

Church Treasurer's Manual



**This manual is produced for the use of the
Church Treasurers in the Presbyterian Church (U.S.A.)**

March 2010

(Previously) Compiled by the Financial Network Group
Of the PCUSA

Please use this manual as a guide for the work you do in the congregation. It is recommended that the treasurers keep up to date on changes in the laws and policies used here and that they may vary from state to state.

Important Disclaimer

While this manual is provided in the hope it will assist you generally in answering questions, The Presbyterian Church (U.S.A.) Churchwide Fiscal Officers are not engaged in rendering legal, accounting, or other professional services to you. If legal advice or other expert assistance is required, the services of a competent professional advisor should be sought. Indeed, before relying on information contained in this manual or any resource, including web sites, please consult with an attorney or other professional advisor licensed in your state.

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CHAPTER 1

INTRODUCTION

This manual is for people in the congregation who are involved in the financial activity of the church. This might include the treasurer, financial secretary, finance committee and the session. There are many functions of the church that have financial implications: offerings, investments, endowments, loans, grants, personnel, insurance/risk management, taxes-local, state, and federal. This document was created to give a general overview and some suggested resources for further information. It would be impossible to answer every question that you might have with this publication. HOWEVER, every attempt has been made to give you information that will be helpful and other sources for more in depth information and legal opinion. PLEASE seek out these additional resources and USE them. Each church has its own unique characteristics and this manual should be a starting point for your church to build its own records as you adapt the information for your specific needs. Check with your presbytery for any specific information that needs to be included in this manual. They may have specific forms or procedures that would be helpful to the treasurer. Call the financial person at the presbytery, TODAY and ask about further information.

The resources and appendix of forms are current as of the writing of this manual (March 2010). However, you are encouraged to contact the author or editor of the publications whether it is an office at General Assembly or an outside source for a more current publication. Many of the resources are updated on a regular basis to reflect the most current information or changes in the law. Where feasible and permission was granted, some of the documents have been included in this manual. Others are available and, again, you are strongly encouraged to obtain these materials/manuals and include with this Treasurer's Manual. Take a moment NOW to look at the list of resources and appendix so that you will have an idea of what is available as you continue to read this manual. If you have a question, call your presbytery office (973-361-0084), visit their website at www.newtonpresbytery.org or General Assembly (Toll-free 1-888-728-7228) or visit the website: www.pcusa.org.

The *Book of Order* (G-10.0400) states:

4. Church Finances

The treasurer shall be elected annually by the session, if permitted by the state in which the church is located, and his or her work shall be supervised by the session, or by specific assignment to the board of deacons or trustees. Those in charge of the various funds in the church shall report at least annually to the session, and more often when requested. The following minimum standards of financial procedure shall be observed:

- a. The counting and recording of all offerings by at least two duly appointed person, or a fidelity bonded person;**
- b. The keeping of adequate books and records to reflect all financial transactions, open to inspection by authorized church officers at reasonable times;**
- c. Periodic reporting of the financial activities to the board or boards vested with financial oversight at least annually, preferably more often;**
- d. A full financial review of all books and records relating to finances once each year by a public accountant or public accounting firm or a committee of members versed in accounting procedures. Such auditors should not be related to the treasurer (or treasurers). Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.**

Chapter 2

Functions of A Church Treasurer

G10.0400 of the *Book of Order* gives direction for Church Finances.
(Including the Treasurer)

- ✓ Elected annually to the position by the session, if permitted by the state in which the church is located. Work is supervised by the session, or by specific assignment to the board of deacons or trustees.
- ✓ Session-elected treasurer should be the central contact for all church finances.
- ✓ Responsibilities
 1. Overseeing the congregation's financial records.
 2. Preparing accurate financial reports for the session and trustees.
 3. Being involved in budgeting as directed by the session.
 4. Anticipating financial problems.
 5. Making sure that those in charge of various funds in the church report annually to the session.
 6. Managing, safeguarding, and maintaining the congregation's financial resources.
 7. Complying, as required, with governing bodies of the Church (Presbytery, Synod, or General Assembly) and governmental reporting requirements.
 8. Scheduling and overseeing the annual review or audit
 9. Overseeing that internal controls are being followed

NOTE:

It is important that the role of the treasurer be included in the by-laws of the church according to state law.

In states where churches are permitted by law to form a corporation, the *Book of Order* directs that a church should be incorporated. It is the responsibility of the treasurer in consultation with the Clerk of Session to create or maintain a current corporation status for the church through updated filings and payment of required fees. (See Resources for *Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches: 2000-2003.*)

Financial Reports

Record keeping is the responsibility of the treasurer. Financial statements presented to the membership must be understandable, concise, inclusive, comparative, and timely. Summary sheets are compiled monthly, after bank reconciliations, in order to report to the session and trustees the financial condition of the church. A financial report should be given to the session at every regularly scheduled meeting. The example below is the minimum and can be expanded for your unique situation.

Financial Report to Session

Month of _____

	<i>Month</i>	<i>YTD</i>
<i>Receipts</i>	\$ _____	\$ _____
<i>Disbursements</i>	\$ _____	\$ _____
<i>Cash Balance</i>		\$ _____

Current income, expenses and benevolences should be reported monthly, other items should be reported at least annually to the session. The *Book of Order (G-10.0102i)* recommends that the session provide full information to the congregation of its decisions. Therefore, the congregation should receive a financial report on a periodic basis.

Resource Management

The congregation has assets which must be safeguarded and maintained. If the church has a building, that is an asset and insurance coverage must be adequate and regularly reviewed. Endowment funds must be invested; certificates of deposits, shares of stocks, and bonds must be kept under lock and key. It is the treasurer's responsibility to be certain that only authorized persons have access to funds and that the offerings be protected, counted and deposited. If at any time offerings exceed spending, the treasurer has the responsibility to see that those funds are properly invested to secure maximum financial return.

Governmental Reporting

The treasurer is responsible to comply with community, state and federal regulations with respect to filing payroll tax reports such as the 941's, W-2's, W-3's, 1099's, etc. This includes the completion Form 941 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 method of payment and frequency and you should contact your local and state tax offices for accurate

information. The treasurer is also responsible for any other IRS filings such as Form 990. Since payroll tax can be confusing, the treasurer might find guidance from either a C.P.A. or a tax attorney familiar with tax laws relating to your particular church.

Record Keeping

The complexity of financial records depends on the church. Journals and ledgers are normally used in the usual double entry system, yet, in some churches only journals are necessary. Treasurers are encouraged to use a computer accounting program to maintain their records. There are a number of computer accounting programs on the market and upgrades should be purchased and installed periodically to stay in compliance with FASB standards and tax changes. (More information in Chapter on Internal Controls and Record Keeping)

Fund Reporting

1. **GENERAL OR CURRENT FUNDS** are the funds which pay all operating bills, salaries, utilities, etc. They receive the offerings and are always the principal funds.
2. **RESTRICTED FUNDS** are the gifts received for a specific item or program. Building funds are restricted funds into which all contributed building funds must be placed and from which all payments are disbursed.
3. **BASIC MISSION FUNDS** are those monies designated in the budget for the mission budgets of Congregation, Presbytery, Synod, and General Assembly. This includes Presbyterian Basic Mission support (Shared and Directed Giving), support of local or ecumenical missions. On the basis of the church's annual budget these monies are to be sent in equal monthly or scheduled amounts to the proper governing body. For Presbyterian mission the money should be sent to your *Receiving Site* which is usually your presbytery or synod. Your receiving site will provide Remittance Forms (with instructions) for Presbyterian giving to the treasurer of the churches. Please use these forms so that the gifts your church remits will be properly disbursed.
4. **NON BUDGETED MISSION FUNDS** are those monies designated for special offerings, e.g. One Great Hour of Sharing, Peacemaking, Christmas Joy, Disaster Relief, Extra Commitment Opportunities, etc. These funds are also remitted to the *Receiving Site* soon after the approved collection.
5. **ENDOWMENT FUNDS** refer to gifts received which have been so restricted that only the income generated from the principal can be used. As an example, the church could receive a \$25,000 bequest with the stipulation that the income be used to provide scholarships for members preparing for the ministry.

