

Church Treasurer Basics

As Presented at Vestry School 2010 for the Diocese of Fond du Lac

By Matthew Payne

Opening Prayer

God Almighty whom we serve, who is much greater than the facts and figures of finances. We ask you to help us keep our focus on serving you as we record income, pay bills, balance the checkbook, prepare monthly reports, and see that our clergy are paid. We praise you for the income, the needed cash flow, the ability to pay bills, and for blessing our congregations and diocese financially. Remind us that you bless us with what we need. Help us to not be anxious about anything; but in everything, by prayer and petition, with thanksgiving, present our requests to you. Amen.

1. The Responsibilities of a Church Treasurer

1.1. Some **Scripture** to remember

- 1.1.1. Trust God will provide
“Consider the lilies...” (*Luke 12:22-34*)
- 1.1.2. Connection between giving and your heart
“For where your treasure is, there your heart will be also.” (*Matthew 6:21 & Luke 12:34*)
- 1.1.3. God’s Guidance
“Do not be anxious about anything; but in everything, by prayer and petition, with thanksgiving, present your requests to God.” (*Philippians 4:4-7*)
- 1.1.4. Management important element of stewardship
“Each one should use whatever gift he has received to serve others, faithfully administering God's grace in its various forms.” (*1 Peter 4:10*)

1.2. **Broad duties** defined in canons

- 1.2.1. National Canons, Title I, Canon 7: Of Business Methods In Church Affairs (search churchpublishing.org “Constitution and Canons”)
- 1.2.2. Diocesan Canons, Title IV: Of Finances and Business Methods (search diofdl.org “churchpublishing.org” Constitution and Canons”)

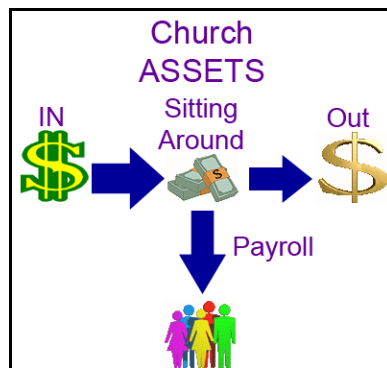
1.3. **Specific duties** defined by a job description (simplicity and clarity) **[WORKBOOK]**

- 1.3.1. Appropriately manage, account for and report church assets
- 1.3.2. You are custodian and trustee under direction of decisions of the congregation, vestry and diocese.
- 1.3.3. Duties performed in a reasonable, ethical and legal manner.

1.4. **CORE POINT**

Does it involve an asset or liability? The Church Treasurer should have know.

2. The Big Picture



2.1. Four **elements** of a congregation's financial picture

- 2.1.1. Assets In – Contributions, Gifts, Reimbursements, Diocesan Aid, Investment Income
- 2.1.2. Assets Out – Bills, Loan Payments
- 2.1.3. Assets Sitting Around – Petty Cash, Bank Accounts, Investment Accounts
- 2.1.4. Payroll – Wages, Benefits, Taxes

2.2. **Documents** relating to the Big Picture (most available electronically)

- 2.2.1. “Manual of Business Methods in Church Affairs” (search episcopalchurch.org)
- 2.2.2. “Financial Polices for Congregations” (search diofdl.org)
- 2.2.3. “Tax Guide for Churches and Religious Organizations” (search www.irs.gov)
- 2.2.4. “Federal Reporting Requirements for Episcopal Churches” (search cpg.org)
- 2.2.5. “Church Electronic Resources for Treasurers” (search diofdl.org) **[WORKBOOK]**
- 2.2.6. Questions? Answers are almost always available in a document available electronically. Do a web search or call the Diocesan Office for direction.

2.3. **CORE POINT**

Classifying financial items as assets in, assets out, assets sitting around or payroll often helps determine what should be done.

3. **Key Terms** – Consistency is crucial to communicating clearly

3.1. **Account** – a distinct and unique place where assets are sitting around
Examples: Checking, Savings, Petty Cash, Money Market, Investment, CD

3.2. **Fund** – an asset sitting around for a purpose. All assets are a part of some Fund
Examples: Operations Fund, Flower Fund, Building Fund

Note: Some Funds are for operations even if accounted for separately. For example, the Flower Fund supports general operations. ‘Would we still have this expense even if it weren’t a separate fund?’

