

# CHURCH TREASURER MANUAL



**Synod of Lakes and Prairies**  
Presbyterian Church (U.S.A.)

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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 or synod office, and ask about further information.

The resources and appendix of forms are current as of the writing of this manual. 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 encouraged to obtain these materials/manuals and include with this Treasurer's Manual. Take a moment 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, the Synod of Lakes and Prairies (800-328-1880) or General Assembly (888-728-7228) or visit the website: [www.pcusa.org](http://www.pcusa.org) or [www.lakesandprairies.org](http://www.lakesandprairies.org) .

**The *Book of Order* (G-3.0113) states:**

### **Finances**

**Each council shall prepare and adopt a budget to support the churches mission within its area**

**A full financial review of all financial books and records shall be conducted every year by a public accountant or committee of members versed in accounting procedures.**

**Reviews should not be related to the treasurer(s). 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.

The *Book of Order (G-3.0205)* states further:

**Finances**

In addition to those responsibilities described in G-3.0113, the session shall prepare and adopt a budget and determine the distribution of the congregation's benevolences. It shall authorize offerings for Christian purposes and shall account for the proceeds of such offerings and their disbursement. It shall provide full information to the congregation concerning its decisions in such matters.

The session shall elect a treasurer for such term as the session shall decide and shall supervise his or her work or delegate that supervision to a board of deacons or trustees. Those in charge of various congregational funds shall report at least annually to the session and more often as requested. Sessions may provide by rule for standard financial practices of the congregation, but in no case fail to observe the following procedures:

- a. All offerings shall be counted and recorded by at least two duly appointed persons, or by one fidelity bonded person;
- b. Financial books and records adequate to reflect all financial transactions shall be kept and shall be open to inspection by authorized church officers at reasonable times;
- c. Periodic, and in no case less than annual, reports of all financial activities shall be made to the session or entity vested with financial oversight.

## 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. Providing the financial records and required reports for the annual review or audit
  9. Ensuring 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/or the 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-3.0205)* requires 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 that 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 secured. 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 that is consistent with your congregation's risk tolerance.

## 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 and at least quarterly if not monthly or semi-weekly 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 of those taxes and you should contact your local and state tax offices for accurate information. The treasurer may be responsible for any other IRS filings. 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. Your presbytery or synod may also be able to provide help in this area.

**Filings which must be made:**

- Form 941 – “Employer’s Quarterly Federal Tax Return. Exempt organizations that withhold Social Security, Medicare and Federal Income taxes are required to file Form 941. After the first form 941 is filed, it is required that a form 941 be filed each quarter even if there are no taxes to be reported that quarter. This return reports the taxes withheld and the employer’s portion of Social Security and Medicare taxes.
- The frequency with which the church must pay the taxes to the Treasury Department is dependent upon the volume of tax due. These payments are accompanied with a Form 8109, “Federal Tax Deposit Coupon”. Payments are usually made at your financial institution/bank. Similar requirements and forms are necessary for those states with state income taxes.
- You must send the IRS copies of certain W-4 forms (Employee’s Withholding Allowance Certificate). Send copies when the employee (1) claims more than 10 withholding allowances, or (2) claims exemption from withholding and wages would normally be more than \$200 per week, or (3) you have received notification from the IRS to send any other category of W-4.
- W-2 – Annually, all employers must report wages earned to the employee and to the IRS (through the Social Security Administration). Be especially careful about treating individuals as independent contractors. The rules are complex. Again, those states with income taxes have similar reporting requirements for wages (state copy of W-2). Form W-3 is used to summarize the information on the W-2’s.
- 1099-MISC – Filed for payments made to non-employee individuals in excess of \$600 per year. 1099-INT – Filed for payments of interest to individuals in excess of \$10 per year. Form 1096 is used to summarize the 1099 forms. You may need to obtain a W-9 from the payee to certify their social security or federal ID number.
- Form 4562 – filed if the organization provides the pastor or other employee with a car.
- Form 8282 – Donee Information Return for donated property (not including cash or publicly traded securities) with a value in excess of \$5,000, and disposed of within two years of the contribution.
- Form 5578 – Certificate of Racial Non-discrimination, if the organization operates a school or pre-school.
- Form 5500 – C/R – This form is filed annually for those organizations having employee benefit plans (pension, health care, maybe a Section 125 plan, etc.). This does not apply to the denominational benefit program (Board of Pensions), nor to any amounts paid to an employee and reported as income to the employee.
- Form 990T – All exempt organizations that receive \$1,000 or more of gross income from an unrelated trade or business (as defined in Section 512(b)(12) of the Internal Revenue Code) must report, compute and pay tax on such income.
- Most states require employers to report newly hired employees.