NOTE: Accurate accounting of separate funds is critical to your record-keeping. It is not necessary to have separate bank accounts; however, this might simplify the task. A treasurer

should not borrow from one fund to bolster another without specific authorization of the session or finance committee.

Responsibilities

Accounting

Treasurers should receive and retain copies of the session minutes to ensure all action items relating to financial matters are met.

The treasurer should

- ✓ Present regular reports to a finance committee, the trustees, and ultimately the session.
- ✓ Be prepared to attend any committee, trustee, and session meetings if invited, and be prepared to present at those meetings figures and recommendations in regard to the budget and church finance matters.
- ✓ Assume the responsibility for the expenditure of funds according to an approved budget and proper authorization. Books of account, journals, and ledgers associated with the church's choice of accounting are maintained by the treasurer. Good audit procedures are encouraged.
- ✓ Maintain the checkbooks. Signers for checks should be authorized by the session. It is recommended that all checks over specific dollar amount set by the session be counter signed.
- ✓ Be sure that more than one individual is aware of the financial information of the church.
- ✓ File all financial reports and see that a copy is kept on file in the office.

Giving Records

The treasurer or financial secretary should maintain member pledges and records of giving. Quarterly and year end statements of giving should be given to members. (See Chapter on Record Keeping for more detail.)

Taxes

The treasurer is responsible for completion of all tax forms and payment of taxes withheld from payroll. This was addressed earlier under Governmental Reporting. Form(s) 990 and 990T may need to be filed for your church if you have unrelated business income. Consult a CPA or accountant for help with these forms. Information is also available from Richard Hammar's, *Church and Clergy Tax Guide, 2009 Edition* or from Office of Legal/Risk Management Services of the General Assembly Council. (See Resources for ordering information and phone numbers.)

Reconciliation of a Checking Account

It is desirable for a person who does not have authority to sign checks or make deposits to do the bank reconciliation. Your bank should be requested to send your statement as of the last day of the month.

Check the bank statements for a form to use in reconciliation. Your computer accounting software should be used if available. The resulting balance should agree with the last balance shown on your check records. If the bank statement is sent on the last day of the month, three amounts should be equal:

1. the adjusted bank statement
2. the corrected checkbook, and,
3. the cash balance on hand as recorded in the ledgers.

Chapter 3

INTERNAL CONTROLS AND RECORD KEEPING

INTERNAL CONTROLS

Basic to internal controls is the segregation of duties and the communication of session/trustees and financial personnel.

It is most important to have a system of checks and balances for good internal control in any operation. Income functions should be handled separately from the disbursement functions. Example: Sunday offerings should be handled by someone other than the treasurer who writes the checks. Every transaction should be authorized, initiated, approved, executed and recorded. The following is a checklist to assure that there is good internal controls in place for the entire organization.

FINANCIAL CONTROLS

- ✓ Must have Session-approved policies for Endowments and Gifts the church is willing to accept
- ✓ Must have Session-approved Fully Accountable Expense Reimbursement Plan (*Sample in Appendix*)
- ✓ Have Session-authorized Procedure for Counting Offerings (*See Appendix for Procedures and sample Recap Sheet*)
- ✓ No one person should handle all aspects of a transaction from beginning to end
- ✓ Divide and segregate duties (See information on Financial Secretary)
- ✓ The person responsible for custody of an asset should not record transactions.
- ✓ Deposit all cash receipts immediately Record all cash receipts immediately
- ✓ Payments should be made by serial numbered checks except for very small transactions that are necessary to handle through petty cash
- ✓ If petty cash is used, there must be a receipt for the money expended and the petty cash reconciled at least monthly.
- ✓ Reconcile bank account monthly
- ✓ Balance subsidiary ledgers to general ledger accounts on a regular basis.
- ✓ Review comparative financial statements in sufficient detail every month to disclose significant variations in revenue and expenses
- ✓ Bank statements and cancelled checks should be opened and reviewed by someone who is not a payee or authorized to write checks
- ✓ Investigate unusual items, such as checks to unfamiliar vendors, checks for large amounts and checks to employees or other insiders
- ✓ Use serial numbers on sales and purchase invoices, checks, tickets, purchase orders, receiving reports and debit or credit memos.
- ✓ Use duplicate deposit tickets and retain copy in the office; keep bank deposit receipts
- ✓ Deposits should be made daily if necessary or weekly

- ✓ Use budget or forecast to detect whether goals are achieved. Investigate differences – what happened and why
- ✓ It is essential that records are retained. See Record Keeping later in this chapter. *See Appendix for recommended Records Retention Guidelines*

OTHER ORGANIZATIONAL CONTROLS

- ✓ Incorporate 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*)
- ✓ Be sure to have up to date Personnel Policies and make sure that each employee has a copy
- ✓ Each employee should have a Job Description and receive an annual review

RECORD KEEPING

The treasurer is responsible for the keeping of all financial records. Safe record retention should be a top priority.

Permanent records should be kept in a fire/theft protected safe or a bank safety deposit box (Be sure the session gives authority to two people to enter the safety deposit box).

Computer backups should be made *each* time the accounting/reporting software is used. Copies of these backups should be kept off-site and rotated on a regular basis.

The treasurer should keep a folder 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)

- ✓ Federal ID#
- ✓ State ID#s – Tax Exempt, State Withholding #, Local Withholding #
- ✓ Bank(s), account number(s)
- ✓ Investment firm(may be PC(USA) Foundation), contact and phone # - Include any account numbers
- ✓ Loan information – how financed, account #, rate, term, secured by, payment information, etc.
- ✓ List of church software being used including version, serial numbers, secure passwords and support phone numbers.
- ✓ 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 used in the treasurer's work, bank, investment firm, local and state tax office(s), PC (USA) 1-888-728-7228, www.pcusa.org, financial secretary, etc.
- ✓ Any other pertinent info for your congregation.

RECORD RETENTION GUIDELINES ARE IN THE APPENDIX on page 46.

Financial records should be as simple possible. A church with several buildings plus endowments would of necessity use a more complex method than another church which has one building and no endowments. Financial records include both accounting records of income and expenses as well as the records of the contribution records of members. There might be treasurers of other groups in the church (Example: Sunday School Class Fund for Seminary Students), financial secretary and tellers all reporting to the treasurer and session. See section, later in Chapter 3, for more information on Financial Secretary and Tellers.

The purpose of this Chapter is to give guidance to the church treasurer on how to keep records whether they are simple or complex. It is the aim to help the church treasurer fill in the annual statistical report which is submitted to the Presbytery and ultimately printed as Part II of the minutes of the General Assembly of the Presbyterian Church (U.S.A.) [often referred to as the Annual Statistical Report] and at the same time keeping the church officers fully informed on regular basis.

This financial information is based on the total receipts received by churches and expenditures of the churches by mission categories.