3.2.1. A Fund may assets across different Accounts.

	Operating Fund	Flower Fund	Building Fund
First Bank Checking	1,234.56	78.90	0.00
First Bank Savings	0.00	12.34	56.78
Second Bank CD	0.00	0.00	9012.34
Petty Cash	100.00	0.00	0.00
TOTAL	1,334.56	91.24	9,069.12

3.2.2. Types of Funds (parallels Parochial Report)

3.2.2.1. **Operating** – used for the general operation of congregation. Usually held in a checking account and petty cash, sometimes also held in savings.

3.2.2.2. **Non-Operating** – used outside general operation of the congregation.

3.3. **Purpose** / Naming Funds –purpose should be considered when naming to distinguish use

3.3.1. **Designated** – has a specific purpose with no restrictions within that purpose.
 Usually designated by the Vestry when unrestricted gifts are given.
Examples: Youth Fund, Capital Fund.

3.3.2. **Restricted** – has a specific purpose with restrictions within that purpose.
 Usually restrictions are made by a donor. Gift with restrictions should be formally received (or rejected) by Vestry resolution.
Example: Scholarship Fund. Restriction may be something like “principal may not be used” or “only for high school seniors”

3.3.3. **Pass-Through / Holding** – are collected on behalf of others to be transmitted outside the congregation.
Example: United Thank Offering (UTO), Gideons, Missionary Appeal

3.3.4. **Reserve** – has a specific purpose for future expense
 Usually expensed from current operational budget or gifts.
Example: Sabbatical Fund

3.3.5. **Discretionary** – has a specific purpose, usually controlled by the cleric for purposes that may be necessary or confidential. Cleric cannot personally benefit from these assets.

3.3.6. **Memorial** – the term ‘Memorial’ is often used on a Funds’ name for gifts due to a death or bequest. It may be appropriate for naming a fund to reveal the source, however, it does nothing for showing its purpose.

3.4. **CORE POINT**

Naming should reflect purpose for clarity of reporting.

4. **Assets In** – transactions we tend to appreciate more than any other!

4.1. Terms

4.1.1. **Income** – assets in for operational purposes

- *Pledges*
- *Plate*
- *Diocesan aid*
- *Income from parish organizations*
- *Net of fundraisers used for operations*
- *Net rental income used for operations*
- *Unrestricted bequests used for operations*
- *Investment income used for operations*
- *While really a transfer, the Parochial Report calls investment principal for operations income (NOTE: principal for operations is included on the Parochial Report, but is not included for diocesan Asking purposes. If you are using principal for operations, inform the Diocesan office.)*

4.1.2. **Revenue / Receipts** – assets in for non operational purposes

- *Gifts to capital or building funds*
- *Gifts or additions to endowments*
- *Support for outreach ministries (other than those funded from operating budget)*
- *Pass-throughs*
- *Funds restricted or designated for non-operating purposes*

4.2. Management

4.2.1. **Internal Controls** are necessary to improve confidence and defeat temptation

- 4.2.1.1. There should be two trained counters.
- 4.2.1.2. There should be written instructions and a counting sheet for verification. **[WORKBOOK]**
- 4.2.1.3. Giving envelopes should be kept for verification, especially for cash gifts.
- 4.2.1.4. Should be deposited immediately or secured pending deposit. It's okay to get assets in the bank before they are in the books.

4.2.2. Annual giving **pledges** should be tracked and confidentially secured.

4.2.3. **Securities** as gifts. If given a gift of stocks or bonds:

- 4.2.3.1. Parish is strongly encouraged to sell immediately; Mission must sell within 30 days according to Canon
- 4.2.3.2. Value to the giver is NOT determined by recipient or proceeds from sale. IRS Rules must be strictly adhered to (see statements below). Contact the Diocesan Office for assistance.

4.3. Tracking

4.3.1. Maintained in a **ledger** for transactions.

- 4.3.1.1. Posted in a timely manner.
- 4.3.1.2. Noted or memo'd appropriately.
- 4.3.1.3. Reconciled against financial institution statements in a timely manner.

