Acceptance Policy and the mission plans of the Church and notify the donor of their decision before accepting or rejecting the gift.
C. The Church shall at all times reserve the right to refuse a gift from an individual or from an estate when it is not in the best interest of the Church or does not seek to follow the guidelines of the Church's exempt causes. When the gift comes from a will or trust, the Board shall review any Restrictions upon the gift, any possible conflicts the gift might pose, or if the gift might create an undue financial burden upon the Church or asks the Church to use the gift for purposes not consistent with their exempt status, and if they believe it is in the best interest of the Church,

they reserve the right to refuse the gift or contact the family and discuss possible other uses for the gift.

D. The Board will regularly publish the following notice to the potential donor base:
E. “All donations to the Church are subject to the Church’s Gift Acceptance Policy. The Church will treat the donor’s preferred Restrictions as suggestions unless the Board has approved the donor’s Restrictions before receiving the gift. Copies of the Policy are available in the Church Office.”
F. “All Solicited Contributions are solicited with the understanding that the Church will use the contributions as much as possible for the purpose in the stated solicitation.”
G. Any “Gifts without Restrictions” given to the Church will be used by the Board in the highest and best use at the time according to the Church’s mission, needs, and their exempt purposes.
H. When the Board sets up a special Fund, i.e., by designation or because of the acceptance of a donor Restriction, the Board should consider setting an ending date on the Restriction and if the money is not used by that date, the remaining funds will be moved to the Operating Fund or some other Restricted use.
I. Some statement of the Church’s definition of income from investments should be included in the Gift Acceptance Policy. As mentioned elsewhere in the Manual, the total return of your portfolio is made up of Interest, Dividends, Capital Gains, gain/loss of value minus the cost of investing. Avoid looking just at the dividends and interest paid out. When the value rises from 1,000,000 to 1,200,000, plus the interest and dividends, you have an additional 200,000 of usable monies to use for the Restricted purpose. You might have to sell stock to realize the cash needed but it is gain none the less. The Board can set a scheduled or defined increase in principle (possibly based upon inflation) to be maintained and not spent.
J. The Gift Acceptance Policy will be reviewed by the Board or designated individual or group at least every five years and adjusted when needed by a vote of the Board.
K. The Church does not provide personal legal, financial, tax, or other professional advice. We encourage the Donor to contact their own professional entities for advice before making their decisions.
L. The Church encourages the Donor to talk with their Company’s Policy of matching donations to see if their Company will match their gift to the Church.
M. The Church encourages Donor’s talk with their Trust and Will expert and consider including the Church as a beneficiary in their Trust and Will disbursements.
N. The provisions of this Policy may be amended only at a regularly scheduled monthly Board meeting at which 75% of the Board members are present and only by an affirmative vote of two-thirds of those present.

Amendments shall be affected by such vote only after readings of the proposed amendment(s) at the preceding two consecutive regularly scheduled monthly Board meetings. Amendment action by the Board is to be preceded by notice to the congregation, in the newsletter and by posting in the Church newsletter, stating the text of any proposed amendment(s) and the rationale therefore; such notice is to be provided concurrently with the readings called for above.

O. If at any time the Church shall be lawfully merged or consolidated with any other Church, all the provisions with respect to the Gift Acceptance Policy shall be deemed to have been made for and on behalf of such merged or consolidated Church which shall be entitled to receive all the benefits of said funds and shall be obligated to administer the same in all respects in accordance with the terms hereof.

P. In the event of the dissolution of the Church, the Board shall have the responsibility for the final disposition of all assets of the Restricted Funds and shall legally comply with the regulations of dissolving Non-Profits in the State where the Church is registered.

Types of Gifts Accepted

A. Cash Gifts, either cash, check, credit card, or digital transfer will be accepted. Checks should be made payable to the _____ Church.

B. Publicly Traded Securities will be accepted, however, the donor needs to know what the Church will do with the securities, either keep them in an investment portfolio or liquidate them at the Board's discretion.

C. Any security not publicly traded will be accepted only if the Board determines there is a readily available market for their disposition and the security does not present any ongoing cost or liability to the Church.

D. Real Property will be accepted provided the property is not encumbered by a mortgage or an environmental restriction and the donor has a current appraisal of the property for the Church. Usually, residential property within the State of _____ will be accepted. However, the Church has the right to refuse any Real Property which has environmental, historic, or other inhibiting strings attached.

E. Tangible Personal Property such as jewelry, artwork, collections, and other personal property will usually not be accepted by the Church unless the value is greater than $1,000 for each piece and there exists a market for the property.

F. Other Property of any description including mortgages, notes, copyrights, royalties, easements, whether real or personal, shall only be accepted by further action of the Board.

G. The Church will accept being the Beneficiary of a Donor's retirement account or insurance policy or designated in their Trust or Will.

H. Note: Any fees associated with the Donor's gift, including appraisal fees, clean up fees, environmental fees, etc. will be the Donor's responsibility.

Deferred Gifts

A. Bequests in the Will and Living Trust of the donors should be welcomed and encouraged by the Church.
B. The donors of the Church are encouraged to name the Church as a partial or full beneficiary of any Life Insurance Policy.

Publicizing for Contributions

A. Here is a list of possible paragraphs to publicize so donations can be received without restrictions.
B. "Contributions are solicited with the understanding that [Church/Ministry] has complete discretion and control over the use of all donated funds. [Church/Ministry] will attempt to honor gift preferences to support particular workers, but the final decision on the use of all funds, rests with the Church." – sample provided by Evangelical Council of Financial Accountability
C. "Contributions are solicited and received with the understanding that the Church of Directors has complete and final discretion and control over the use of all donated funds."
D. "The Elder Church reserves the right to redirect funds to the area of ministry most needed. Designations are considered suggestions."
E. "All offerings are tax deductible according to IRS regulations. The Church's Board reserves the right to direct funds to the area most needed. We sincerely appreciate your financial support."
F. "Donations to ABC Church are tax deductible in accordance with the provisions of the Internal Revenue Service. Donations are solicited with the understanding that ABC Church has complete discretion and control over all donated funds. In practice, ABC Church implements donor instructions whenever possible. In case a gift cannot be used as indicated by the donor, it will be applied to other important functions of ABC Church."
G. "The Leadership of ABC Church reserves the right to direct all freewill offerings/gifts to the area of greatest need within the ministry. All offerings/gifts to ABC Church are completely Tax Deductible. Thank you for your financial support to this ministry."

INVESTMENT POLICY (guidelines)

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1. Include a statement of the basic objective or purpose for investing funds.
2. Include a statement about who is authorized to open accounts on behalf of the Church. This is usually the Board, and they will need to sign all applications for new funds or accounts as a check and balance to the investment program of the Church. The Board should also determine who is able to sign on the account and make changes in the investments.
3. Include language about who can withdraw funds from the accounts. A best policy is to have at least two unrelated people verify the withdrawal of funds from the Church's accounts.
4. All funds available for investment shall be invested as promptly as possible. The Church should not get into the business of market timing, waiting to catch the low in the market before entering. If you have a large sum of money to invest, you could choose to invest a tenth of the money every month over a ten-month period, or something like that, called "dollar cost averaging," thus catching the ups and downs of the market. If you choose to do this, be systematic, invest equal amounts on the same day of the month, each month until all the money is invested.
5. Full advantage should be taken of the tax-exempt status of the Church. I.e., since the Church, at this moment, does not have to pay taxes on the interest or capital gains of an investment, the investors should be looking at the pre-tax return when evaluating a vehicle. Note: Individual investors often have to choose between the interest rate of Municipal Bonds and Corporate Bonds since one is taxed differently than the other, yet the Church can choose the Bond with the greater rate of return since taxes, at this time, do not impact the return for the Church.
6. Include Guidelines to help the individual or committee authorized by the Board/trustees as to what kinds of investments are appropriate for the Church's money, who has the authority to make changes in the investments, and any procedures the authorized parties need to go through before making changes.
7. Funds shall be invested in issues generally of larger corporations, higher rated quality commercial paper, corporate bonds and government obligations and good quality common and preferred stock.
8. Never have more than 5% of the portfolio in any one company's stock or bond. It is okay to have more than 5% in a mutual fund since it has a variety of stocks within its fund. But concentrating investments in one company or one particular sector, i.e., technology, is too risky for the individual Church even if one of the members is convinced the stock is going to skyrocket next week. And even if it does go up in value, the Church is better off in the more conservative position than a high-risk play like an individual stock. (the exception to this statement is if the Church has a portfolio of twenty different stocks spread out through the eight different

major sectors of the S&P 500 average. This portfolio could be considered as diverse as an index fund using the same benchmark.

9. Ratio of equities to fixed income securities shall be maintained consistently with the guidelines of the Sample Investment Policy. As a rule of thumb, when the percent of Stock changes three to five percent (3-5%) higher or lower, the Church should consider rebalancing the portfolio back to the original plan levels. This might happen often during the year but does produce an increase in return over time. (i.e., if you own a mutual fund or ETF type index and the value goes up 5% and you sell 10% of the portfolio and reinvest the proceeds when the market corrects downward, you will end up with more shares at an overall lower cost basis.

10. If the Church wishes to limit their investment in products harmful to people or the social environment, the PCUSA has guidelines for socially responsible investing and if the Church chooses, these guidelines could be placed within the Investment Policy.

11. Include the Guidelines to help the individual or committee authorized by the Board/trustees as to what kinds of investments are appropriate for the Church's money, who has the authority to make changes in the investments, and any procedures the authorized parties need to go through before making changes.

12. Statements of Investment Philosophy, Policy and Guidelines shall be reviewed annually to make sure the Policy continues to reflect the changing nature of the Church and the Board. (see Sample Investment Policy).

Stock Gifts to the Church: In the case of stock gifts to the Church, the Board should have a predetermined policy for handling gifts of stock and other non-cash gifts. In most cases the Church should see itself as a receiver of stock but not a holder of stock. When individual stock shares are received it is often more prudent to sell the stock as soon as possible and if the Church chooses to leave the money in the investment portfolio, reinvest it according to the Church's Investment Policy. The exception to this policy would have to do with a gift to the Church, who has a well-planned Investment Policy and the stocks being given to the Church are in line with the existing policy. There is no reason to sell the stock and then buy it back again; keep it if it fits in with the plan.