### **Filings which need not be made:**

- Form 990 – “Return of Organization Exempt from Income Tax” – churches, their integrated auxiliaries, and conventions or associations of churches are exempt from filing this form with the IRS.
- Forms 1023 and 1024 – “Application for Recognition of Exemption”. All churches chartered by the Presbyterian Church (U.S.A.), all Presbyteries, Synods and other church-related corporations, if listed in the Minutes of the General Assembly, are included in a Group Exemption Letter from the IRS which makes it unnecessary to separately apply for exemption. The denomination completes a report each year to bring this listing up-to-date. If you need a copy of the exemption letter, please contact Legal Services Department, Presbyterian Church (U.S.A.), 100 Witherspoon Street, Louisville, KY 40202-1396, 888-725-7228, extension 5369.

### **Forms required of employees:**

- W-4 – “Employee’s Withholding Allowance Certificate”. For most employees, this form is completed when newly hired and only again if there is a change in family status or the amount of tax withheld must be changed. For those employees who have claimed to be exempt from withholding, a new W-4 must be completed each year. Many states have a similar form.
- I-9 – “Employment Eligibility Verification”. This form, from the U.S. Department of Justice, Immigration and Naturalization Service, is used to verify that a new employee is a legal resident and has the right to work in the United States. All employees must complete this form, usually only once per employer, including those born in this country.

Many federal tax forms and publications are available on-line in PDF (Adobe Acrobat Reader) format at <http://www.irs.gov/formspubs/index.html>. Many state forms and information may be available at your state revenue web site.

### **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. Journals are books of original entry and ledgers are books of final entry. All transactions are first posted to the appropriate journal. From the journal, the entries are transferred to the appropriate ledger sheet.

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 is in Chapter on Internal Controls and Record Keeping and in the Appendix.)

### **Fund Reporting**

1. GENERAL OR CURRENT FUNDS are the funds that 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. In accounting terminology, restrictions may be placed on funds only by the donor, either expressed or implied. If the governing body establishes a fund for a particular purpose and donors make gifts to that fund, those are restricted funds. The recipient governing body may make designations. Designations made by one Session or Board of Trustees may always be modified by a future action of the appropriate body.
3. GENERAL 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 (Shared and Directed Giving), and support of local or ecumenical missions. On the basis of the church's annual budget these monies are to be sent to the proper governing body, often in equal monthly or scheduled amounts. 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 for Presbyterian giving to the treasurer of the churches. Please use these forms so that the gifts your church remits will be properly recorded and disbursed.
4. NON-BUDGETED MISSION FUNDS are those monies designated for special offerings, e.g. One Great Hour of Sharing, Witness Season, Hunger Relief, Disaster Relief, Extra Commitment Opportunities, etc. These funds are also remitted to the *Receiving Site* promptly, usually monthly.
5. ENDOWMENT FUNDS refer to gifts received that have been so restricted or designated that only the income generated from the principal can be used. Sometimes, restrictions may be placed on the use of the income. 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 and congregation.
- ✓ 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. The treasurer maintains books of account, journals, and ledgers associated with the church's choice of accounting method.
- ✓ Audit procedures are required by the *Book of Order*. The Treasurer must make all records available to the auditors and cooperate with their requests.
- ✓ Maintain the checkbook(s). Signers for checks should be authorized by the Session. A common procedure includes that all checks over specific dollar amount (set by the Session) be counter-signed (second signature).
- ✓ Be sure that more than one individual is aware of the financial information of the church.
- ✓ Keep a file all financial reports and see that a copy is kept on file in the office and is available for all interested members.