Therefore this Chapter has been developed with those categories in mind. This approach has been broken down into a number of segments:

1. Simplified bookkeeping for the church with a relatively simple set of accounts. Only a cash receipts and cash disbursements ledger is necessary and this will reconcile each month with the checkbook;
2. In more complex operations the cash receipts and cash disbursements journals are posted to ledger accounts for double entry bookkeeping.

It is recommended that supported computer accounting software be used to maintain financial records. (See Appendix for suggestions of computer programs that are designed for church accounting.)

Bookkeeping

The least complex record is cash receipts and cash disbursements journals and the checkbook. More complex records can be maintained by using voucher systems, journals, subsidiary journals and from these journals posted to the general ledger with a full chart of accounts. A more complicated bookkeeping requires the use of a Chart of Accounts. A Chart of Accounts is a listing of all of the accounts in a bookkeeping operation which are numbered for ease in posting. Posting is the transfer of information from the cash receipts and cash disbursements journals to the general ledger. Bookkeeping records should be kept permanently and should be accessible to church officials.

Cash Receipts are broken into six major categories:

1. **Contributions** – All contributions of money received by all treasurers. This includes payments on pledges (current as well as delinquent), loose offerings (cash or check), and special offerings. (Do NOT include capital and building funds, investment income, bequests, other income, aid and subsidy). It is important to list items separately in a finance report.
2. **Capital and Building Funds** - All receipts for capital purposes, extraordinary repairs, building funds, and equipment with anticipated useful life in excess of three years usually over \$300.
3. **Investment and Endowment Income** – Dividends and interest earned on investments as well as proceeds from the sale or liquidation of investments. (Note: The value of the investments should be reported separately at least quarterly.)
4. **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.
5. **Other Income** - This is all other income, such as rent or other reimbursements from organizations using church property or grants from non-PCUSA grants. This would include such things as tuition/fees for day care, day school, etc. (if part of the church budget).
6. **Subsidy or Aid** – This is money received from other churches or from Presbytery, Synod, or General Assembly agencies to be used in local mission and program.

Cash Receipts 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 non-living source. The Cash Receipts Report should clearly indicate each of the 6 Cash Receipts Categories and should list the amount received and its source. The report to the session would include this information in a format 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 form such as this that can be produced using the information that you have recorded.

Cash Disbursements are expenditures broken into 8 categories

(This coincides with the GA Statistical Report)

1. **Local Program** – Money from all sources that is expended for current operations of the congregation including costs of personnel (salaries, wages, pension and social security), office operations, building operations, insurance premiums, interest and principal on loans and any other cost related to the operation of the church.
2. **Local Mission** includes all monies paid for local mission programs and projects approved and directed by the session and to local ecumenical bodies. (Usually not “Presbyterian Mission”).
3. **Capital Expenditures** includes all monies expended for real property whether improved or unimproved, the construction of new buildings, extraordinary repairs of existing buildings, and equipment, costing over \$500, with an anticipated useful life in excess of three years.

4. **Investment Expenditure** includes money that is newly placed into savings or investments (such as certificates of deposit, stocks, bonds, money market accounts, reinvested dividends). This also includes investment costs such as brokers' fees and bank fees.
5. **Per Capita Apportionment** includes the monies expended for Synod, Presbytery, and General Assembly apportionment.
6. **Validated Mission PC(USA)** includes the total of all monies given to synod, presbytery, and General Assembly agencies, including payments toward the mission budgets (includes Directed Giving for missionaries) of these governing bodies. This is also all special offerings of the synod, presbytery as well as General Assembly special offerings (One Great Hour of Sharing, Pentecost, Peacemaking, Christmas/Joy), other offerings for Hunger, Disaster Relief and Women's Birthday, Extra Commitment Opportunities and other mission programs and projects related to the PC (USA) and not already reported as Local Mission. *(See Appendix for Directed Mission Support Guidelines and Pledge Form and the same for Extra Commitment Opportunities)*
7. **GA Theological Education Fund** is the amount that each congregation is requested to make as a voluntary contribution. The recommendation for giving is 1% of contributions to the church. The congregation's gift is shared for the support of the eleven Presbyterian Theological Institutions. Please do not include direct support of theological students, direct gifts to any theological school or other gifts related to theological education-these should be listed under local mission.
8. **Other Mission** is the total of all monies expended for mission causes not related to the Presbyterian Church (U.S.A.) and not already included under Session Local Mission.

Regardless of what bookkeeping method is used, there should be supporting documentation for each check that is written. The authorization should include complete information:

1. Amount to be paid,
2. Where to send payment,
3. What the expense is for,
4. Account to be charged
5. Person authorizing payment.

(Note: Yearly, the session should authorize persons responsible for approving expenditures; this is usually committee chairs, clerk of session, business manager, etc.) Committee members should submit bills for payment to chair for authorization of payment. The session can authorize monthly payments of mission, per capita or other recurring expenditures in an approved budget. *(A sample of a Cash Disbursements Policy and Procedures is found in the Appendix)*

WHERE & WHEN TO SEND MONEY FOR Presbyterian Church (U.S.A.)

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 service the churches. This is usually your presbytery or synod office. (CHECK WITH YOUR **PRESBYTERY OFFICE FOR YOUR RECEIVING SITE**. Regional receiving sites should add credibility to the receipting process, speed up the turn around time for funds and improve the trust level which donors feel with regard to their gifts. A detailed receipt will be sent to donors (individuals or congregations). The Receiving Site collects money from donors, 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. (See sample in Appendix) Please check first with your presbytery for instructions, a list of projects that for which they will receive money and any questions.

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,
- ~~*Witness Offering~~
- *Disaster Assistance
- *Hunger Offering
- *1% Theological Education Fund
- *Extra Commitment Opportunities

For complete information on all of the items listed above, please see the section on Mission Funding in the Appendix!

Financial Secretary

The financial secretary is elected by the session or trustees to oversee the recording and reporting of pledges and keep accurate records of all offerings. This person is normally someone other than the treasurer and is not authorized to sign checks. It is important that the same person NOT make deposits and sign checks.

Using the information provided by the tellers after the Sunday Offering, the financial secretary records the pledges and offerings each week being sure to itemize each gift and the amount. (Contact Hubbard Press for pledge record forms and other materials-information under Resources in back of manual) In the case of stock, the gift will be valued as of the date of receipt.

At the end of each quarter the financial secretary totals the amounts received for each member and mails copies of the statements to each member of the church who either makes a pledge or contributes to the church. A year end statement should be sent to each giver with the summary of all their gifts and pledges. ***For tax purposes, the gift must be received or post marked in the year of the gift. Checks that are back dated to the previous year and received on the 1st Sunday in January will be counted as the current year not the year just ended.***

It is suggested that the financial secretary reconcile the bank statement each month and report to the treasurer.

Tellers

SUNDAY OFFERINGS should be counted immediately after the service by two or more persons. Tellers assigned to count the offering should not be the treasurer or financial secretary. The tellers will give to the treasurer the original count sheet to explain the distribution of bank deposit and a copy of the deposit slip to the bank. The financial secretary will need the information for recording pledges and gifts. The tellers should see that the deposit is ready and taken to the bank immediately. *See Appendix for Procedures for Counting Offerings and sample Recap Sheet)*

NOTE: Some members might prefer to pay their pledge on a monthly basis through an automatic debit from their checking account. Hubbard Press (Check Resources and Appendix) can set this up for your church. The session 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 organizations.

Chapter 4

INVESTMENTS AND ENDOWMENT FUNDS

Definition and Accounting Requirements

To endow, in reference to Endowment Funds, means to furnish with an income. More often than not, the capital held in perpetuity and the use of income is restricted or unrestricted.