If the Church does not have its own brokerage account, the Treasurer should check with the Presbytery to see if they can pass the gift through the Presbytery account. Otherwise, the Church should open an account at a brokerage firm where the Board chooses and communicate with the congregation that stock gifts are willingly accepted and who to contact if a member chooses to give stock. The reason a brokerage account is needed is for the members to give stock to the church. If they give the stock directly to the church, they get the full value of the stock as a deduction on their tax return and the church gets the value of the sold stock as income. If the church does not have a brokerage account, the donor has to sell the stock and pay the capital gains tax on the proceeds.

Remember the receipt: The Church does not have a responsibility to value the stock gift; that is a task for the donor to verify the closing price on the date of the gift and have the appropriate documentation needed for the IRS. The Church, however, should send the donor a Contribution Receipt stating the number of shares given, the name of the stock company, and the date it was given to the Church with the appropriate added information required to make the receipt IRS acceptable.

THOUGHTS ON ALLOCATING THE INVESTMENT PORTFOLIO

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1. Allocating the Investment Portfolio.
   a. There is a fiduciary responsibility to preserve the capital and at the same time produce a reasonable gain on the portfolio. Finding a balance in that endeavor means understanding the delicate balance between the risk you are willing to take and the reward that will come from that.
   b. Risk ranges from “extremely conservative,” i.e., the Church wants to maintain principal at all costs, even if that means a lower rate of return and “extremely aggressive,” i.e., the Church is willing to temporarily lose large amounts of principal with the hopes of gaining higher rates of return.
   c. Reward refers to the amount of gain a fiduciary could reasonably expect from the investments. The rule of thumb suggests a portfolio should be able to deliver 4% per year in withdrawals while maintaining a growth in the principal that will keep up with inflation. This concept is called "buying power," i.e., the 4% withdrawn next year will equal the 4% drawn this year plus at a minimum the added percentage of inflation.
   d. The role of a fiduciary is to take enough risk to maintain the buying power of the portfolio without risking too much of the principal.
   e. Most Investment Advisors see a reasonable allocation for fiduciaries ranges somewhere between 35% stock and 70% stock.

   f. An Example for a $1,000,000 portfolio:

	Stocks	Bonds	Annual Return Anticipated	Loss of Principal in 10% mkt downturn
Assumed Gain/Loss	10%	3%		
Conservative Allocation A	35%	70%	$ 56,000	$ 35,000
Aggressive Allocation B	70%	30%	$ 79,000	$ 70,000
4% withdrawal			$ 40,000	
4% next year at 2% inflation			$ 40,800	

2. Investing in Stocks,

a. Stock is the term used to talk about an investor purchasing ownership in a particular company and receiving the residual benefits of ownership, like voting rights and dividends (sharing in the profits).
b. Risk increases as you decrease the number of individual stocks you invest in, with the highest risk being having your portfolio in only one stock. If investing in mutual funds, risk increases as you too narrowly focus on asset classes or fewer segments of the market, with the highest risk being a single mutual fund that only invests in one segment of the market (i.e., only tech stocks, only utility stocks).
c. Investing in individual stocks increases the risk unless you have a large number of individual stocks (i.e., at least twenty stocks). However, the more stocks you own the more effort you will need to manage the stock portfolio.
d. Many people choose to let someone else manage the stock portfolio for them, either by hiring a broker, a money manager, or investing in a Mutual Fund or an Exchange Traded Fund (ETF).
e. Stockbrokers work for larger firms and manage your portfolio as they believe is necessary by contacting you and discussing individual trades with you.
f. Money Managers are like owning a private Mutual Fund where the manager buys and sells stocks for you when the manager decides the time is right. These managers usually work with people who have larger amounts of money to invest, i.e., one hundred thousand dollars or more in their stock portfolio.
g. A Mutual Fund is a publicly traded investment vehicle where an investment company hires a manager to pool people's money together and buy and sell stock according to a predetermined discipline, i.e., all growth stocks, all value stocks, all technology stocks, etc. Mutual Funds are "priced" and purchased or sold at the end of the trading day only. The only say in the management of the Mutual Fund is to decide to no longer invest in its shares and move your money elsewhere.
h. An Exchange Traded Fund is similar to a mutual fund, yet it is traded on the exchanges as if it were a stock and can be bought and sold at any time during the trading day.
i. An Index Fund, either a Mutual Fund or an ETF, is a fund where the manager attempts to mimic the stock selection and performance of some index like the S and P 500 or the Dow Jones Industrials.
j. Most fiduciaries who do not want to be deeply involved in the day-to-day management of the portfolio will choose Mutual Funds or ETFs.
k. The cost of a Mutual Fund is an ongoing annual percentage of the value of the Fund. The cost of an ETF is a one-time commission or fee. Depending upon how long you expect to hold the Fund one cost might be less expensive than the other over the long haul.
l. Stocks as well as Mutual Funds and ETFs fluctuate in value based upon the principle of supply and demand. While the price of an

individual stock will have some relationship to the productivity and profitability of the underlying company, the actual price of the stock will be based upon the willingness of a person to pay the price the seller is asking at any given time.

3. Investing in Bonds,
    a. Bond is the term used for the vehicle by which an investor can loan money to a company for a set period of time at a set interest rate.
    b. There are two ways to think of buying Bonds, either buying them individually through a broker or buying a Mutual Fund filled with individual bonds.
    c. Since the management of individual Bonds requires some ongoing involvement, many fiduciaries choose to invest in Bond Funds, i.e., Mutual Funds that invest in Bonds.
    d. The trade-off between individual Bonds and Bond Funds comes in the form of your principal value.
        i. When you purchase an individual bond, you have a "guarantee" that you will receive your investment back when the Bond matures (the date is known at the time of purchase) plus you will receive the interest quarterly along the way.
        ii. When you purchase a Bond Fund you will receive interest payouts along the way, but since the Bond Fund does not have a maturity date, only the Bonds inside the Fund have those, you have no guarantee you will ever receive your full principal back when you choose to sell.
    e. The Interest Rate of Bonds depends on a number of different factors like the markets assurance or concern about the Company's ability to pay the Bond, i.e., loan, back, or how much the general market places value on this particular Bond because of its remaining duration and its perceived value to investors.
    f. Bonds can be bought when the company first issues the Bond to the public or can be purchased in the general market because someone who owns a bond determines a need to sell the Bond to another person.
        i. When a Bond is sold at first issue the cost is $1,000 per Bond or what is called Par.
        ii. When a Bond is sold in the "after-market" the cost will be determined by the supply and demand in the market system. There might be opportunities to purchase Bonds below par, i.e., less than $ 1,000 or a need to purchase them over par, i.e., more than $ 1,000.
        iii. The gain a person can anticipate over the life of the Bond has to do with the amount spent for the Bond, and the interest paid out over the life of the Bond. The actual amount of the return is called the Rate to Maturity, which might be lower than the

interest rate if the Bond was purchased over par, or higher than the interest rate if the Bond was purchased below par.

4. Effectively using Mutual Funds,
    a. A Mutual Fund allows the investor to own a wide variety of Stock without buying the individual Stocks or having to manage the portfolio when Stocks need to be bought and sold. An investor's money is pooled with other investors, and a manager decides which Stocks to buy and sell. The manager has limitations on what to buy and sell since he must only invest according to the strategy defined in the prospectus of the Fund, i.e., Large Cap Growth or only Medical Stocks. (All brokers or companies are required by law to provide you with a copy of the Fund strategy (prospectus) at the time of purchase.)
    b. Two types of Mutual Funds interest me for a particular reason; a Growth Fund and an Income Fund. While I prefer using ETFs and actual Bonds, smaller portfolios or people wanting less direct management can do well with these two types of Funds.
    c. There are many Growth Funds available on the market and if you choose to work with Mutual Funds, you should choose according to these two guidelines:
        1. First, look for a Growth Fund with a very large amount of Assets. You can find these by searching for Growth Funds on any brokerage account. You want something that has a good track record over at least 10 years compared to the S and P 500 Index. (You can also just buy an S and P Index Fund.)
        2. Then make sure the Family of Funds has an Income Fund as well. You want to be able to switch money from one fund to the next without having to pay additional fees.
    d. With these two Funds you can then invest according to your planned allocation between Stock and Bonds (Income). You will also be able to take advantage of the Rebalancing talked about later. See item number 8 "Rebalancing" below.

5. Laddering the cash exposure.
    a. If you prefer to have a portion of your Investment Portfolio in "Cash," i.e., CDs and Treasury Bonds. I suggest you use a technique called "Laddering." This allows you to invest at the highest possible interest rate while always having cash available to you.
    b. I recommend investors have at least the equivalent of three months' operating expenses in some form of accessible money, called a Reserve Fund, so you do not have to sell Stock or Bonds at an inappropriate time because you need cash.
    c. This Reserve Fund is just for emergencies and therefore should be invested at the highest possible interest rate for CDs.
    d. You will want to find a Brokerage Company which will allow you to purchase CDs from various banks around the country. In this way

you will have access to the best rates and when you have a large enough portfolio of Laddered CDs you will still be able to keep it FDIC insured since although you will have all your money in one Brokerage Account you will have your actual money in a variety of Banks. You do not want to have more than 250,000 in any one bank account as that is the limit of FDIC insurance per account per bank.

e. If you chose to put $ 100,000 in a ladder you might put 25,000 in a 6-month CD, 25,000 in a 1-year CD, 25,000 in a 1½-year CD and 25,000 in a 2-year CD. Then after 6 months, the first 25,000 matures, and you can reinvest it for 2 years at the higher rate or spend it if needed. Likewise, each time a CD matures you can invest in it again at the higher rate until you have only 2-year CDs maturing every 6 months in case you have a need for the cash. NOTE: if you have enough Cash in a Ladder, you can always stretch this portfolio out to three or four years if the interest rates for the higher years warrants that. Sometimes the interest rate difference between 2-year CDs and 3-year CDs is so small that it is not worth tying the money up that much longer.

6. Brokerage accounts,
    a. Having money with a trusted Broker can have its benefits even if your cost is a bit higher. When you pay the Broker a set fee based upon a prearranged percentage of the overall portfolio, you can then trade Commission Free. That means the individual Stock, the Bonds, and the Options can be purchased and sold without having to pay an additional Commission for each transaction.
    b. Paying the fee actually allows the purchase price of Bonds to be lower and the actual interest rate to maturity to be higher. Often that difference is enough to pay for the fees.
    c. There are times when the value of the Bond increases in the minds of the market and it is appropriate to sell the Bond for a profit and purchase another bond with a similar interest rate at a cost closer to par.
    d. Fee based also allows for a no commission use of the Covered Call Options as talked about in 7 below.
    e. There are different costs to different brokerage houses; however, there might also be some hidden costs in the lower cost brokerage houses. Find out what all the charges will be before you open a brokerage account.