### Giving Records

The treasurer or financial secretary should maintain member pledges and giving records. 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*, (updated annually) 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 and to send it to the attention of the person responsible for preparing the reconciliation. The bank statement should be delivered to this person unopened.

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.
- ✓ 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(s) monthly.
- ✓ Balance subsidiary ledgers to general ledger accounts on a regular basis (may be done automatically in computerized record keeping).
- ✓ Review comparative financial statements in sufficient detail every month to disclose significant variations in revenue and expenses. Use budget or forecast to detect whether goals are achieved. Investigate differences – what happened and why. These variations should be brought to the attention of the Session and/or the Board of Trustees.

- ✓ 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 at least weekly.
- ✓ It is essential that records are retained. See Record Keeping next in this chapter. *See Appendix for recommended Records Retention Guidelines*

## **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. A person other than the Treasurer should know where these are kept and check periodically to see that procedures are followed.

The treasurer should keep a folder with all essential information for the church regarding the finances (It may be helpful to keep a copy in the safe or safety deposit box off site)

- ✓ Federal ID#
- ✓ State ID#s – Tax Exemption, State Withholding #, Local Withholding #
- ✓ Bank(s), account number(s)
- ✓ Investment firm (may be New Covenant Funds), contact and phone # - Include any account numbers
- ✓ Loan information – how financed, account #, rate, term, secured by, payment information, loan officer name & phone number, etc.
- ✓ List of church software being used including version, serial numbers, secure passwords and support phone numbers.
- ✓ 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](http://www.pcusa.org), financial secretary, etc.
- ✓ Any other pertinent info for your congregation.

RECORD RETENTION GUIDELINES ARE IN THE APPENDIX.

Financial records should be as simple as practical but with enough detail to provide the information necessary for an efficiently run church. This is always a balancing act between being understandable to a user who is not a financial professional and keeping complete

records. 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/or the Session. See section, later in Chapter 3, for more information on Financial Secretary and Tellers.

The purpose of this section 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 journal 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 general ledger accounts utilizing 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, and subsidiary journals and from these journals postings are made to the general ledger with a full chart of accounts. A Chart of Accounts is a listing of all of the accounts in a bookkeeping operation that are ordinarily numbered for ease in posting. Posting is the transfer of information from the journals to the general ledger. *(A suggested Chart of Accounts can be found in the Appendix)* Bookkeeping records should be kept permanently and should be accessible to church officials.

**Cash Receipts** are often broken into six major categories. There may well be more categories or sub-categories, based on the needs of your congregation.

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. (Does not include income from the sources listed below). 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 \$500. This is especially important to keep track of when there has been a capital campaign to raise funds and people have made pledges for this purpose.
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. **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.
6. **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).

**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 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 and to the total from last 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 often broken into 8 categories

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, and Witness), other offerings for Hunger, Disaster Relief, 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 often committee chairs, clerk of Session, business manager, the pastor, 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 that donors feel with regard to their gifts. A detailed receipt and/or periodic statement 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 typically can process payments for all Presbyterian related purposes:

- \*Per Capita
- \*Basic Mission Support (Shared and Directed Support)
- \*Special Offerings – One Great Hour of Sharing, Pentecost, Peacemaking, Christmas/Joy,
- \*Disaster Assistance
- \*Hunger Fund
- \*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 usually 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 shares, 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 post dated to the previous year and received in January (other than a December postmark) must be counted as the current year not the year just ended.***

## **Tellers**

SUNDAY OFFERINGS should be counted immediately after the service by two or more persons. An alternative is for the offerings to be stored temporarily in a secure safe and

counted and deposited on the next banking day. 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 prepared 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) 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 (usually monthly) basis. This may help with cash flow and budget planning. It is also more convenient for many givers and is the way that many people are already making payments to various organizations and vendors.***



## 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 principal or corpus is restricted and the use of income is restricted or unrestricted. If your church has both restricted and unrestricted, or multiple restrictions, appropriate records must be kept to keep these amounts separate, at least on paper. If appropriate records are available, it may not be necessary to place them in separate investment accounts.