Some donors will designate for a specific use, the income and any realized capital gains; some, use of the income only; others will choose not to designate so that proceeds may be used for general purposes. In any case, the wishes of the donors should be scrupulously followed to fulfill all legal requirements pertaining to Endowment Funds held by a not-for-profit organization.

Therefore, it is necessary that a permanent record be kept of the receipt of the gift and the terms of the bequest regardless of the sum of money involved. This should also appear in the session minutes. An on-going record, clearly delineating the use of the funds derived from the investment of the capital, shall also become a part of the permanent records of the church. The record should maintain the following information: *(Form available in Appendix)*
(Completed for example use only)

Endowment or Restricted Funds

(Indicate if Endowment, Restricted or Designated Funds)

Endowment _____
Restricted XX
Designated _____

Fund Name The Jane and John Doe Fund

Date Created June 15, 1996

Value \$50,000

Given by Whom Susie and Tom Smith

Address 123 Main Street
Louisville, KY 40202

Phone # 987-765-4321

Special Instructions The principal and interest in this fund is restricted for maintenance of
for the Knox Presbyterian Church and its successors.

History: The Jane and John Doe Fund was established on June 15, 1996 by the daughter and son-in-law of Jane and John Doe as a memorial. The principal and interest in this fund is restricted for maintenance expenses for the building of the Knox Presbyterian Church.

Investment

Statements of Philosophy, Policy and Guidelines should be adopted by the trustees and session (see examples of brief statements which follow). **The Presbyterian Church (U.S.A.) Foundation can be very helpful in this particular information for Investments and Endowments. Please contact your Regional Development Officer, David Haight at 800-514-3839 to receive more information. The Foundation's website is www.fdn.pcusa.org**

Investment of the funds may be (1) entrusted to a sub-committee of the trustees or session which reports regularly to the full board; (2) may be held in trust by a local bank; or (3) may be deposited in various trust funds of the Presbyterian Foundation of the Presbyterian Church (U.S.A.) which offers investment management services.

Prior to assignment, however, a clear statement of investment purpose and goals should be adopted by the trustees or session (see example). The statement will help determine the type of investment vehicle to be used. Listed below are some investment vehicles (*Good quality vehicles should be used to protect the capital invested*):

The Presbyterian Foundation of the Presbyterian Church (U.S.A.) can be used for any size of investment and term. (Please call Foundation Development Officer for questions and investments – Check with presbytery for name and phone # or call 1-800-858-6127)

Certificate of Deposit in banks and/or savings and loans

Money Market Certificates (rates based on Treasury bill)

Debt issues (debentures, bonds or convertibles of major corporations)

Government issues (Treasury Bills, Treasury Bonds, etc.)

Government Agency issues (International Bank for Reconstruction and Development, Federal National Mortgage Association, etc.)

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 [want to make sure that any mutual funds did not invest in funds that your church may be opposed to, i.e. tobacco, alcohol, abortion, etc.]. Make sure you fully understand the penalties for early withdrawal prior to putting money into any investment. On the form that you have for each fund, make sure that it clearly states who has permission to invest and withdraw funds. **ALWAYS** insist on having at least two persons to withdraw funds.

Be sure to keep detailed information on all investments as to name, location of investment (whether through a bank or investment firm or where certificates are kept), date acquired, rate of return, maturity dates, balance at time of investment and periodically.

Suggestions of Statements of Philosophy, Policy and Guidelines

Philosophy

In recognition of the trustee responsibility for the funds of the church committed to their care, members of the trustees are guided by the following philosophy:

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 whose good 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 life.

Policy

Unless otherwise specifically directed in the instrument by which property, real or personal is received, the trustees are authorized to invest and reinvest the property, if done in the exercise of that degree of judgment and care, under the circumstances prevailing; which persons or prudence, discretion and intelligence exercise in the management of their own affairs. Decisions are not made for speculation, but for permanence of the funds, considering maximum income to be derived there from consistent with the probable safety of the capital involved and protection of purchasing power which may be threatened by current inflation rates.

Guidelines

1. Include statement of basic objective.
2. Funds shall be invested as promptly as possible.
3. Full advantage shall be taken of the tax exempt status of the church.
4. Funds shall be invested in issues generally of larger corporations, highest rated quality commercial paper, corporate bonds and government obligations and good quality common and preferred stock.
5. Ratio of equities to fixed income securities shall be maintained consistent with the purpose and goals of various funds.
6. Funds shall not be invested in corporations inconsistent with the stand of the church on products harmful to persons or the social environment.
7. Statements of Investment Philosophy, Policy and Guidelines shall be reviewed annually.

EXAMPLES OF INVESTMENT-PURPOSE AND GOALS STATEMENTS

Endowment Funds

1. Name of Fund

Purpose:

To provide support for _____ and Local Shared Mission Projects.

Goals:

To produce an income of 5 to 6% and an average total return of 8 to 12% annually over an extended period of time. Equity/bond ratio median of 60/40.

2. Name of Fund

Purpose:

A utilized fund for investment of permanent endowment funds of the church including individual endowment funds for designated purposes.

Goal:

Net income of at least 7 ½% based on an Equity/Bond ratio for 20/80 median to afford some possibility of appreciation and yet produce a reasonably high yield.

3. Name of Fund

Purpose:

To provide an investment vehicle for current funds as well as individual endowment funds of the church.

Goal:

To produce maximum income of 8 to 10% and provide for short-term liquid assets for cash flow purposes.

Chapter 5

AUDIT OR FINANCIAL REVIEW

All congregations should have the financial records and accounts of the congregation and all related organizations audited at least once every 12 months. This audit or financial review may be internal or external. Section G-10.0401 of the *Book of Order* outlines the church finance responsibilities and required financial procedures. Items 4a, 4b, and 4c discuss minimum standards for daily operations, record keeping and financial reporting throughout the year. Item 4d requires the local church to carry out the following:

A full financial review of all books and records relating to finances once each year by a public accountant or public accounting firm or a committee of members versed in accounting procedures. Such auditors should not be related to the treasurer(s). Terminology in this section is meant to provide general guidance and is not intended to require specific audit procedures or practices as understood within the professional accounting community.

Financial Review

A review consists principally of inquiry of management personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, a financial review does not express such an opinion. Therefore, it does deal with cash receipts and disbursements, but does not issue a position paper. A financial review is not as extensive as a fully blown audit and likewise, not as costly. *For the purposes of this document, when referring to an audit, the word audit and financial review will be interchangeable.*

The Office of Stewardship, PC (USA) has written a *Financial Review Guide – An Annual Financial Review Committee Checklist*. (See Resources). Please check with the Office of Stewardship for any updates or revisions, 1-888-728-7228. ***Before beginning, please read this entire chapter for descriptive information on parts of the audit, procedures and explanation of why certain things are done.***

External Audit

An external audit is done by an independent auditor or an accounting firm. If you need assistance in finding a good C.P.A., please call your presbytery office for a suggestion. It is important to use someone well versed in church and clergy tax laws and church finances.

Internal Audit

An internal audit is normally conducted by a committee of members of the church. Sessions shall establish an auditing committee in conformity with the by-laws of the church and the laws of the state.

In most situations, particularly the medium or small size congregation, the audit will be internal and on a volunteer basis due to the cost of an external audit. Nonetheless, this should be done in a systematic manner by the best qualified individuals available within or to the congregation.

Those congregations with large trust accounts and/or large real estate holdings or those proposing to build or expand their facilities by loans on the property will find that an external audit by a qualified auditing firm may be required and is to their advantage.