7. Using Options for additional gains.
    a. Options are a vehicle in the Stock Market where you can buy or sell the “option” to acquire stock at a certain price. This is not a vehicle that I encourage most Churches to use, however, if the Church has people aware of this vehicle and they have the time to monitor things regularly, it could be beneficial to the overall return of the Church’s

portfolio. Covered Calls is one of the safest forms of options trading and is actually seen as a good use of the market for additional gain by a fiduciary. A Covered Call allows you to sell someone the right to purchase the underlying stock from you at a fixed price on a particular date.

b. Strategic use of Covered Calls on a portion of the portfolio from time to time can add to the gains of the portfolio.
    1. When the value of the stocks gets higher than the allocation and you might have to sell stock, anyway, use the Covered Call strategy on some of the portfolio. It might allow you to get a higher price if you can wait a little longer for your cash.
    2. When the market reaches "unsustainable heights" you can use Covered Calls, expecting the market to correct at some point in the next three months. At that point, when the stock reduces in price because of market conditions, you can buy the options back or buy back the stock when the options expire.

8. Rebalancing the Portfolio Often.
    a. Whenever the stock portion of the portfolio becomes 3-5% greater than the set allocation for stocks, there will be an opportunity to sell some of the stock (i.e., maybe 10-20%) and then use the proceeds to buy the stock back when the price drops back down to below the price you sell it for.
    b. Then the transaction will be reversed when the market corrects, and the portfolio allocation comes back in line with our plans.

10. Withdrawal. Using the gains.
    a. We use a figure of 4-5% as a guideline for withdrawals from the investments. Most feel that 4-5% is a standard number that will allow your portfolio, if appropriately invested, to grow with inflation and continue to pay out an increasing amount annually.

11. Understanding Return.
    a. As mentioned earlier in the Manual, the total return of your portfolio is made up of Interest, Dividends, Capital Gains, gain/loss of value minus the cost of investing. Avoid looking just at the dividends and interest paid out. When the value rises from 1,000,000 to 1,200,000, plus the interest and dividends, you have an additional 200,000 of usable monies to help with the 4% withdrawal. You might have to sell stock to realize the cash needed but it is gain, none the less. Most Churches should set a minimum goal for the growth of the portfolio, investment each year (i.e., 7%) so that the principal at the end of this year will be at least 4% higher than it was last year, even after you paid out the 4% value.

INVESTMENT POLICY (sample)

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FOR _____ CHURCH

PURPOSE

The Finance Committee (Committee) of _____ Church (Church) adopts the following Investment Guidelines Statement (IGS) to be implemented by the Committee to describe the objectives and strategies for investing the monies entrusted to the Church.

RESPONSIBILITY

First and foremost, the Committee acknowledges our belief that Christian stewardship is an awareness that everything we have is a gift from God. We are absolute owners of nothing; rather, we are stewards of all we receive, and we must use such resources responsibly in our life-long work of service in the Kingdom of God.

The Board of the Church (Board) will have the responsibility of approving and amending this IGS.

The Committee will be responsible for implementing this IGS including enlisting the help of investment advisors and brokers, opening, and closing accounts, and changing specific investments as needed to carry out the objectives stated in this IGS.

CONFLICT OF INTEREST

To avoid any conflict of interest in the investment process, any person listed on our investment accounts and authorized to trade on our behalf must have prior approval from the Board before purchasing any specific investment vehicle, pursuing any new investment strategy, or agreeing to any fee structure on accounts. Thus, the Board will approve all firms with which the Committee invests, all investment tools, all investment strategies, and all fee structures.

Anyone authorized to trade will make trades within these guidelines, including those mentioned below, and will have the online account IDs and passwords available to at least one other person at the Church.

INVESTMENT OBJECTIVES

The Committee will act as good fiduciaries, making every attempt to preserve capital and yet provide a prudent total return over a 5 – 7-year time horizon as compared with the well accepted benchmarks of the financial markets.

INVESTMENT STRATEGIES

The Committee will maintain a diversified portfolio of high-quality securities and fixed income vehicles that have a history of providing a competitive stream of returns consistent with the objectives.

INVESTMENT RISK

Risk Profile: The Church's risk level is Conservative to Moderate: meaning comfortable with fluctuations in the portfolio value, and the possibility

of larger declines in value, in order to seek to grow the portfolio over time to meet the needs of both capital growth and needed distributions.

ASSET ALLOCATION

The actual average asset allocation over a three to five-year period should be within the following minimum and maximum levels for each category:

Asset Category	Range of Exposure	Initial Target
Cash	5.00 to 15.00%	10%
Fixed Income	20.00 to 60.00%	50%
Equity Assets	30.00 to 70.00%	40%

CASH ASSETS

These can range from bank accounts, savings accounts, money market accounts and other such instruments. These accounts can be located in local banks, brokerage houses, or online accounts.

FIXED INCOME ASSETS

These will include investing in CD's, B+ rated or better Investment Grade Corporate Bonds, US Government securities, etc.

EQUITY ASSETS

The equity investments should be limited for the most part to broad range of investments rather than individual company stock, i.e. mutual funds, ETF's, money managers, etc. At all times, these investments should be maintained as investments in liquid assets that are tradable on the open market.

At no time does the Committee wish to engage in the investments commonly known as "derivatives" (i.e., futures, forwards, swaps, etc.) nor in most of the "derivatives" known as options. As appropriate, "covered calls" on a limited number of securities can be used to increase income and rebalance the portfolio.

The hope would be to maintain a diverse portfolio among sector categories, market capitalization, and domestic & international markets, as seems appropriate to the Committee at any given time.

At no time will more than 5% of the portfolio be invested in any one company, i.e., if the Church should buy shares of GE, it should also look at the holdings of their mutual funds to see if they own GE and limit their share purchase so the overall investment in GE is less than 5%.

SPENDING POLICY

Under most circumstances the spending of the portfolio assets will be limited to 4% of the rolling average value of the portfolio of the three preceding year end numbers. Larger distributions for major projects of the Church may be authorized by the recommendation of the Committee and a vote of the Board.

AMENDMENT OF THESE GUIDELINES

Amendment of these guidelines is possible after advanced written notice of any proposed amendment is given to all Committee members, prior to the meeting of the Committee. A vote by a majority of Committee members present

at the meeting to concur with the amendment will be seen as a recommendation to the Board for approval. Only after the Committee has voted and the Board has approved will a change in investment tools, strategies, or fee structures be acceptable.

ELECTRONIC FUNDS TRANSFER AND CREDIT CARDS

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A variety of companies now provide for Churches to take credit card payments and contributions. This process requires you to have an agreement with a credit card processing company and a way to transfer that money to your bank accounts. The method of payment can range from smart-phone access to a "button" on your web page where credit cards are processed to have a device connected to your offering plate so someone in the congregation can connect to their phone and swipe their credit card to your account.

This program should be explored in depth before you sign up with a particular company so you know the costs you will incur and how you will retrieve your money and the information about who gave, how much was given and any special designations the giver planned for the money.

Programs for the processing of credit cards can be found at:

The Presbyterian Foundation: www.presbyterianfoundation.org. Look under Resources to find the link to Online Giving.

Hubbard Press: http://hubbardpress.pcusa.org. On the home page look for Electronic Funds Transfer. Donors and congregations both benefit from a system of regular support that reduces paperwork and avoids "catch-up" periods for members.

Many other companies: Look on a Google search for "online giving."

PROCEDURES FOR COUNTING OFFERINGS

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The following ideas are suggestions for a procedure for Counting Offerings:

1. Only people approved by the Board or by vote of the congregation should count the offerings.
2. Two unrelated people should always process the offering to avoid any mishandling of monies. Counters who are from the same family should not serve on the same counting team.
3. Your Church might choose to have only one counting team, however trained substitutes should be approved and available to help in time of need.
4. All offerings taken during the week should be the responsibility of the counting team. Midweek monies should be stored in a safe place and the counting team should have access to that place for pick up on Sunday mornings.
5. Ushers will collect the money during the service and place the offering in a previously designated safe place for the counting team to pick up following the service on Sunday mornings. Note: If the procedure is to return the offering trays to the front of the sanctuary, the ushers have the responsibility of gathering the offering after service and taking it to the safe place.
6. The counting team will take the money to a designated location in the Church to count the money, i.e., the finance office, where the computer is, or some private location, etc.
7. The counting will be done by the two members of the counting team and double checked before the deposit is prepared. If the counting team is inputting the data directly into the computer, then they can print out the deposit slip from the computer. If they are using a Counting Sheet, they should carefully record all gifts on the page. Some Churches require the checks be copied each week in case there is a concern by a donor and the Financial Secretary needs to verify information later, i.e., the amount, the designation, the date, etc. (These copies of checks should be kept under lock and key and should not be kept longer than April of the following year.)
8. One of the two members of the counting team will take the deposit to the bank and deposit the money. Some Churches might prefer the deposit be given to the Treasurer who will take the money to the bank. Either way, the deposit receipt from the bank should be returned to the Financial Secretary or Treasurer for verification. They can staple the deposit receipt to the copy of the deposit slip for record keeping, bank reconciliation, and later for financial review or audit purposes.

9. Confidentiality in handling donor's gifts and contributions shall be respected at all times.

10. No records shall be retained by the counting team but shall be passed on to the Financial Secretary and / or the Treasurer for posting to the Church's records and filing for future information.

11. The Counters need to secure their own replacements from the approved substitute list.

CASH DISBURSEMENTS POLICY AND PROCEDURES GUIDELINES

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This is the policy of _____ Church to pay vendors by check for goods and services purchased by a donor for the benefit of the Church. Below are policies adopted by the Board to carry out this policy:

1. The Treasurer will see that credit arrangements are set up with vendors. It is suggested that purchases normally be made only from these vendors where credit has been established.
2. Disbursements will be made after receiving a check request form (voucher). The voucher must be signed by a person authorized to make the request and have an original invoice or other supporting documentation attached.
    a. The Board should annually approve a list of people who can authorize payments.
    b. The treasurer should annually prepare and give to authorizers a list of accounts and account numbers for ease of preparing vouchers.
3. The Church shall obtain taxpayer ID numbers from unincorporated vendors. Payments of $600 or more to unincorporated vendors in any year will be reported on a Form 1099. It is easiest to require a Form W9 from all vendors before you issue the first check, even if it is less than $600. You do not know if the address has changed, or you might pay them more than $600 during the year.
4. Checks will be written, and payments disbursed at least every two weeks, please plan carefully around those dates.
5. Checks will be signed by _____. Checks over $ _____ require two signatures or at least Board approval. Current bank resolutions and signature cards are on file at the bank and copies are held with other backup information in the safe or file at the Church office.
6. Petty Cash – Purchases under $20 may be paid from petty cash. All receipts shall be maintained for all petty cash disbursements. Petty cash should be reconciled on a monthly basis. Petty Cash will be kept in a secure location designated as _____.
7. Church credit cards will be obtained for the use of _____. Receipts for credit purchases will be turned in with detailed information regarding the purchase, including information from the spender as to what was purchased, for what program of the church, and from which account the expense should be taken. The Treasurer will match receipts with bills before paying and will record the expenses in the Church financial records.
8. Benevolence disbursements will normally be paid to the vendor on the recipient's behalf. Example: Pay rent or utilities to the landlord or the

gas and electric company on behalf of an individual when approved by the Benevolence Committee. Food vouchers or appropriate gift cards will be purchased and issued to an individual in need as approved by the Committee.