4.4. Reporting

- 4.4.1. **Acknowledging** gifts – The church says ‘Thank you’, the IRS sets the rules
 - 4.4.1.1. Gifts are usually received as cash, check or in-kind donations
 - 4.4.1.1.1. IRS cash rules do not allow donor to claim cash donations unless recipient acknowledges cash gift (why envelopes are important)
 - 4.4.1.1.2. IRS rules do not allow recipient to assess a value for an in-kind donation
 - 4.4.1.1.3. “Reimbursement” gifts towards pledge are not recommended. Better bookkeeping (IRS preferred) to reimburse expense then donor can make an additional gift normally.
 - 4.4.2. **Statements** should be provided **[WORKBOOK]**
 - 4.4.2.1. Every donor, whether member or visitor, whether giving \$1 or \$10,000, should be provided a statement of giving. Even though different amounts have different IRS rules, use regular statement for all givers that meets all rules.
 - 4.4.2.1.1. Members should receive quarterly and end of the year;
Visitors should receive at end of the year.
 - 4.4.2.1.2. Include some note of thanks, a handwritten thank-you gives it the personal touch.
 - 4.4.2.1.3. List each transaction, don’t aggregate. Provide date, amount, type (check or cash), and notation if restricted (e.g. Discretionary Fund)
 - 4.4.2.1.4. Include reminder of pledge for the current year. Do not include ‘balance on pledge’ or the like (it’s not a bill or invoice).
 - 4.4.2.1.5. May include in-kind gift by description, but cannot assess value. In-kind donations are best handled separately from cash/check donations.
 - 4.4.2.1.6. Include “This receipt is the contemporaneous acknowledgment required by the Internal Revenue Code. Further, and in accordance with Section 170(F)(8)(B), no goods or services were provided to you or consisted solely of intangible religious benefits.” (IRS rules)

5. Assets Out

5.1. Terms

5.2. Expense – assets out for operational purposes

- *Salaries & Benefits*
- *Facility expenses (utilities, maintenance)*
- *Insurance*
- *Office expenses*
- *Altar supplies*
- *Church school & education*
- *Diocesan pledge*

5.3. Disbursements – assets out for non-operational purposes

- *Major improvements / Capital expenses*
- *Mortgage payments*
- *Pass-through funds*
- *Outreach and mission programs (outreach funded from operating budget counts as “operating expense”. If funded from a separate, designated pool of money, then it’s “non-operating” expense.)*

5.4. Management

5.4.1. Approved Budget assumes framework of approval, so if bills are

5.4.1.1. Regular, Routine, In budget, Expected – JUST DO IT

Example – Electric and Gas

5.4.1.2. Irregular, In budget, Unexpected – DO WITH SOME AUTHORIZATION

Example – Request to reimburse for Sunday School Supplies

5.4.1.3. Irregular, NOT in budget, Unexpected – DO WITH VESTRY APPROVAL

Example – Bill from last year's snow removal

5.4.2. What to Pay – order of payment outlined per Canon 4.9(3)

5.4.2.1. Pledge to the diocese (note: use of principal from investments is a transfer and not operating income so is excluded from calculation of Asking/pledge) “FAQ About Diocesan Finances” (search diofdl.org)

5.4.2.2. Compensation to cleric

5.4.2.3. Pension payment for cleric (search cpg.org for “A Reference for Pension Administrators”, “New Assignment Notice”, “Report of Change in a Cleric's Compensation or Duties”)

5.4.2.4. Insurance premiums for congregation and cleric

5.4.3. Payment method

5.4.3.1. Multiple signatures when checks above a limit and NEVER sign a blank check

5.4.3.2. Electronic bill pay

5.4.3.2.1. Establish controls / authorized to use

5.4.3.2.2. Manual entry preferred (not automatic withdrawal)

5.4.3.2.3. Print confirmation receipt and account for regularly

5.4.3.3. Credit Cards

- 5.4.3.3.1. Requires high level of controls, verification
- 5.4.3.3.2. Establish as a business account, not personal
- 5.4.3.3.3. Do not allow PIN for cash withdrawal

5.5. Tracking

- 5.5.1. Keep documentation, usually for at least 4 years. Some records are permanent.
 - 5.5.1.1. Invoices / Statements / Documentation / Check Stubs
 - 5.5.1.2. File systematically – by Vendor or by Date
 - 5.5.1.3. Mark as "Paid", date, check #, note and memo, maybe have a stamp made