Before deciding which style of audit to have, it should be understood that neither the compensated auditor nor the volunteer team is able to guarantee the accuracy of the financial records. The auditors are only able to review the financial data supplied to them and from that issue an opinion that the balance sheet and statement of operations fairly represent the conditions of the congregation and related organizations.

The treasurer of the church or the treasurer of any of the related organizations should not serve on the audit committee but should be available for consultation during the audit process. The size of the congregation, and the number of organizations that maintain their own accounts, would determine the number necessary to serve on the committee so that it is not too small to do a large task.

The audit committee should review and determine how the audit program will be used in making the audit. It is suggested that they do a testing process and not re-do the account for the period being audited. The testing should be done at various times during the period to determine the accuracy of the entries.

In order to complete an adequate audit, the following areas should be included in the audit procedure, plus any others that are deemed appropriate for the particular situation.

- A. **Cash Receipts:** The committee should review the procedures used to record receipts, how the Sunday offering is counted and tallied, and how other organization treasurers receive and account for funds. Time is very important in recording receipts; either the Sunday offering or mail receipts, and a test check should be made to determine if the funds have been recorded on a timely basis. A check should also be made when designated funds are received to insure 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.
- B. **Cash Disbursements:** Copies of the budget adopted by the session 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, have been properly charged to the budget category. If there have been disbursements not related to a budget item, then the session's authority for the disbursement should be obtained from the minutes of the session.

If there are items in the terms of call of 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. An audit check of current terms of call for clergy and other employment agreements for other 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, continuing education allowance paid or escrowed, social security paid, etc.

Verification of Bank Statements: Verification of bank statements should be done by the audit committee so that the statement can be reconciled with the cash receipts and disbursements.

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. The committee should also determine that all coupons on bonds, etc. have been redeemed.

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 insure that the balances shown on the church records agree with those of the lender.

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 are a part of those to be accounted for by the audit.

Membership Contribution Records: The final statement for the year should be sent by the audit committee and/or the committee may send a letter advising the individual donor that any discrepancies should be reported to the audit committee. Spot testing should also be done to determine that the entries have been properly recorded.

Insurance Policies: If no other committee or board 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, and the incidents of vandalism, thefts, etc, all insurance policies should be reviewed by competent officers 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. This needs to be done annually. **See the Chapter on Insurance and Risk Management for complete information.**

After the committee has completed their various assigned tasks, the committee should meet as a whole and go over the work of each member, and then either as a committee or 2 or 3 members, prepare a report or letter to the session advising of the findings. This should include any recommendations that would enable a better accounting and understanding of the monthly reports, and what steps would make it easier for the next audit committee.

The audit of the accounts of the congregation are very important to determine the financial condition of the congregation and to give the members the trust that their giving is being taken care of in a businesslike manner.

When the report of the audit committee is received by the session, and the report has been included in the session minutes, and the assignments of any recommendations for change in methods have been made, there should be a word of thanks to the audit committee, not only in the session minutes, but in any newsletter which might go to each member. This will not only make the committee members feel that their work was necessary and the task worthwhile, but will be a trust factor for the membership.

Audit committees may also audit management procedures and investments and remind the session of other items such as personnel policies, church usage policies, by-laws, etc. which might need to be reviewed and updated.

Chapter 6

INSURANCE AND BONDING <http://www.pcusa.org/risk/index.htm>

Churches are directed by the *Book of Order*, G-10.0102o to “provide for the management of the property of the church, including determination of the appropriate use of church buildings and facilities, and to obtain property and liability insurance coverage to protect the facilities, programs, and officers, including members of the session, staff, board of trustees, and deacons.”

PLEASE USE:

- ✓ **LEGAL RESOURCE MANUAL FOR THE PRESBYTERIAN CHURCH (U.S.A.) MIDDLE GOVERNING BODIES AND CHURCHES 2000-2003**, pages 111-128 for information that will be *most helpful*. This information includes detailed information on Risk Management, definitions of various types of insurance (see list below) and checklists for risk management, inventory and arson prevention.
- ✓ *Risk Management For Churches*. Authored by Richard Hammar, J.D., L.L. M., CPA and published by Christian Ministry Resources.
- ✓ *Safety & Inspection Checklists for Churches and Schools* published by Christian Ministry Resources
www.churchlawtodaystore.com/riskmanagement.html

(See Resources in the back of this manual for ordering the above referenced publications)

The role of the church is changing and with it the need for church boards to review ways to provide adequate insurance for all property damage, accident 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 which require the use of buses and other motorized equipment. In addition there is the exposure to vandalism, riots, bombings and arson.

With all this involvement, the church has increased liability. The task of adequately insuring the church against many situations becomes complicated. Recognizing the risk management responsibility, the session should appoint a committee to review and secure the adequate insurance coverage.

This committee should look for a company committed to serving the church field which can help provide the stability, continuity and counsel that may be lost due to turnover on the

church boards over the years. This company should be one which can provide the highly specialized coverage needed by churches.

Annually, 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 programs these companies are offering are the most comprehensive coverage available so that churches will have the best the market has to offer at competitive rates. As of the writing of this manual, three companies have relationships with the PC (USA):

GuideOne Insurance – www.guideone.org or 877-448-4331

Church Mutual Insurance – www.churchmutual.com or 800-554-2642

CHECK WITH YOUR PRESBYTERY OFFICE FOR INFORMATION ON A PRESBYTERY MASTER INSURANCE POLICY. Newton Presbytery has established a Master Policy through the Covenant Presbyterian Insurance Program. This has been both cost effective for the churches and has increased their coverage. The goal is to provide a service and to give churches the best coverage at an affordable price.

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, camp grounds, athletic facilities, investment properties, food stands, building sites, etc. You will need to specify square footage, material structure, etc. Often this is done 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.
- C. An inventory of all church-owned vehicles, including recreational vehicles and buses.
- 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, older adult groups.

Once the insurance representative has this list and makes a thorough evaluation of your property, 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.** Contents should be insured adequately to protect the initial investment, less depreciation.

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.

What are the different kinds of coverage needed?

It depends on your needs. Here is a review of the types of insurance available (*See Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches 2004-2007* for detailed information on each type of insurance.

- Property Insurance
- General Liability
- Sexual Misconduct Liability
- Pastoral Professional Liability
- Workers' Compensation
- Umbrella Liability
- Minister's Personal Liability
- Employee of Volunteer Dishonesty
- Suggestions for handling employee theft
- Automobile Liability
- Directors and Officers
- Business Travel Accident Insurance
- Insurance for Travel Abroad
- 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-Premise Insurance which covers church property in transit, during storage or while out for repair.
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

Transportation for church members is a safety concern for the church as well as those who are driving. *Please be sure that you are up to date on Federal Bus Regulations and any warnings issued by the National Highway Traffic Safety Administration (NHTSA) such as the “Rollover Risk of 15 passenger vans.”*

Risk management and insurance coverage should be a high priority of the church. Seek competent advice!

Chapter 7

PERSONNEL

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 handicapped persons or veterans. Depending on the size of the employing organization, there are laws which pertain to hiring 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: 2000-2003*. (See Resources for ordering information). According to the *Book of Order, G-10.0102n.*, the session is “responsible for the employment of non-ordained staff, with concern for equal employment opportunity, fair employment practices, personnel policies, and the annual review of the adequacy of compensation for all staff, including all employees. The employment process is usually handled by a session authorized Personnel Committee. (See Resources for *Guidelines for Session Personnel Committees*)

This section of the Treasurer’s Manual will concentrate on guidelines that the treasurer must handle for all employees, ordained and non-ordained.