9. Bank accounts shall be reconciled monthly by someone who is not authorized to write or sign checks.

10. Blank checks should be stored in a safe or locked storage.

11. Other items unique to your Church…

REIMBURSEMENT REQUEST AND DISBURSEMENT FORM

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For Treasurer use only:
Ck# _____ Date Check Written _____ Initial _____

Voucher to receive Reimbursement.

or to request a Disbursement from Church Monies
(Name of the Church)

_____

Instructions:

(1) fill out form in detail,
(2) get Authorizing signature from your Ministry Lead or a deacon prior to submittal,
(3) return the form and attached documentation to the Treasurer's Box in the Office.

Reason for expenditure: _____

(choose from numbers below)

Account: _____ Amount $ _____

Account: _____ Amount $ _____

Account: _____ Amount $ _____

Account: _____ Amount $ _____

Total Amount of the Check $ _____

Check Information:

Pay to the Order of: _____

Hold for Pick-Up: _____ Mail to Address below _____

Mail to address: _____

Submitted by: _____ Date: _____

Authorized by: _____ Date: _____

(This should be your Ministry Lead or a board member; should not be the same as 'Submitted by' or the Payee).

*Please attach receipts, invoices, or other appropriate documentation with paper clips**, DO NOT STAPLE**, Thank You*

Accounts and Funds: (Note: this is a sample, use your own acct. #s and names)

1.100 Salaries
1.120 Music Leadership
1.130 Guest Speaker
1.140 Youth Pastor
1.150 CE Director
1.155 Interns and Staff
1.160 Administration

(This makes it easy for a person to look through the accounts where most expenditures come from and choose for the bookkeeper where the ministry person wants the expense. The Bookkeeper and Treasurer can make necessary changes when writing the check.)

FULLY ACCOUNTABLE EXPENSE REIMBUSEMENT PLAN (sample)

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This is a sample that can be adapted, if necessary, for your unique situation.

The _____ Presbyterian Church, adopted this policy at a regularly scheduled meeting of the Board on ___Day_____, ___Month_____ ____Year_____ with a quorum present.
This constitutes a fully accountable expense reimbursement plan for its ministers, employees, and volunteers, in accordance with the rules and regulations of the Internal Revenue Service. These regulations provide that an employee "need not report on his/her tax return" expenses paid or incurred by the employee solely for the benefit of the Church for which such employee is required to and does account to the Church and which are charged directly or indirectly to the Church.
Accordingly, all property, goods and services purchased under this Accountable Expense Reimbursement Plan belong to the Church, not the individual. In addition to the rules and regulations of the IRS, the following requirements for expense reimbursement apply:

1. Reimbursements shall be paid out of Church funds and not by reducing pay checks by the amount of business expense reimbursements.
2. The Church shall not include in an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy.
3. Any excess reimbursement paid out to employee and not properly accounted for must be reimbursed to the Church within 120 days.
4. All mileage expenses will be reimbursed at the current year's IRS rate. Documentation must accompany the request that lists the time and place, odometer readings, identification of business and statement of business purpose. Note: No job commuting miles will be reimbursed.
5. Receipts are required for any reimbursement of expenses.
6. Requests for reimbursement for meals or entertainment must include the business relationship among the parties to sufficiently explain the business purpose and why the expense was incurred on behalf of the Church. Guidelines for determining reasonable meal expenses shall not exceed $_____/breakfast, $_____/lunch and $_____/for dinner.
7. When necessary, the Church will provide cash advances for allowable and appropriate business expenses. By accepting an advance, the minister, employee, or volunteer agrees to comply with the requirements of the plan and will document the expenses and return excess payments within five business days.
8. Requests for reimbursement or cash advances will be made on an expense report, signed by the payee, approved in the same manner

required for all checks and submitted for payment. Reimbursement requests should be approved by someone other than the payee.

9. Expenses will be charged to a particular program area that is associated with the reason for the expense. Professional development expenses will be charged to an appropriate personnel account.

10. Requests for reimbursement must be made within 30 days of the expense.

11. Original receipts and documentation of the request for reimbursement will be retained by the Church to substantiate the expense.

Acknowledgement.

I have received a copy of the Church's Fully Accountable Reimbursement Plan and understand that it provides guidelines and summary information about the Church's reimbursement policy, procedures, and rules of conduct. I understand that it is my responsibility to maintain adequate and accurate records and forward all supporting expense reports, receipts, and documentation to the Church.

Name: _____ Date: _____

EMPLOYEE EXPENSE REIMBURSEMENT VOUCHER

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Date _____ Name _____
Address _____ City _____
State _____ ZIP _____

Business Purpose

_____

Travel Expense: Auto Expense_____@ $.??/mile _____

(Mileage log should be attached)

Other Expenses: _____ _____ Acct #_____

Other Expenses: _____ _____ _____ Acct #_____

(Attach all receipts)

TOTAL EXPENSES _____

Signature _____

(Approved by)

BENEVOLENCE FUND POLICY (SAMPLE)

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This Policy was adopted by the Board of _____ Church to layout the receiving and dispersing of funds for helping those in our community who have various needs.

Funding

All monies contributed to the Benevolence Fund (Fund) will be used for the needs of individuals in our Church and community who meet the Fund's guidelines set forth later in this Policy.

Monies will be received from the congregation and the community in any form the Church normally receives contributions, except these will have some designation by the donor that the money should be used for this Fund. The Church may from time to time solicit monies to be contributed to this Fund as well.

Administration

The Fund will be administered by the Board or by a committee appointed by the Board. This appointment should be reviewed annually.

All requests for distribution of funds will be decided by the appointed committee, or in their absence by the Board based upon the guidelines set forth later in this Policy.

The committee, or when appropriate, the Board has the authority to award distributions based on the guidelines in the amount determined to be necessary. Each award should be documented by the committee or the Board using the attached Voucher for Benevolence Disbursements and this should be given to the Treasurer for funding and filing.

Guidelines

- The recipient of the distributions should be connected to the greater community in some way.
- There should be a real need for the distribution and the need should be documented. The documentation cannot always be tangible like a bill, or broken car in your driveway, but the committee should attempt to determine the need and document why they felt a need existed.
- There should be a determination that the recipient cannot pay for this need themselves by some means that they possess. Again, the committee does not need to do a credit check or require bank statements but should ask questions that might reveal other funding possibilities.
- The amount distributed should not be the total amount the recipient needs at the time.
- The amount distributed should be less than the total value of the Fund at the time.

- In most cases, the distribution should not be cash or check to the recipient but should be in the form of a gift card, voucher, or check written to the utility, landlord, or other appropriate person to help with the recipient's need.
- The Fund should limit as much as possible the number of distributions given to any one individual.

Amendments

This Policy can be amended by a vote of the Board according to its regularly stated processes as stated in the By-Laws of the Church.

Voucher for Benevolence Disbursements

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For Treasurer: Ck# _____ Date Check Written _____ Initial _____

Provide a brief description of the need: _____
_____

Why you think the need is valid: _____
_____

What you did to determine that the recipient could not resolve this need on their own. _____
_____

Who is requesting the distribution: _____

When was the last time this person requested a distribution:
_____

Pay to the Order of: _____
Address: _____
(or where to send check)

Authorizing Signature: _____
(a member of the Committee or the Board)

Please attach receipts, invoices, or other appropriate documentation with paper clips, DO NOT STAPLE, Thank You

MISSION FUNDING (PCUSA)

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Collection and disbursement of Funds

All monies collected for mission funding should be treated as Funds with donor restrictions and should not be co-mingled with general funds or used for any other purpose. If monies are to be sent on to the Receiving Site designated for your Presbytery, they should be sent in a timely manner, at least monthly, if funds are being collected. Do not wait until the last dollar comes in and then forget to send in the money. The denomination, the programs and the individual missionaries are depending on you the Treasurer to send in these monies in a timely fashion.

Shared Mission Support (PCUSA)

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Your gift to shared Basic Mission Support strengthens and promotes the mission of the entire Church. Your generosity will share God's Work and Words around the world through mission personnel, Christian education, evangelism and new Church development and ministries with all God's children.

Directed Mission Support (PCUSA)

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Directed Mission Support is gifts given to particular programs chosen by the donor. Your gifts support PC(USA) mission co-workers, Christian education, worship and stewardship, new Church development and redevelopment, Presbyterian camps, ministries in higher education and the production of resources and services to strengthen congregations.
As people of God's mission, Presbyterians are making a difference as we carry God's word and works to all His children.
For a copy of the *Presbyterian World Mission Giving Opportunities* visit www.pcusa.org. There is a pledge form inside the book.
**Please note: Projects in the *Presbyterian World Mission Giving Opportunities* are already budgeted. Focusing your commitment on a specific project allows you the opportunity to choose how your dollars are utilized. It will not increase the amount dedicated to each project.

Extra Commitment Opportunities (PCUSA)

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More than one thousand mission projects in the United States and around the world are supported through the *Extra Commitment Opportunities* program. From day care centers to scholarships, from the Miraj Heart Institute in India to the Mobile Health Fair Ministries of the Synod of the Covenant, from Lar Betel Orphanage to the Older Adult Ministry Network, the arms of Presbyterian mission embrace the world. ECO projects are supported through gifts from individuals and monies over and above Boards' adopted budgets. For a copy of the *Extra Commitment Opportunities Catalog*, visit www.pcusa.org.

Churchwide Special Offerings (PCUSA)

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Churchwide special offerings provide valuable fundraising and mission interpretation opportunities. These offerings serve as a significant way for the Church to identify and respond to priority needs. Churchwide special offerings are a key component of the Church's funding of ongoing programs and are an essential part of the Churchwide Funding Plan.
For more information on Special Offerings look up special offerings on the website, www.pcusa.org or see http://specialofferings.pcusa.org.