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 purposes approved by the Session or Trustees. 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 funds, 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 building 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/or 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, your presbytery or synod office, or call 1-800-858-6127 to learn the name of your development officer and receive more information. The Foundation's website is [www.fdn.pcusa.org](http://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 (New Covenant Funds).

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:

New Covenant Funds (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)

Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. (PILP) -- This program was created by the 207<sup>th</sup> General Assembly (1995) as an opportunity for individuals, congregations, governing bodies and related organizations to share in the ministry of the Presbyterian Church (U.S.A.) and the development of capital projects throughout the church. Investments in this program are in the form of Investment Certificates, which are interest bearing investments competitive with certificates of deposit issued by banks. These funds are invested in market-or-below loans for capital projects for our churches, secured by first mortgages on the underlying real property. Investment Certificates may be issued in terms of one to five years at either a fixed or variable rate of interest. The minimum investment is \$500. Presbyterians who place investments with PILP will not only receive a competitive return, they will know that their investments are being used to strengthen our future through construction of new Presbyterian Churches and improvements of existing facilities. For more information contact: Presbyterian Church (U.S.A.) Investment and Loan Program, Inc., 100 Witherspoon Street, Louisville, KY 40202-1396, 1-800-903-PILP (7457). For information on loans, contact the Director of Loan Operations at the same address/phone.

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 --usually rated--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, military, 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. It is often advisable to have at least two persons to withdraw funds or to require withdrawal to be wired directly to the church's existing bank account.

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. Investment vehicles used must be from a list of acceptable investments as approved by the Session and recorded in Session Minutes at least annually.

#### **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 total return of 3 to 5% above the rate of inflation 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 5% 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 and provide for short-term liquidity for cash flow purposes.

## **Fiduciary Responsibilities of Boards and Sessions**

I. Gift as a contract

- A. Concept of offer and acceptance
- B. Importance of agreement on all conditions prior to acceptance
- C. Offer and acceptance constitute a binding contract which is governed by secular law
- D. Session needs to formulate policy for review, recommendations, negotiations, and right of refusal for all gifts bearing restrictions or “strings”

I. Accountability for funds when derived from gifts

- A. Book of Order (G-3.0205) lays out requirements for:
  - 1. Recording of gifts
  - 2. Keeping of adequate books and records
  - 3. Annual reporting to appropriate board or committee
  - 4. “Full financial review”
- A. Failure to comply with Book of Order guidelines can be damaging evidence any legal action challenging Session’s management/fiduciary responsibilities

I. Legal requirements relating to acceptance of gifts

- A. IRS enforces guidelines under which gifts may be considered tax-deductible
  - 1. No “strings” attached to gift, such as . . .
    - a. Future reversionary interest in ownership or control of property
    - b. Retained rights to direct use of gift or its proceeds at some future date
    - c. Exchange of gift for an goods or services
    - d. Directing gift to benefit any specific individual (even if there is no direct relationship to donor)