Financial Checklist for Employees (Additional Clergy Information is listed below.)

- Maintain files, *if asked by the session*, on background checks, references, sick days, vacation time, time cards, etc., name and phone number to call in case of emergency
- Include in file the hiring date, wages, exemptions (federal, state and local), copy of current W-4, employment status (exempt or non-exempt, part-time or full-time) and any other information necessary for each employee
- Have 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 and Form I-9
- Have employee complete a W-4 indicating wage and tax information at time of hiring and every December for the following year.
- Notify payroll service, if you use one, or set up person on your system
- Notify appropriate agencies about a new employee hire.
- Give employee all necessary forms to complete for benefits - insurance, pension, retirement savings, etc. (See Board of Pensions publications or website for health insurance coverage, pension, retirement savings and all forms for both clergy and lay employees. Website: www.pensions.org Member Services 1-800-773-7752)
Specific Clergy hire /termination process listed below.

- Annually, update all forms for health insurance and pension whether Board of Pensions or another source. (Member Change Form or New Employee Form from BOP)
- Complete all forms and notify insurance carrier if employee needs to be added to insurance for vehicles, liability, sexual misconduct, workers' compensation.
- If 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 and when to be turned in.
- If employee will be issued credit cards, have all forms completed and remind him/her of receipts being turned in after using card.
- If the employee is to have signature on bank accounts, CD's etc., fill out the appropriate forms and give to the bank or other places where the signature needs to be on file. (Be sure to make copies and file for record retention and back up.)
- Give employee a supply of reimbursement and travel vouchers, along with a copy of the session approved accountable reimbursement plan.

Termination

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.

WHEN MINISTER OR COMMISSIONED LAY PASTOR IS HIRED

Many of the items in the checklist above apply to clergy. However, listed below is some specific information about Ministers or Commissioned Lay Pastors.

1. Remember that all installed ministers must be a member of the Board of Pensions (BOP) which provides health insurance, pension and death/disability coverage. Optional forms of insurance are available, dental, optional death/disability coverage, etc. from BOP and may be paid by the member or negotiated in the terms of call. (Check with BOP for complete information – 1-800-773-7752 or www.pensions.org)
2. Submit completed Member Change Forms to the Board of Pensions.
3. **Ministers are considered "Self-Employed" for Social Security Purposes and are considered an "Employee" for Federal Tax Purposes.** This means that a minister

is responsible for self-employment taxes (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-clergy employees. The minister is responsible for filing and paying self-employment taxes. For federal tax purposes, however, a minister is an employee. The minister can request that the employer withhold Federal Income Tax OR he/she can pay this along with the self-employment taxes, usually on a quarterly basis.

NOTE: A minister can request a greater amount of Federal Income Tax be withheld to help offset the self-employment taxes he/she will have to pay. When they reconcile their quarterly return, they will be overpaid in Federal Income Tax and under paid in Self-employment Tax and the amounts will offset each other. **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 (Website: <http://www.irs.gov/> or by calling 1-800-829-3676. ALSO, you can consult the BOP publication "Tax Guide for Ministers," contact your Board of Pensions Regional Representative or call BOP RESPONSE line at 1-800-455-5129 and they will connect you with the legal services team to answer tax related questions.**

4. Housing Allowance **MUST** be designated in advance by the employing body and is excluded from gross income. This designation is usually approved by the session or by congregation when voting on the terms of call for the pastor. The housing allowance amount permitted **may not exceed the fair rental value of the property.** 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 publication, *Understanding Effective Salary or Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches 2004-2007*. (See Resources in back of manual)

Commissioned Lay Pastors

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 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 Taxes and Federal

Income Taxes. Be sure to consult your presbytery for guidance in the area of taxes and the Commissioned Lay Pastor. (Please use the Resources, *Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches: 2004-2007* OR Richard Hammer's *Church and Clergy Tax Guide 2009* updated annually)

Remember to follow the recommended procedures for all employees when a Minister or Commissioned Lay Pastor is terminated.

Reference Resources for Chapter 7 – Personnel

Church and Clergy Tax Guide 2009 Edition, by Richard Hammar

Legal Resource Manual for Presbyterian Church (U.S.A.) for Middle Governing Bodies and Churches: 2004-2007, General Assembly Council Office of Legal/Risk Management Services

Presbyterian Church (U.S.A.) Guidelines for Session Personnel Committees,
<http://www.pcusa.org/clc/pdf/gspcguidelines.pdf>

RESPONSE Hotline, Board of Pensions, Legal Services, 1-800-455-5129

Social Security and Other Information for Members of the Clergy and Religious Workers, Internal Revenue Service Publication 517

Understanding Effective Salary, Board of Pensions Publication

Personnel Policies and Practices, The Presbytery of Newton

Chapter 8

STEWARDSHIP AND BUDGETING

According to the *Book of Order*, G10.0102, the session has the responsibility

G10.0102h. to challenge the people of God with the privilege of responsible Christian stewardship of money and time and talents, developing effective ways for encouraging and gathering the offerings of the people and assuring that all offerings are distributed to the objects toward which they were contributed.

G10.0102i. to establish the annual budget, determine the distribution of the church's benevolences and order offerings for Christian purposes, providing full information to the congregation of its decisions in such matters.

Stewardship

"...stewardship is the responsive practice of Christians making proper use of the gifts God has given them for the sake of God's work in the world..."

Stewardship Theology 2001, 213th General Assembly approved statement of stewardship theology.

The treasurer is NOT responsible for the education of Year-Round Stewardship of the congregation. This is the responsibility of the session as assigned to a stewardship committee or the board of deacons. There are a number of resources available. The treasurer should keep a copy of the *Stewardship Manual: A Guide to Year-round Financial Stewardship Planning* available for use by the people involved in stewardship education. Other ways the treasurer can assist is with financial information when the stewardship committee is planning a pledge campaign. Interpretation of the financial information concerning the current year in comparison to last year can offer valuable information in planning and budgeting.

Other stewardship education resources are listed in the Appendix and should be shared with the session stewardship committee.

Budgeting

The treasurer may assist in the preparation of the church budget. A budget is a format which shows the source of monies and the planned disbursements. A budget shows a plan for programming based on available resources. It must be realistic and anticipate the unexpected. A church budget can be viewed as an expression of the goals of a congregation translated into dollars and aligned in priority order. 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. When the budget is properly developed, continually updated, and used effectively, 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 low 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 used.

This section describes the program budget development process.

Budget Development

Steps for Budget Process

1. Congregational leaders (Leadership Team comprised of the session and congregational leaders) who are concerned for the continuing health of their congregation and for a genuine ministry to people will make plans for the future.
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 benevolences, 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. It is important that the recipients of mission dollars be evaluated for the continuing or increased need for funds. Mission giving can be an excellent form of mission education for the congregation and may encourage increased participation from the members of the congregation. 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. It is important for the Mission Committee to study the Presbytery, Synod and General Assembly mission needs as well as those of local organizations. After completing the study, the committee should make budget requests keeping in mind that the Presbyterian Mission is a top priority. Support of local mission projects is very important and should be included, but we must remember that these projects are usually ecumenically supported and only 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 <http://www.pcusa.org/missionconnections/profiles/missionaries.htm>
3. Goals are recommended to committees for action. Committees make budget requests to the Budget Committee.
4. 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.
5. The annual stewardship drive is held and pledges are made. NOTE: Financial Campaign Materials including Financial Commitment Cards, sermons, children's sermons, worship resources, Stu Bear Materials, etc. are published by Stewardship

Education Team and available from this office or Presbyterian Distribution Center. Many of the materials are free or available for a nominal charge or shipping costs.