There are four Churchwide special offerings in the calendar year (PCUSA):

- One Great Hour of Sharing Offering taken during the Easter Season as an "ecumenical effort to alleviate the effects of poverty, injustice, and disaster." (32% for Disaster Assistance; 36% for the Hunger Program; and 32% for Self-Development of People)
- Pentecost Offering taken during the season of Pentecost to address the needs of at-risk children and young people. (40% For Youth Work in congregations; 25% for Young Adult Volunteers; 25% for guiding Youth Ministries; and 10% advocating for Children-at-Risk.
- Peace and Global Witness Offering taken in October, the season of Peace, "uniting congregations in sharing the Peace of Christ and promoting reconciliation and peacemaking within cultures of violence and conflict." (25% for responding to conflict in our communities; 25% for connecting mid councils for Peace work; and 50% for advocating for Christ's peace and justice.)
- Christmas Joy taken in the season of Advent and Christmas "to assist Church workers in their time of need and providing for the education and leadership development of our Church's future racial ethnic leaders." (50% for Assistance Programs of the Church of Pensions; and 50% for racial ethnic leadership development)

  In addition to the Four Churchwide offerings each year the denomination makes Other Specific Appeals for funding including the Theological

Education Fund, the Special Disaster Assistance, and Presbyterian Women Appeals.

STEP BY STEP TO A HEALTHY BUDGET

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1. Have the Board form a committee of congregational leaders. This team could have Board members and other congregational leaders who have a deep concern for the health of the congregation and the ministry in which the members engage.
2. Program planning will be an ongoing process which will project both short and long-range goals (Suggestion of 1-year, 3-year and 5-year goals). These goals are for benevolence programs and operations. This process includes the evaluation on an annual basis of what goals were met, what programs need to be changed and what the goals for the future will be.
3. It is important that the recipients of mission dollars (ministry programs conducted by those outside the congregation) be evaluated for the continuing or increased need for funds.
    - ***a.*** Mission giving can be an excellent form of mission education for the congregation and may encourage increased participation from the members of the congregation.
    - ***b.*** The committee responsible for recommending the mission budget should have a firm conviction of what the goals of mission giving should be for the congregation and by what steps they feel that these goals can be reached.
    - ***c.*** It is important for the Mission Committee to study any denominational mission needs as well as those of local Churches. After completing the study, the committee should make budget requests keeping in mind that the Denominational Mission is a top priority.
    - ***d.*** Although tempting, the amount of last year's budget given to a specific mission project should not be of consideration. The committee would do well to evaluate what the Church needs to do now, free from any connection to what the Church did in the past. What is it that God wants us to do? I have seen too many mission committees unable to follow the lead of the Holy Spirit because of their personal connection to past mission projects and a feeling of obligation to continue the past support.
    - ***e.*** Support of local mission projects is very important and should be included, but we must remember that these projects are usually ecumenically supported. Presbyterians support Presbyterian Mission. The Presbyterian connectional system provides for combining our mission dollars so that we can do more together than we can do alone. Note: Information about General Assembly Mission is available from Mission Funding of General Assembly and from the Directed Mission Support Book. See Mission Funding.

4. Program goals are recommended to the Budget Committee for action.
5. The Budget Committee will project the income for the New Year based on current giving, membership, and other sources of income such as investment income and rental income.
6. Before the Budget can be finalized in many Churches, the annual stewardship drive will be held, and pledges will be made. This will help the Board as they finalize the income number they will work with in the final Budget. NOTE: Stewardship programs abound in the general Church marketplace and the Resources at the end of this Manual include a large number of Stewardship Resources for your Church.
7. Around the time of developing a Budget, the Board Personnel Committee will hold annual reviews of all staff and recommends salary adjustments for all personnel to the Budget Committee.
8. Using the goals that were set, committee requests, personnel recommendations along with the budget projections and pledges, the Budget Committee forms a proposed budget.
9. The proposed budget goes to the Board for approval. The Board, along with the help of the Personnel Committee, can set salaries and benefits for all employees.
10. According to the By-Laws of your Church, the next step is to approve the Budget. The Board has final approval in some Churches and the congregation has final approval in other Churches. In some denominations, like Presbyterian, the Board approves all the Budget except for the terms of call for ordained ministers. These terms of call must be approved by the congregation.
11. The congregation approves the terms of call at a called Congregational Meeting, usually the annual meeting.
12. Once the Budget and terms of call are approved, the Budget is set for the coming year.
13. It is advisable for the Board to continue monitoring the Budget throughout the year as they review the regular financial reports from the Treasurer.
14. Developing a Budget without solid program planning is fruitless. The annual Budget should communicate the goals, hopes and dreams of the congregation.
15. There are many ways to present the budget – Line Account Budget, Category Summarization Budget or Narrative Budget. Each of these presentations offer the congregation a different emphasis so all personalities can understand not so much the numbers of the budget but the vision of the Church portrayed by the numbers.

A GUIDELINE FOR SETTING UP THE NARATIVE BUDGET

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To develop a Narrative Budget for your congregation, use the following guidelines:

1. Brainstorm five major ministry areas your Church is involved in. i.e., worship, education, fellowship, outreach, world missions. You cannot choose more than five or you will find yourself back in a line-item budget scenario.
2. Assign each of your five major ministry areas a positive name that describes what happens when the Church engages in that activity. i.e., Glorify God, Train Disciples, Become the Family of God, Share Christ's Love with Others, Go into the World with the Message of Hope.
3. Then take each of the budget lines and divide the expenses between these five major ministry areas. I.e., Money spent on worship would be all in the first category. Money spent on a custodian's salary would be spread through many of the categories depending on how much of the building are used by various groups. The Sanctuary or Worship Center is only a portion of the overall physical plant. Insurance splits about as much as a custodian, but the money for education all goes in the second category. And so on. These are just estimates of numbers; precision is not as necessary in the narrative budget.
4. Once you have split every line item into its respective five major ministry areas, (zero are okay,) then total each major ministry area and find out how much money you plan to spend on each of the five areas.
5. Then find one great story of how your Church has fulfilled the mission in each ministry area; a personal quote or testimony would be great.
6. Then make a one page, front and back, threefold pamphlet that describes your Church; panel one, Name of the Church, address, general mission/vision, and your Church's total Budget number; panel two, explain and give the story for how you encourage people to glorify God, then place your four or five ministry areas with stories onto panels three, four, five and six. On each panel place the amount it costs to accomplish that ministry. Round the numbers to the nearest thousands.
7. Feel free to dress up the pamphlet with appropriate pictures and inviting fonts.
8. Distribute the pamphlet widely to your congregation so they can catch the vision of what you accomplish by being a Church in your neighborhood and in this world. "We've a story to tell the nations."

Remember, the Narrative Budget is to help the Church cast their vision for the coming year, not to fully explain why you are giving $100 more to a specific missionary or how much the insurance will cost for the coming year.

Be sure to have copies of the line-item Budget available for those members who will enjoy looking at the details of the coming year's income and expenses.

RESTRICTED GIFT INFORMATION SHEET

(Return to Table of Contents)

Fund Name (the name you will use to remember the givers)
Date Created _____ Original Value _____
Date Restrictions will end _____
Instructions related to Restrictions _____
_____
_____
Given by Whom _____
Contact Person, member of the Family _____
Address _____
Phone Number _____
Restrictions:
(is this fund Donor Restricted or Unrestricted?)

Date Board accepted the Restrictions: _____

List the specific Restrictions: _____
_____
_____

What is the Nature of the gift: (i.e., stock, bequest, cash, real property, other?)
_____

Special Instructions: (can the principal be spent, under what conditions? what can the interest / gain be used for? what exceptions exist?)
_____
_____

History: Why was this given, who for, what were their special interests? What information do you have to help honor the givers? If given with a designation, quote the designation from the letter or from the will or trust or attach the letter to the file.

Include a Copy of the thank you letter sent to the giver.

POLICY STATEMENT FOR LEASING CHURCH PROPERTY.

Borrowed from the Presbytery of San Jose.

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FAQ – Use of Church Property by Third Parties

Introduction

These FAQ provide guidelines and procedures for churches in the use of their property by outside groups, organizations, or individuals. These FAQ are intended to apply whether the use is pursuant to a lease, rental agreement, or otherwise, and whether or not rent or other fees are being paid.

Why does the church need a Lease Agreement with all Tenants?

A church is exposed to liability potential (accidents, injury, damage, theft, etc.) anytime a third party (vendor, service provider, individual, or organization) comes onto the church's grounds. Whether or not the church created the conditions which resulted in the injury or just neglected to take the steps necessary to mitigate their role in the incident, the church and their insurance company might find themselves in court. Proper steps, including lease agreements, can help to alleviate the church's liability in these situations.

How often should a church review its leases?

Annually, the Session of the church should review all contracts and leases in effect as well as revisit any groups which the church has adopted as adjunct mission programs for the purpose of liability insurance coverage.

Should we use the Short Form or the Long Form of the Standard Lease Agreement?

The Financial Affairs Committee of the Presbytery suggests: Use the Long Form whenever the use will last longer than a weekend or is a recurring use. Use the Short Form for all uses of a weekend's length or less.

When do leases need to be approved by the Financial Affairs Committee?

We request all leases that use the Long-Term lease form be submitted to the Financial Affairs Committee for review. Any lease involving a significant proportion of the church facility, exclusive use of a portion of the church property, or a significant portion of a given month needs to be approved by the Financial Affairs Committee to ensure the congregation's and PC(USA)'s interests are protected. If in doubt, submit it!

What are the considerations we should take into account when entering into a lease?

● Market rate for a similar space (We recommend contacting a real estate agent for current rates.)
● Any annual increases for rent
● How often you want to renew the lease
● Space usage (Will the lessee exclusively use the space? What will the schedule of usage be? What ministries might need to be adapted or rescheduled? For instance, if the space is leased every Wednesday, will a lease affect Ash Wednesday services?)
● Inclusion of a map, key agreements, storage designations
● The mission and core values of the lessee organization
● If the lessee organization will have worship services
● The non-profit or for-profit status of the lessee organization (Organizations or businesses that are for-profit may result in changes to the church's property tax designation. There is a provision for this to be covered in the Long-Term lease form, but congregations should be aware of the potential administrative challenges that can result)

Will leases affect my church's property tax status?