1. IRS requires a “contemporaneous” written receipt for each gift amounting to more than \$250; must be issued not later than date of filing of timely tax return
  2. IRS requires very precise valuation and reporting process for gifts of “non-cash assets” (e.g. real property, personal property, or financial assets that are not publicly traded) --Form 8283
    - a. Applies to any non-cash gift of \$500 or more
    - b. Appraisal cannot be provided by the donee (church)
    - c. Disposition of non-cash asset, by sale or other (including re-donation to another charity) may require reporting to IRS and donor on Form 8282
    - d. IRS can impose penalty for each instance in which donee fails to maintain and report gift transactions
    - e. Egregious violations of law and regulations can result in loss of tax exemption
- A. Real-estate gifts – environmental and title issues
1. Important to assure that real estate is received with marketable title
    - a. No liens, encumbrances, or mortgages
    - b. Ownership interest being offered is entire (100%) or readily severable
    - c. At minimum, donor should offer “warranty deed”; may be advisable to secure title policy
  1. Are there potential environmental hazards
    - a. Essential to know the history of the property and its uses
    - b. “Phase I Environmental Assessment” is recommended for ALL gifts of real estate – even those with apparent history of use solely as residences (fuel oil tanks, etc.)
    - c. Liability for detected problems falls first to owner of record; then recovery can be made back through chain of title to creator of problem
- I. Fiduciary responsibility in administration of restricted gifts
- A. “Gift as contract” means that any donor restrictions imposed on offer become a binding contract on part of donees
  - B. Potential list of litigants could include: donor(s), donors’ agents, heirs, or assignees, donee organization’s officers or any members, or any potential beneficiary of the charitable interest which the gift was meant to address – also, state regulatory agency
  - C. Absent agreement among all the parties to the gift transaction to waive or modify a condition/restriction of the gift, a secular court must sanction any variance from the original donor intent
    1. One criterion will be that donor’s intent is no longer possible (not necessarily practical) to fulfill
    2. Usually, courts will release restriction only to extent that gift may be used for “next most nearly similar use”

3. Generally, restricted gift funds (especially endowments) cannot be diverted to the general use of the donee without a legal declaration of financial exigency (the “last gasp”)
- A. Session/board members who breach the trust imposed upon acceptance of restricted gifts could be subject to personal liability for their actions
- I. Special fiduciary obligations regarding endowments
    - A. Endowments may also be referred to as “trust funds”, “permanent funds”, or other terminology, but key is that the principal given cannot be expended, only the income from the investment of the principal
    - B. Use of the earnings from the endowments will be bound, by the terms of the gifts, in perpetuity – subject to oversight by secular courts
    - C. Various state laws (and legal precedents or “common law”) set standards for the responsible investment of endowment principal
      1. Laws and/or the gift instrument can dictate what portion of fund’s value can be expended (e.g. current income only, income plus realized capital gains, income plus total market appreciation beyond original gift value)
      2. State law can dictate what types of investment can (or must) be used for endowments – amount of risk
      3. Newly-emerging legal standard, the “prudent investor” rule which emphasizes management of trusts for total return rather than simply income, is gradually replacing the “prudent man” rule



## 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-3.0205 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 the Appendix). Please check with the Presbyterian Distribution Service for any updates or revisions, (800) 524-2612. ***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., call your presbytery office for a suggestion. It is important to use someone well versed in church and clergy tax laws and church finances. A sample *Request for Proposal (RFP)* may be found in the appendix to this manual.

## **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 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. This can give the congregation and Session the reasonable likelihood that the records are true and accurate, but not the certainty.

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 and be prepared to provide all records and to answer questions of the auditors. 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. Often this is 3 to 5 members.

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 accounts for the period being audited. The testing should be done for 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. A sample of donors may be asked to confirm that the records are correct.

**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 Session Minutes.

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.

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

**D. 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, if appropriate.

**E. 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.

**F. 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.

**G. 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 donors 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.

**H. 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.**

- I. **Tax Reporting:** The committee should examine W-4s from employees and verify that taxes were properly withheld based on the number of exemptions claimed. Records of tax deposits and reconciliation of amounts withheld should be compared with the quarterly 941s. The amounts of compensation and withholding need to be compared to W-2s given to employees to ascertain that all amounts reconcile and that tax deposits were made.

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 (financial secretary's records) 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

**Churches are directed by the *Book of Order*, G-3.0112 “Each council shall obtain property and liability insurance to protect its facilities, programs, staff and appointed officers.”**

**PLEASE SEE:**

- ✓ **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 Checklists for Churches and Schools (2002 edition)***, Ask for Module 8 – *Reducing Risks Associated with Natural Perils*, published by Christian Ministry Resources

*(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 – Contact Julie Slinger 1-800-624-2129  
Covenant Presbyterian Insurance Program 1-800-754-0669  
Church Mutual Insurance 1-800-554-2642

Check with your presbytery office for information on a presbytery master insurance policy. Many presbyteries have established Master Policies through one of the companies listed above. 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, or for replacement value.