6. The Session Personnel Committee holds annual reviews and recommends salary packages for all personnel to the Budget Committee
7. Using the goals that were set, committee requests, personnel recommendations along with the budget projections and pledges, the Budget Committee forms a budget.
8. The proposed budget goes to the session for approval for all items except the clergy terms of call (salary packages).
9. The congregation approves the terms of call at a called Congregational Meeting, usually the annual meeting.
10. Once the budget and terms of call are approved, the budget is set for the new year.
11. It is advisable for the session to continue monitoring the budget through the regular financial reports from the treasurer.

Developing a budget without solid program planning is fruitless. The annual budget should communicate the goals, hopes and dreams of the congregation. The approved budget should be presented to the congregation for information only. There are many ways to present the budget – Line Account Budget, Category Summarization Budget or Narrative Budget. It is important

Reference Resources for Chapter 9 – Stewardship and Budgeting

Directed Mission Support Book, published by Mission Funding
(<http://www.pcusa.org/missionconnections/profiles/missionaries.htm>)

Presbyterian Church (U.S.A.) Website: www.pcusa.org

Stewardship Manual: A Guide to Year-round Financial Stewardship Planning,
PDS #7253094002
published by Stewardship Education Team, General Assembly

RESOURCES

The Board of Pensions of the Presbyterian Church (U.S.A.) www.pensions.org

2000 Market Street
Philadelphia, PA 19103-3298
800-773-7752

MOST PUBLICATIONS CAN BE DOWNLOADED FROM THE WEBSITE

Benefits Administrative Handbook for Churches and Employing Organizations of the Presbyterian Church (U.S.A.) Handbook for Church Treasurers, Clerks of Session and Business Administrators that describes the benefits plan and assistance programs of the denomination as well as payroll and benefits taxation.

Tax Guide for Ministers, Tax information for ministers and churches.

Understanding Effective Salary, Booklet describing how effective salary is determined.

Church Law Today (RESOURCES: <http://www.churchlawtoday.com/>)

Church and Clergy Tax Guide 2009 edition, by Richard Hammar, J.D., L.L.L., C.P.A., Updated each year.

The Church Guide to Employment Law, by Julie L. Bloss, J.D., CEBS, 2d ed.

Church Finance Today Monthly newsletter of accounting, financial and tax developments affecting churches.

Risk Management for Churches, by Richard Hammar, J.D., L.L.L., C.P.A.

Hubbard Press, 800-328-3694 or web site: www.pcusa.org/hubbard Source for all giving materials such as Offering Envelopes, Pledge Record Forms, Automatic Debit Services for Pledge and Gift Giving. See Appendix for Electronic Funds Transfer Program.

***Internal Revenue Service Publications*, 1-800-TAX-FORM or 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

Insurance Carriers

GuideOne Insurance – www.guideone.org or 877-448-4331

Church Mutual Insurance – www.churchmutual.com or 800-554-2642

Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches, 2004-2007, Office of Legal/Risk Management Services, General Assembly Council, 1-888-728-7228, ext 5369.

Presbyterian Church (U.S.A.), www.pcusa.org – Using the website (Search), many of the materials listed below may be ordered from Presbyterian Distribution Center. Descriptions of the materials and the offices that produced the materials are also on the website and may give more pertinent or related information.

1-888-728-7228 (People)

1-800-872-3283 (Information)

1-800-524-2612 (Resources) – a.k.a. **Presbyterian Distribution Center**

Book of Order, Part II Constitution of the Presbyterian Church (U.S.A.)

Employee or Independent Contractor – Published by Office of Risk Management, Ext. 5369, 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 Session Personnel Committees,

<http://www.pcusa.org/clc/pdf/gspcguidelines.pdf> Presbyterian Church (U.S.A.)

Employee Handbook, Human Resources Office, Extension 5710.

Stewardship Education Materials – Contact David Johnson, Extension 5140 or Charles Spencer, Extension 5164

Stewardship Manual: A Guide to Year-Round Stewardship Planning,
PDS#72530-94-001

Presbyterian Church (U.S.A.) Foundation, 1-800-858-6127, 200 E. Twelfth Street,
Jeffersonville, Indiana

Presbyterian Distribution Center, 1-800-524-2612. (<http://www.pcusa.org/marketplace/>)

Approved by Session: _____, 20__

CASH DISBURSEMENTS POLICY AND PROCEDURES

This is the policy of _____ Presbyterian Church to pay vendors by check for goods and services purchased by the church. Below are policies adopted by the session 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.
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.
4. Checks will be written and payments disbursed at least every two weeks or more often if necessary.
5. Checks will be signed by _____. Checks over \$ _____ require two signatures. 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 of the church office.
6. Petty Cash – Purchases under \$10 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. The treasurer will match receipts with bill before paying and will record the expenses in the church financial records.
8. Discretionary funds will normally be paid to the vendor on the recipient's behalf. Example: Pay rent or utilities to the gas and electric company or landlord on behalf of an individual. Food vouchers or grocery store gift certificates will be purchased and issued to an individual.
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.

This is a sample of a Cash Disbursements policy that can be adapted for your unique situation.

Endowment or Restricted Funds
(Indicate if Endowment, Restricted or Designated Funds)

Endowment _____

Restricted _____

Designated _____

Fund Name _____

Date Created _____ Value _____

Given by Whom _____

Address _____

Phone # _____

Special Instructions _____

History _____

FULLY ACCOUNTABLE EXPENSE REIMBURSEMENT PLAN

The _____ Presbyterian Church maintains 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. All mileage expenses will be reimbursed at the 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.
2. Receipts are required for reimbursement of expenses.
3. 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 \$6/breakfast, \$10/lunch and \$15/for dinner.
4. 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 5 days.
5. 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.
6. 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.
7. Requests for reimbursement must be made within 30 days of the expense.
8. 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 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: _____

This is a sample that can be adapted, if necessary, for your unique situation.

MISSION FUNDING

SHARED & DIRECTED MISSION SUPPORT GUIDELINES

Basic Mission Support

Your gift to shared Basic Mission Support strengthens and promotes the mission of the entire church. From Albuquerque to Abu Dhabi 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. For more information, call the office of the Presbytery of Newton (973-361-0084) or PCUSA in Louisville at (888) 728-7228, x5141.

Directed Mission Support

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, presbytery 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.

The Directed Mission Support Catalog

<http://www.pcusa.org/missionconnections/profiles/missionaries.htm>

PLEDGE FORM – ???

MISSION FUNDING

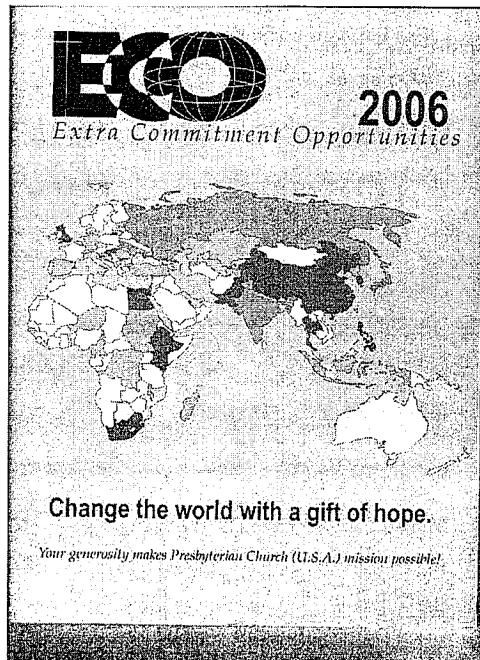
EXTRA COMMITMENT OPPORTUNITIES GUIDELINES

<http://www.pcusa.org/health/international/eco.htm>

Extra Commitment Opportunities

More than 1000 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 sessions' adopted budgets

<http://www.pcusa.org/health/international/eco.htm>



This catalog is no longer available. For illustrative purposes only. PDS Item # 6870007085

MISSION FUNDING

SPECIAL OFFERINGS OF THE PRESBYTERIAN CHURCH (U.S.A.)