If a lessee is a qualified 501(c)(3) non-profit organization, the church's tax status will not be affected. Any organization that leases your facility on a long lease needs to be mentioned on the church's Welfare Exemption Form filed with the County annually. Any organization leasing your facility that is not a 501c(3) qualified organization might increase the church's property tax liability and may incur Unreimbursed Business Income that could require the church to file Form 990 and pay appropriate income taxes. The Long-Term Lease Form accounts for the property tax risk and places the responsibility for such costs on the lessee.

When do leases need to go to a meeting of Presbytery for approval?

As per G-4.0206b - A congregation shall not lease its real property used for purposes of worship, or lease for more than five years any of its other real property, without the written permission of the presbytery transmitted through the session of the congregation.

Therefore, there are two occasions where leases need approval from the Presbytery.

1) When any space of the church is being leased for purposes of worship.
2) When the lease is longer than 5 years.

Do we always need to formalize church use with a lease?

A form is not needed when the user includes a member of the church and they are engaged in normal church related activities, such as weddings, memorial services, parties, etc. However, it would still be a good practice if the church would acknowledge these events in their Session Meeting either by the

adoption of the future calendar or on an individual basis in the consent docket. And a formal lease is needed with third parties.

Who is considered a third party?

Anyone who is not a church member doing church ministry. This includes vendors and service providers, individuals, and organizations.

Vendors and Service Providers – Anyone who comes on the premises to help the church maintain the buildings and grounds or to help facilitate the running of church or guest programs. (Including, but not limited to landscapers, janitorial services, wedding service providers, caterers, photographers, maintenance crews, contractors, etc.) Note: All Contractors should be licensed and bonded.

Individuals or Organizations – anyone who uses space for meetings, parties, and events. (Including, but not limited to schools, pre-schools, tenants, people renting your parking lot, other churches, community and neighborhood organizations, support groups, mission projects, book clubs, ceremonies, receptions, concerts, etc.)

What questions should we ask third party lessees?

We recommend the following advice from an informational bulletin by Zurich Services Corporation:

"Any time a third party comes onto the church property, it is important for the church to think through the following:

1) Do we have a written agreement that protects the church from negligence caused or created by this third party?

2) Has the church been named as an additional insured on the third party's liability workers compensation, or auto liability policies?

3) Does the church have certificates of insurance from the third party?

Understandably, churches will be faced with situations where one or more of these controls cannot be obtained from a third party. At that point, the church leadership needs to carefully weigh the risks of the situation and make a wise decision as to whether or not that third party will be allowed to use or provide services within the church. All three of these controls should be sought out and obtained with few, if any exceptions."

What if we would prefer not to have a lease and instead adopt an outside group as a mission project of the church?

Any use outside of the normal operations of the church should be listed in the Session Minutes and approved. In allowing a group to use the church facilities without having their own insurance, the Session is accepting liability for whatever happens. As long as the Session has reviewed the situation and accepted this liability, they can adopt this use as a mission project of the church, and the insurance of the church should cover all liability.

But each church should verify the proposed use with its insurance company before proceeding to adopt the outside group. The kinds of groups you might adopt under your own insurance liability would include AA meetings, mission organizations, community groups, neighborhood groups, parties, other churches, Bible Study Fellowship, Community Bible Study, etc.

How should weddings and funerals use lease agreements?

When a wedding or funeral is for a church member or their family and/or the service will be performed by one of the pastors of the church, there is no need for a Standard Lease Agreement. However, if the facility is being rented out to non-members for a wedding or funeral with a guest pastor, they should be asked to sign the short form. (See question below regarding leases using a space for worship). In such cases, be sure to include in the description of the use of facilities and time of use all times related to decorating, caterer coming early to set up, rehearsal, etc. They will not be using the facility for just the wedding. *Remember that weddings often include outside service providers such as florists, photographers, caterers, etc. These providers should have their own liability insurance, worker's compensation insurance. The church should ask the responsible person from the wedding party to provide reasonable assurance that this is the case.*

What if we want to lease space to another organization or individual for worship?

Such a lease must be sent to the Presbytery for approval at a Presbytery meeting per G-4.0206b of the Book of Order (discussed above), including for one-time uses such as weddings or funerals.

Is there a way to host such a worship service without a formal lease or Presbytery approval?

The need for a formal lease or Presbytery approval can be avoided if the pastor or elders of the congregation co-lead the service and the service is approved by Session as a joint service of the congregation.

If we have previously had a worshiping organization's lease approved by the Presbytery, do subsequent leases need Presbytery approval?

Yes. Any renewals, extensions, or new leases with the organization need to be approved by the Presbytery.

Procedures for getting approval of Leases.

For leases requiring the Financial Affairs Committee approval, the Long Lease forms should be filled out and sent electronically (rdtkcase@gmail.com) at least one month before the church enters into an agreement with an outside

group. Do not substantively change the Long-Term Lease Form as its format has been created to provide the greatest protection for the local church.

STANDARD LEASE Information Page (Long Form)

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The following is a Standard Lease Agreement

*This form should be filled out and sent electronically at least one month **before** the church enters into an agreement with an outside group. (Meaning: send complete proposed lease to Presbytery, after they have reviewed the lease, they will send back to the church with approval or suggested changes, then the church will have the tenants sign, and the church will sign and send to the Presbytery for signatures.) Send to Diane Case at the Presbytery of San Jose who will forward to the Financial Affairs Committee of Presbytery for their review.*

Note: IF THIS IS A RENEWAL OF AN EXISTING LEASE, HIGHLIGHT THE CHANGES OR SEND THE FINANCIAL AFFAIRS COMMITTEE A SUMMARY OF THE CHANGES. THANK YOU. You may be eligible to use the AMMENDMENT To The LEASE form, please read it first to determine if you need to use the full lease on renewing.

Please send in digital format to the Financial Affairs Committee at rdtkcase@gmail.com.

STANDARD LEASE AGREEMENT (Long Form)

This Lease Agreement (the "Lease") is made and entered into effective as of _____, 20__, by and between the Presbytery of _____, a non-profit _____ corporation (the “Presbytery”), and _____ Presbyterian Church, a non-profit _____ corporation (the “Church”) (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and _____ (the "Tenant").

WHEREAS, the Presbytery is the owner of certain real property hereinafter described;

WHEREAS, the Church has certain interests and rights to such property and the use thereof by virtue of its relationship to the Presbytery; and

WHEREAS, Tenant desires to lease such real property.

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

PART I
SUMMARY OF BASIC LEASE INFORMATION

The basic terms of this Lease are:

1. **Date of Lease:**
   _____
2. **Landlord:**
   _____
   a. **Address:**
      _____
3. **Tenant:**
   _____
   a. Tenant has Tax Exempt Status: ___yes ____ no; Is it ___501c(3); ___other: _____

b. Insurance Coverage: _____ Yes;
_____ No.

c. Certificate of Insurance Provided to Landlord:
_____date.

4. **Premises** (Part 2, Item 1):

a. Address:
_____

b. See specifics spelled out in Exhibit A page 4 of 8.

5. **Lease Term** (Part 2, Item 5):

a. Duration:
_____

b. Commencement Date: _____ Expiration Date:
_____

6. **Monthly Lease Payments** (Part 2, Item 6):

a. $_____USD Monthly with a _____% annual increase.

b. Late Payments (Part 2, Item 7): $_____.____ or _____% of monthly payment.

7. **Security Deposit** (Part 2, Item 8): $
_____

8. **Use of Premises**:

a. **Permitted Use** (Part 2, Item 10):
_____

_____
____

_____
____

b. **Days and Times** (Part 2, Item 10):
_____

_____
____

9. **Compliance with Use Policies:** _____ Adjustments Indicated in Part 2, Item 21.

10. **Keys** (Part 2, Item 27): Landlord will provide Tenant with _____ sets of keys.

11. **Addresses of Notices** (Part2, Item 30):

    a. Landlord:

    _____

    b. Tenant:

    _____

12. **Attachments** (Part2, Item 37) (attach following Exhibit A page 4 of 8):

    a. Exhibit A

    _____

    b. _____

    _____

    c.

    d.

13. List all Exceptions or Adjustments to this lease here or on a separate page:

a. _____

b. _____

c. _____

d. _____

In the event of a conflict between a provision in this Summary and a provision in the balance of the Lease, the latter shall control.

EXHIBIT A

Description Of Space To Be Leased To Tenant

[to be completed]

PART 2

MAIN BODY OF THE LEASE

1. **Premises**. Landlord, in consideration of the lease payments provided in this Lease, leases to Tenant the space specified in Exhibit A attached hereto (the "Premises") located at address shown in Part 1 of this lease.

2. **Tenant Status**. Tenant represents that it is organized as a nonprofit or governmental entity and that it has provided written evidence of such status to Landlord upon or prior to execution of this Lease. Tenant agrees that within fifteen (15) days of demand by Landlord, it will supply Landlord with such further evidence of such nonprofit or governmental status as Landlord shall reasonably require, in the absence of which Tenant shall be in default under this Lease.

3. **Parking**. Tenant shall be entitled to parking privileges in Landlord's parking lot adjoining the Premises at such times that Tenant is entitled to use the Premises, subject to Landlord's ongoing needs for use of the parking lot.

4. **Storage**. Tenant may store items of personal property (subject to the restriction on "Dangerous Materials" contained in this Lease) in the location(s) listed on Exhibit A. All items shall be stored at Tenant's sole risk, and Landlord shall not be liable for any loss of or damage to any stored items.

5. **Lease Term**. The lease term shall commence and shall terminate as specified in Part 1.

6. **Monthly Lease Payments**. Tenant shall pay to Landlord monthly lease payments as specified in Part 1, payable in advance, on the first day of the term of this Lease and on the same day of each month thereafter. Such payments shall be made to Landlord's office or at such other place as may be designated from time to time by Landlord. All payments by Tenant under this Lease shall be made payable to the Church.

7. **Late Payments**. Monthly payments not paid within ten (10) days of when due shall give rise to a late fee which is specified in Part 1 of this lease.

8. **Security Deposit.** Upon execution of this Lease, Tenant shall pay to Landlord a security deposit as specified in Part 1 to be held by Landlord throughout the term of the Lease as security for Tenant's performance under the Lease. If Tenant is in default under this Lease (including but not limited to the failure to pay rent), Landlord may use, apply, or retain all or any part of the security deposit to cure the default or to compensate Landlord for all damage sustained by Landlord as a result of the default, without prejudice to any other remedy. Upon any application of all or any part of the security deposit resulting from Tenant's default, Tenant shall immediately on demand pay to Landlord the sum necessary to restore the security deposit to the original amount provided above. Landlord shall return the security deposit to Tenant (less any amounts retained by Landlord as permitted herein) within thirty (30) days after the expiration of the term of this Lease and return of possession of the Premises to Landlord if, at such time, Tenant has performed all terms, covenants, and conditions of this Lease. Landlord may commingle the security deposit with its general and other funds. Tenant shall not be entitled to any interest on the security deposit.