5.6. Recognizing

- 5.6.1. State Sales Tax Exemption – 5% benefit
 - 5.6.1.1. Inform vendors of tax exempt purchase up front
 - 5.6.1.2. “Wisconsin Sales And Use Tax Exemption Certificate” (search revenue.wi.gov)
 - 5.6.1.3. Wisconsin CES on Laminate Cards for regular purchasers
 - 5.6.1.4. Check regular bills, especially phone bills
- 5.6.2. Review Accounts to assure lower or no fees. Negotiate
- 5.6.3. Recommend keeping 1 month of expenses as balance in accounts for cash flow.
- 5.6.4. Reimbursable business expenses
 - 5.6.4.1. Business rates for employee
 - 5.6.4.2. Charitable rates for volunteer or non-employee

6. **Assets Sitting Around**

6.1. Accounting Systems

- 6.1.1. Chart of Accounts / coding for bookkeeping and accounting
- 6.1.2. Method of Accounting – Accrual or Cash?
 - 6.1.2.1. Accrual – accounts for assets and liabilities when known (complex system)
 - 6.1.2.1.1. Primary purpose to give a full financial picture at any time
 - 6.1.2.1.2. Needed for proper tax accounting
 - 6.1.2.1.3. Used for accountability to stockholders / principal investors
 - 6.1.2.1.4. Accounts Payable (A/P) / Accounts Receivable (A/R)
 - 6.1.2.2. Cash – accounts for assets at time of transaction (simpler system).
 - 6.1.2.3. Church almost always uses Cash method
 - 6.1.2.3.1. Simpler and easier for volunteer treasurers
 - 6.1.2.3.2. Accrual method unnecessary for churches
 - 6.1.2.3.3. Requires more vigilance for internal controls

6.2. Management

- 6.2.1. Signatories on Accounts
 - 6.2.1.1. Minimum of 2 on all accounts
 - 6.2.1.2. Recommend Priest, Sr. Warden, Jr. Warden, Treasurer, Clerk / Update annually
 - 6.2.1.3. Electronic access - Username and passwords kept secure
- 6.2.2. FEIN / TIN required for banking xx-xxxxxxx
- 6.2.3. Records Management – Know where these are, be aware
 - 6.2.3.1. Articles of Incorporation / Constitution and Bylaws
 - 6.2.3.2. Financial Records
 - 6.2.3.3. Parish Register / List of members
 - 6.2.3.4. Minutes of Vestry Meetings / Annual Meetings
 - 6.2.3.5. Insurance Policies
 - 6.2.3.6. Tax Records
 - 6.2.3.7. Employment Records
 - 6.2.3.8. Deeds
 - 6.2.3.9. Loans/Mortgage Papers

6.3. Tracking

- 6.3.1. Reconcile accounts with statements on regular basis
- 6.3.2. Loans and Mortgages
 - 6.3.2.1. Diocese owns the property, congregation has full use (Constitution Article 17)
 - 6.3.2.2. To get loan or mortgage requires approval by diocesan entities as required by Canons
- 6.3.3. Lines of Credit
 - 6.3.3.1. If collateral is unnecessary, no diocesan approvals needed
 - 6.3.3.2. If collateral is necessary, approval by diocesan entities as required by Canons
- 6.3.4. Investments
 - 6.3.4.1. Clear record of purpose and use
 - 6.3.4.2. System for determining income vs. principal (traditional vs. unitrusts)
 - 6.3.4.3. Track separately from church software since most have appreciation / depreciation roll into income or expense.
 - 6.3.4.4. Consider the Diocesan Common Trust

6.4. Recognizing

- 6.4.1. Accounts belong to congregation (including Priest's Discretionary)
- 6.4.2. Need for annual Audit or Review

6.5. Reporting

- 6.5.1.1. Assets In, Assets Out, Assets Sitting Around should be reported to
 - 6.5.1.1.1. Finance Committee and/or Vestry monthly in detail
Operating, Non-Operating, Cash Balance [WORKBOOK]
 - 6.5.1.1.2. Congregation monthly in summary
Bulletin and/or newsletter
 - 6.5.1.1.3. Diocese monthly if aided, otherwise annually
- 6.5.1.2. Parochial Report (search episcopalchurch.org)
 - 6.5.1.2.1. Use the workbook and keep
 - 6.5.1.2.2. Understand that translation is translation
 - 6.5.1.2.3. Compare to previous years, can you explain differences?

Mr. Matthew P. Payne, Lay Canon for Administration
Diocese of Fond du Lac
(920) 830-8866 | mpayne@diofdl.org