Churchwide Special Offerings

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. There are four churchwide special offerings in the calendar year:

Christmas Joy

When: December

What it Supports:

- Eight racial ethnic schools
- PC (USA) Board of Pensions assistance programs

Peacemaking Offering

When: October

What it Supports:

- Peacemaking efforts at congregational level
- Peacemaking efforts at Presbytery and Synod level
- Presbyterian Peacemaking Program of the General Assembly

Pentecost Offering

When: May

What it Supports:

- Children, youth and young adults
- Worldwide youth ministry and education
- Evangelism and outreach with your
- Youth at risk

One Great Hour of Sharing Offering

When: Easter or Palm Sunday

What it Supports:

- Presbyterian Hunger Program
- Presbyterian Disaster Assistance
- Self-Development of People

Other Specific Appeals

Theological Education Fund, Disaster Assistance, Presbyterian Women Appeals

To order resources call Presbyterian Distribution Services at 1-800-524-2612

Additional information can be found at: www.pcusa.org/give

Suggested Procedures for Counting Offerings and Recap Sheet

COUNTING COMMITTEE GUIDELINES

1. Two (2) elders or deacons will serve as a counting team to count each offering received, and to determine that a proper accounting of the offering is made.
2. A series of counting teams shall be formed to make a counting committee of the session. The teams shall rotate the responsibility of counting the offerings by Sunday. The teams will be designated as the First Sunday Team, the Second Sunday Team, the Third Sunday Team, and the Fourth Sunday Team, respectively.

All offerings taken during the week shall be the responsibility of the counting team designated for the respective Sunday of the week in which the worship service falls.

3. An active session elder or deacon will be appointed to head each of the Sunday counting teams, respectively. This elder or deacon will be responsible for securing the second counter to complete his or her counting team. Former elders or deacons who have been counters in the past shall be considered for this honor.
4. The 13th Sunday of each calendar quarter will be covered by the counting team whose team number corresponds to the number of the calendar quarter. The 13th Sunday is the 5th Sunday of the month of the calendar quarter. The assignments are as follows:
 - The First Sunday Team will be the counting team for the 5th Sunday in the first quarter
 - The Second Sunday Team will be the counting team for the 5th Sunday in the second quarter
 - The Third Sunday Team will be the counting team for the 5th Sunday in the third quarter
 - The Fourth Sunday Team will be the counting team for the 5th Sunday in the fourth quarter
5. The elders or deacons assigned to the counting teams are responsible for securing their replacements should they be unable to serve on their designated Sunday of the month.
6. Elders or deacons who are from the same family shall not serve on the same counting team at the same time unless an emergency situation arises.
7. Elders or deacons shall be designated for a period of one (1) year with assignments reviewed annually for rotation. Generally, the assignments of elders or deacons to the counting teams will be the elders or deacons first elected to the newest class of the session or board of deacons for the current year.

8. The Financial Secretary and all past Financial Secretaries shall be eligible to serve as a counter in the case of an emergency.
9. The confidentiality in handling members' gifts and contributions shall be respected. No records shall be retained by the Counting Committee. The Financial Secretary shall prescribe the counting sheet summary to be used as a posting medium for the church's records, and for documentation to support each member's gifts and contributions received.
10. The Financial Secretary will provide a set of written instructions for the Counting Committee 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.
11. Counters should arrange to bring a bank deposit bag with them on the Sunday for which they are assigned to count to pick up the offering from the communion table. After the pledge and pew envelopes and loose cash is put into the bag, the offering or collection plates are to be placed on the last pew on the right hand side of the Sanctuary facing the rear of the building.
12. The Sunday offering may be temporarily stored in the top drawer of the church safe, and the cash count shall then be made and deposited by the counters before the end of the week.
13. The Sunday offering may not be taken to a counter's home for making the cash count. The insurance coverage of the church on the officers or those persons designated by the session to have access to the assets of the church requires that the cash be kept on the church premises until deposited in a financial institution designated by the session.
14. The Financial Secretary will be responsible to reconcile the amount shown on the counter's 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 discrepancy called to our attention between the amount shown on the bank deposit slip and the actual cash received by the bank.

Suggested Records Retention Guidelines

Accident reports and claims	7 years	Insurance Policies (expired)	6 years
Accounts payable ledgers/schedules	7 years	Insurance records, current accident reports, claims, policies, etc.	Permanently
Accounts receivable ledgers/schedules	7 years	Internal audit reports (<i>in some situations, longer retention periods may be desirable</i>)	3 years
Articles of Incorporation	Permanently	Internal reports (<i>miscellaneous</i>)	3 years
Audit report of accountants	Permanently	Inventories of materials and supplies	7 years
Bank deposit slips	3 years	Invoices to customers	8 years
Bank reconciliation	1 year	Invoices from vendors	8 years
Bank statements (not including canceled checks)	Permanently	Journals	Permanently
Brokerage statements (annual)	Permanently	Magnetic tape and tab cards	1 year
Budgets	2 years	Minute books for director and stockholders, including bylaws and charter	Permanently
Capital stock and bond records: ledgers, transfer registers, stubs showing issues, record of interest coupons, options, etc.	Permanently	Notes receivable ledgers and schedules	7 years
Cash books	Permanently	Payroll records and summaries, including payments to pensioners	8 years
Checks (canceled but see exception below)	7 years	Petty cash vouchers	3 years
Checks, canceled for important payments, i.e., taxes, purchases of property, special contracts, etc. (<i>Checks should be filed with the papers pertaining to the underlying transaction</i>)	Permanently	Property appraisals by outside appraisers	Permanently
Contracts, mortgages, notes & leases (expired)	7 years	Property records: including costs and depreciation reserves	Permanently
Contracts, mortgages, notes & leases(still in effect)	Permanently	Purchase orders	7 year
Copyright registration	Permanently	Retirement and pension records	Permanently
Correspondence (routine) with customers/vendors	1 year	Savings bond registration-records of employees	3 years
Correspondence (general)	3 years	Stenographer's notebook	1 year
Correspondence (legal and important matters only)	Permanently	Stock and bond certificates	7 years
Deeds, mortgages, and bills of sale	Permanently	Subsidiary ledgers	7 years
Depreciation schedules	Permanently	Tax returns and worksheets, revenue agent's reports and other documents relating to determination of income tax liability	Permanently
Duplicate deposit slips	2 years	Telephone logs/message books	7 years
Employee expense reports	3 years	Time cards	7 years
Employee payroll records (W-2, W-4, annual earnings records, etc.)	4 years	Trade mark registrations	Permanently
Employee personnel records (after termination)	6 years	Training manuals	Permanently
Employment applications	3 years	Voucher register and schedules	7 years
Expense analyses and expense distribution schedules	7 years	Voucher for payments to vendors, employees, etc. (<i>Includes allowances and reimbursements of employees, officers, etc. for travel and professional expenses</i>)	7 years
Financial statements (end of year, other months optional)	Permanently	Withholding tax statements	7 years
Freight bills	4 years		
Garnishments	7 years		
General & private ledgers(&EOY trial balances)	Permanently		