9. **Possession**. Tenant shall be entitled to possession on the first day of the term of this Lease and shall yield possession to Landlord on the last day of the term of this Lease, unless otherwise agreed by both parties in writing.

10. **Use of Premises**. Tenant may use the Premises only for the purposes specified in Part 1 of this lease. And the Tenant may use the Premises only on the days and during the hours specified in Part 1. Tenant may not use the Premises for any other purpose or at any other time without the prior written consent of Landlord. In addition, Tenant may not use any other portion of Landlord's facility at any time without the prior written consent of Landlord. Tenant shall not perform any acts or carry on any practices that may injure the Premises, or be a waste, or a nuisance. Tenant shall not make any alterations to the Premises without the prior written consent of Landlord.

11. **Condition of Property**. Tenant has inspected the Premises and hereby accepts the Premises "AS IS," in the condition existing as of the date hereof. Tenant acknowledges that neither Landlord nor any other person has made any representation or warranty with respect to the Premises or any other portion of the facilities, including but not limited to the suitability of the Premises or any other portion of the facilities for the conduct of Tenant's activities. Tenant agrees and acknowledges that Landlord has no obligation, as a condition to this Lease, to renovate or remodel or to otherwise construct any tenant improvements or alterations in the Premises.

12. **Common Area**. The term "common area" means the various areas designed for common use or benefit within the building or buildings in which the Premises are

located and the adjacent grounds, including, but not by way of limiting, walks, corridors, entrance areas, facilities such as washrooms, drinking fountain, toilets, stairs, and specific additional areas. The common area shall at all times be subject to the exclusive control and management of Landlord. Subject to reasonable rules and regulations that may be promulgated by Landlord from time to time, the common area is made available to Tenant for its reasonable nonexclusive use in common with Landlord or other tenants.

13. **Maintenance**. Except as otherwise provided in this Lease, Landlord shall have the obligation to maintain the Premises in good operating condition during the term of the Lease. The above notwithstanding, Tenant shall be responsible for cleaning the Premises after each use and restoring the Premises to their condition prior to use. Landlord shall have thirty (30) days after notice from Tenant to commence to perform its maintenance obligations under this paragraph, except that Landlord shall perform such obligations immediately if the nature of the problem presents a hazard or emergency. If Landlord does not perform its obligations within the time limitations in this paragraph, Tenant's sole remedy shall be to institute suit against Landlord, and Tenant shall not have the right to withhold from rent any sums expended by Tenant. Tenant waives the provisions of Sections 1941 and 1942 of the California Civil Code with respect to Landlord's obligations for tenantability of the Premises and Tenant's right to make repairs and deduct the expenses of such repairs from rent.

14. **Damage to Premises**. Tenant will be liable for any damage to the facilities and/or furnishings in or about the Premises resulting from the acts or omissions of Tenant or Tenant's guests. Tenant shall immediately report any such damage to Landlord. In the event of such damage, the repairs will be carried out by Landlord and paid for by Tenant.

15. **Access by Landlord to Premises**. Landlord shall have the right to enter and use the demised Premises for the purposes and activities of the Landlord at times other than those specifically granted herein to the Tenant subject to the terms and conditions of this Lease. In addition, Landlord shall have the right to enter the Premises to make inspections, provide necessary services, or show the facilities to prospective buyers, mortgagees, tenants, or workmen. Landlord will endeavor to give reasonable notice to Tenant before entering the Premises during Tenant's times of use. As provided by law, in the case of an emergency, Landlord may enter the Premises without Tenant's consent.

16. **Utilities and Services**. Landlord shall be responsible for all utilities and services in connection with the Premises.

17. **Property Insurance**. Landlord and Tenant shall each be responsible to maintain appropriate insurance for their respective interests in the Premises and property located on the Premises.

18. **Liability Insurance**. Tenant shall maintain during the term of the Lease at Tenant's expense, in companies and through brokers approved by Landlord, public liability insurance with personal injury limits of at least $1,000,000 for injury to one person, and $1,000,000 for any one accident, and a limit of at least $1,000,000 for damage to property. Landlord shall be named as an additional insured on such insurance policy. Tenant shall deliver to Landlord a certificate of the insurance carrier to the issuance of such policy. The insurance policy shall provide that such policy will not be terminated by the insurance carrier on less than thirty (30) days written notice to Landlord. Tenant shall promptly advise, and have the insurance carrier advise, Landlord of any change in, additions to, or termination of any such policy; and upon any termination of such policy, Tenant will forthwith provide a new policy upon the terms and conditions set forth above.

19. **Indemnity Regarding Tenant's Use and Activities.** Tenant assumes responsibility and liability for and agrees to indemnify, hold harmless, and defend Landlord from and against any and all claims, losses, liabilities, injuries (including death), obligations, damages, and expenses, including reasonable attorney's fees, if any, which Landlord may suffer or incur that are occasioned wholly or in part by or result from any acts or omissions by Tenant or Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, or that for any cause or reason whatsoever arise out of or relate to Tenant's use of the Premises or Tenant's activities, including without limitation claims of sexual misconduct, harassment, abuse, or molestation. Tenant shall forthwith notify Landlord in writing with a full description of the facts; the place, circumstances, nature, and results; and the names and addresses of involved parties with regard to any occurrences on the Premises which involve any injury to person or property. Tenant will provide Landlord promptly with copies of any claims for damages of any sort, including complaints in any court actions involving such claims.

20. **Compliance with Laws**. Tenant shall, at its sole cost and expense, comply with all requirements of all municipal, state, and federal authorities now or hereafter in force pertaining to its use of the Premises. The judgment of any court of competent authority, or the admission of Tenant in any action or proceeding against Tenant, whether the Presbytery or the Church be a party thereto or not, that Tenant has violated any such legal requirement shall be conclusive of that fact as between Landlord and Tenant.

21. **Compliance with Use Policies. (to be negotiated with landlord and tenant)**

In the case of shared use tenants must leave all rooms used just as they were found.

- All garbage must be in proper receptacles.
- Vacuum/sweep/mop as necessary (unless custodian has been hired).
- Items left behind will be placed in our Lost & Found and discarded after two weeks.
- If any furniture is moved, it must be returned to its place.
- All tables/chairs set up must be put back away & wiped clean.
- Bulletin boards and displays are not to be moved, taken down or altered, unless previous arrangements have been made.
- Nothing is to be taped, stapled, or nailed to church walls or other property.
- All windows and doors must be locked after the event.
- All lights, heating or appliances must be turned off after the event.
- Outside doors may be propped open for loading and unloading purposes ONLY.
- Doors may NOT be propped open as people arrive, or during an event.
- Doors may be unlocked before and during an event, only if there is a greeter stationed at the door at all times.
- For use of the nursery, at least one church-approved babysitter must be employed.
- Use of kitchen facilities does not include use of appliances, dishes, or utensils.
- Alcohol consumption is not permitted anywhere on church property.
- Smoking is not permitted anywhere on church property.
- Neither food nor beverages are permitted in the Sanctuary.
- No usage of organ or piano is permitted in the Sanctuary without advance written consent of the Landlord.

- Usage of audio equipment in the Sanctuary is permitted only after training and certification by one of Landlord's sound technicians.

- Amplified music or other forms of loud noise are not permitted after 10 PM.

22. **Dangerous Materials**. Tenant shall not keep or have on the Premises any article or thing of a dangerous, inflammable, or explosive character that might substantially increase the danger of fire on the Premises, or that might be considered hazardous by a responsible insurance company, unless the prior written consent of Landlord is obtained and proof of adequate insurance protection is provided by Tenant to Landlord.

23. **Taxes.** Taxes attributable to the Premises or the use of the Premises shall be allocated as follows:
    a. **Real Estate Taxes.** Tenant shall pay all real estate taxes and assessment resulting from or attributable to Tenant's use of the Premises.
    b. **Personal Property Taxes.** Tenant shall pay all personal property taxes, and any other charges levied against the Premises, which are attributable to Tenant's use of the premises.

    Tenant shall pay any taxes that are payable by Tenant under this Lease as provided above no later than fifteen (15) days before the delinquency date. Landlord shall provide Tenant with a copy of any tax bill for such taxes received by Landlord promptly after receipt of the tax bill by Landlord. Tenant shall provide Landlord with written evidence of payment promptly after payment.

24. **Mechanics Liens**. Neither the Tenant nor anyone claiming through the Tenant shall have the right to file mechanics liens or any other kind of lien on the Premises, and the filing of this Lease constitutes notice that such liens are invalid. Further, Tenant agrees to give actual advance notice to any contractors, subcontractors, or suppliers of goods, labor, or services that such liens will not be valid.

25. **Defaults**. Tenant shall be in default of this Lease, if Tenant fails to fulfill any Lease obligation or term by which Tenant is bound. Subject to any governing provisions of law to the contrary, if Tenant fails to cure any financial obligation within fifteen (15) days (or any other obligation within ten (10) days) after written notice of such default is provided by Landlord to Tenant, Landlord at its option may take possession of the Premises without further notice and remove Tenant and its effects, and Tenant shall then quit and surrender the

Premises to Landlord, but without prejudicing Landlord's rights to damages. In the alternative, Landlord may elect to cure any default, and the cost of such action shall be added to Tenant's financial obligations under this Lease. Tenant shall pay all costs, damages, and expenses suffered by Landlord by reason of Tenant's defaults. Landlord's rights under this Lease are cumulative and shall not be construed as exclusive unless otherwise required by law.

26. **Holdover**. If Tenant, with Landlord's consent, remains in possession of the Premises after expiration or termination of the Lease, then such holding over shall be construed as a tenancy from month to month, subject to all conditions, provisions, and obligations of this Lease insofar as the same are applicable to a month-to-month tenancy.

27. **Keys**. Landlord will assign appropriate keys to Tenant. Tenant will not copy any keys provided by Landlord and will carefully supervise the use of keys provided to maintain security of the Premises.

28. **Assignability/Subletting**. Tenant may not assign or sublease any interest in the Premises without the prior written consent of Landlord, which shall not be unreasonably held. Landlord's consent to one assignment or subletting shall not be deemed to be a consent to any subsequent assignment or subletting. Landlord's consent to an assignment or sublease shall not relieve Tenant of its obligations under this Lease. Any transfer of this Lease from Tenant by merger, consolidation, or liquidation shall constitute an assignment for purposes of this Lease.

29. **Termination Upon Sale of Premises**. Notwithstanding any other provision of this Lease, Landlord may terminate this Lease upon 60 days' written notice to Tenant that the Premises have been sold.

30. **Notices**. Notices under this Lease shall not be deemed valid unless in writing and served either by personal delivery or certified mail, postage prepaid, addressed to addresses found in Part 1 for both Landlord and Tenant. Either party may change such address from time to time by providing notice as set forth above.

31. **Waiver**. One or more waivers by Landlord of a breach of any covenant or condition shall not be construed as a waiver of a subsequent breach of the same or any other covenants or conditions. Landlord's consent to or approval of any act by Tenant requiring Landlord's approval, shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar act by Tenant.

32. **Entire Agreement/Amendment**. This Lease, Part 1, and Part 2 plus Attachments, contains the entire agreement of the parties and there are no other promises or conditions in any other agreement whether oral or written. This Lease may be modified or amended only by a writing signed by all parties to this Lease.

33. **Binding Effect**. This Lease shall be binding upon the successors and assigns of the respective parties hereto.

34. **Severability**. If any portion of this Lease shall be considered to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Lease is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

35. **Subordination of Lease**. This Lease is subordinate to any mortgage that now exists, or may be given later by Landlord, with respect to the Premises.

36. **Safe Environment**. Tenant agrees that it will comply with the following statement, as required by the Safe Church Standards:

> "Organizations using the facilities of the Church shall provide a safe and nurturing environment for children, youth and vulnerable adults and those who work with them. They must abide by the current Safe Church Policy of the Church or provide proof that their organization has a similar policy in place."

37. **Attachments.** All attachments noted in Part 1, and located before Part 2 begins, constitute a part of this Lease:

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LANDLORD **Presbytery of _____**

By _____

Name: _____

Title: _____

_____ Presbyterian Church

By _____

Name: _____

Title: _____

TENANT _____

By _____

Name: _____

Title: _____

STANDARD LEASE AGREEMENT (Short Term Form)

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(For outside groups seeking a One Time Use, Maximum of Three Days, all others should use the Long Form Lease which needs to be reviewed by the Financial Affairs Committee before entering into a signed final agreement.)

This Lease Agreement (the "Lease") is made and entered into effective as of _____, 20__, under an agreement with the Presbytery of San Jose, a non-profit California corporation (the "Presbytery"), between _____ Presbyterian Church, a non-profit California corporation (the "Church") (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and _____ (the "Tenant" – could also be a vendor or contractor).

For good and valuable consideration, the parties agree as follows:

1. **Premises**. Landlord, in consideration of the lease payments provided in this Lease, leases to Tenant the following space in the church facilities:

_____

_____

For the following purposes:

_____

_____

2. **Term**. The lease term shall commence on _____, 20__ and shall terminate on _____, 20__.

3. **Lease Payments**. Tenant shall pay to Landlord a sum of _____ Dollars ($_____) including a non-refundable/refundable (cross out the appropriate choice) security deposit of _____ Dollars ($_____).

4. **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

a. _____ c. _____

b. _____ d. _____

5. **Condition of Property**. Tenant has inspected the Premises and hereby accepts the Premises "AS IS," in the condition existing as of the date hereof.

6. **Damage to Premises**. Tenant will be liable for any damage to the facilities and/or furnishings in or about the Premises resulting from the acts or omissions of Tenant, Tenant's guests or Tenant's third-party vendors and service providers. Tenant shall immediately report any such damage to Landlord. In the event of such damage, the repairs will be carried out by Landlord and paid for by Tenant.

7. **Liability Insurance**. Tenant shall obtain for the term of the Lease at Tenant's expense, in companies and through brokers approved by Landlord, public liability insurance with personal injury limits of at least $1,000,000 for injury to one person, and $1,000,000 for any one accident, and a limit of at least $1,000,000 for damage to property. ***Landlord shall be named as an additional insured on such insurance policy.*** Tenant shall deliver to Landlord a certificate of the insurance carrier to the issuance of such policy before the beginning date of the term of this lease.

a. Tenants that hire service providers, individuals or subcontractors will also provide evidence of their current liability insurance, current Worker's Compensation insurance, appropriate auto liability coverage and evidence that the church has been named as an additional insured for the time of the Lease Agreement.

8. **Indemnity Regarding Tenant's Use and Activities.** Tenant assumes responsibility and liability for and agrees to indemnify, hold harmless, and defend Landlord from and against any and all claims, losses, liabilities, injuries (including death), obligations, damages, and expenses, including reasonable attorney's fees, if any, which Landlord may suffer or incur that are occasioned wholly or in part by or result from any acts or omissions by Tenant or Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, or that for any cause or reason whatsoever arise out of or relate to Tenant's use of the Premises or Tenant's activities, including without limitation

claims of sexual misconduct, harassment, abuse, or molestation. Tenant shall forthwith notify Landlord in writing with a full description of the facts; the place, circumstances, nature, and results; and the names and addresses of involved parties with regard to any occurrences on the Premises which involve any injury to person or property. Tenant will provide Landlord promptly with copies of any claims for damages of any sort, including complaints in any court actions involving such claims.

9. **Compliance with Laws**. Tenant shall, at its sole cost and expense, comply with all requirements of all municipal, state, and federal authorities now or hereafter in force pertaining to its use of the Premises. The judgment of any court of competent authority, or the admission of Tenant in any action or proceeding against Tenant, whether the Presbytery or the Church be a party thereto or not, that Tenant has violated any such legal requirement shall be conclusive of that fact as between Landlord and Tenant.

10. **Dangerous Materials**. Tenant shall not keep or have on the Premises any article or thing of a dangerous, inflammable, or explosive character that might substantially increase the danger of fire on the Premises, or that might be considered hazardous by a responsible insurance company, unless the prior written consent of Landlord is obtained and proof of adequate insurance protection is provided by Tenant to Landlord.

11. **Keys**. Landlord will assign appropriate keys to Tenant. Tenant will not copy any keys provided by Landlord and will carefully supervise the use of keys provided to maintain security of the Premises.

12. **Safe Environment**. Tenant agrees that it will comply with the following statement, as required by the Safe Church Task Force of the Presbytery:

"Organizations using the facilities of the Church shall provide a safe and nurturing environment for children, youth and vulnerable adults and those who work with them. They must abide by the current Safe Church Policy of the Church or provide proof that their organization has a similar policy in place."

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LANDLORD	**TENANT**
_____**Church**	_____
By _____	By _____
Name: _____	Name: _____
Title: _____	Title: _____
Phone: _____	Phone: _____

Church Use Only

_____ The Session of the Church on _____ (date) adopted this Tenant as a mission program of the church and waives item #6.

This agreement was reviewed by the following two people before approval was granted.

_____ _____

AMENDMENT TO THE LEASE

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*This form should be filled out and sent electronically at least one month **before** the Church enters into an agreement with an outside group. (Meaning: send complete proposed lease to Presbytery, after they have reviewed the lease, they will send back to the Church with approval or suggested changes, then the Church will have the tenants sign, and the Church will sign and send to the Presbytery for signatures.) Send to _____ at the Presbytery of _____ who will forward to the Financial Affairs Committee of Presbytery for their review. (email address)*

Effective Date of Amendment: _____

This Amendment to The Lease (the "Amendment") is made and entered into on the Effective Date above, by and between the Presbytery of San Jose, a California non-profit corporation (the “Presbytery”), and _____ Presbyterian Church, a California non-profit corporation (the “Church”) (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and _____ (the "Tenant").

RECITALS

1. Landlord and Tenant have previously entered into that certain Standard Lease Agreement, dated _____ (the “Lease”) for use of specific property at the Church location.
2. Landlord and Tenant now desire to amend the Lease as set forth below. In the event of any inconsistency between the Lease, Previous Amendments and this Amendment, the terms and conditions of this Amendment shall supersede and control.
3. All terms not defined in this Amendment shall have the same meaning as set forth in the Lease.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Term. The Term of the Lease is hereby extended to (date) _____.
2. Lease Payments. As of the Effective Date of this Amendment the Monthly Lease Payment shall be $ _____.
3. Other Terms. All other terms and conditions of the existing Lease will remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment to The Lease as of the Effective Date.

LANDLORD TENANT SIGNATURES:

By (Church): _____ Print name: _____

By (Presbytery): _____ Print name: _____

By (Tenant): _____ Print name: _____

AMENDMENT TO THE LEASE FOR TERMINATION

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This form should be filled out and sent electronically _____ at the Presbytery of _____ who will forward to the Financial Affairs Committee of Presbytery for their review. (email address)

Effective Date of Termination of the Lease: _____

This Amendment to The Lease (the "Amendment") is made and entered into on the Effective Date above, by and between the Presbytery of San Jose, a California non-profit corporation (the “Presbytery”), and _____ Presbyterian Church, a California non-profit corporation (the “Church”) (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and _____ (the "Tenant").

RECITALS

1. Landlord and Tenant have previously entered into that certain Standard Lease Agreement, dated _____ (the “Lease”) for use of specific property at the Church location.
2. Landlord and Tenant now desire to amend the Lease to terminate this Lease as set forth below. In the event of any inconsistency between the Lease, Previous Amendments and this Amendment, the terms and conditions of this Amendment shall supersede and control.
3. All terms not defined in this Amendment shall have the same meaning as set forth in the Lease.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

4. Date of Termination. The Term of the Lease is hereby finalized on (date) _____.
5. Lease Payments. Before the Tenant shall be free of all obligations, they must pay $ _____ of back rent and other financial costs associated with the Lease up to the date of Termination. The tenant must also return the keys to the property.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment to The Lease as of the Effective Date.

LANDLORD TENANT SIGNATURES:

By (Church): _____ Print name: _____

By (Presbytery): _____ Print name: _____

By (Tenant): _____ Print name: _____

NOTE: Companion Volumes by Edd Breeden include:

The Handbook for Church Treasurer's, a condensed version of this Manual for easy reference. and

The Volunteer's Audit Guide for Church's & Other Non-Profits, A Step-by-Step Workbook for Internal Reviews of Non-Profit Organizations.

If you find that something is missing from the Handbook or the Manual or you would like further clarification, please contact the author, Edd Breeden by email at eddbreeden@gmail.com. Please let us know your suggestions to make these resources better. Thank you.