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 2000-2003* for detailed information on each type of insurance.

- **ESSENTIAL**

**Building** – fire and extended coverage – insures church building(s) against fire and lightning, windstorm, hail, explosion, riot, civil commotion, aircraft damage, vehicle damage, and smoke damage.

**Contents** - insures the contents of the building(s), its furniture and possessions, against fire and lightning, and extended coverage's named above. It should also cover the business and personal property of clergy, officers, and others while such property is in the insured building(s).

**Bodily Injury/Property Damage Liability** – covers a church for situations in which damages or physical harm occur. This should include church sponsored activities and properties, both on and off the church premises. Also includes personal liability.

**Medical Payments** – covers all reasonable medical, surgical, and dental expenses and applies to congregation members as well as guests. The ability to quickly pay a medical expense, regardless of fault, can prevent costly and embarrassing litigation later.

**Workers' Compensation** – covers employees for accidental injury arising out of the course of employment.

**Sexual Misconduct** – covers the organization and its officers and directors (not including the alleged perpetrator) from liability arising from sexual misconduct. This coverage is usually specifically excluded from basic policies and must be added by adding a rider to the policy, usually with limits of protection significantly reduced from the base policy.

### **IMPORTANT**

**Vandalism, malicious mischief, and theft** – Churches, large and small, urban and rural, have often fallen prey to this increasingly common pattern of behavior in our society. Churches are no longer immune. One-third of all losses reported by churches are the result of burglary, theft, or vandalism.

**Boiler and Machinery** – covers boilers, electrical machinery, and air conditioning equipment for direct and indirect loss. In addition to paying losses, it is important for the loss prevention and engineering services available through the carrier. The necessity of this coverage is determined by the specific assets of the church, especially the heating system.

**Scheduled property floater** – this is all-risk coverage for specific items, such as artwork, glass, cameras, projectors and musical equipment, beyond the limits of the basic policy. This is dependent upon the value of specialty items owned by the church.

**Flood** – coverage is probably only available if the property is located in a designated flood plain. This is very important coverage for some churches, depending on your location. The same can be said for earthquake coverage in some parts of the country.

Valuable papers and records – covers the expense in reproducing or replacing church records in the event of their loss or destruction.

Fidelity bonds – coverage that will cover possible fiscal misconduct of employees and/or volunteers, such as theft or embezzlement. This coverage encourages prosecution of guilty parties and recovery of the lost amounts because the insurer is more likely to follow-up and not “sweep it under the rug”.

Broad form coverage – a very encompassing type of addendum which would cover many things excluded in the base policy, such as damage from falling objects, water damage (not flood), weight of snow, ice, or sleet, or building collapse.

Directors and Officers Liability – covers the potential liability of officers and directors from actions that were taken in “good faith”.

OPTIONAL -- (Check with your agent to see if these items are included in the policy covering your church. If not, consider purchasing this additional coverage if your situation warrants it.)

Off-premise insurance – covers church property in transit, storage, or while out for repair.

Sprinkler leakage – covers damage from discharge or leakage of water from an automatic sprinkler system (fire sprinkler, not the lawn).

Money and Securities – Broad Form, All Risk

Construction, newly acquired property – special coverage for congregations that are in a building mode or often acquire property of relatively high value.

Hired and non-owned automobile – provides protection when non-owned vehicles are used for church business or activities and are involved in an accident.

Recreational Vehicle Insurance

Teachers’ liability endorsement – protects teachers from actions they take or don’t take, but should. Especially important if a church has a school or pre-school.

## **Choosing an Insurance Company**

Some of the things to look for when choosing an agent and a company are:

- What is the insurance company’s policyholder rating? Independent analysts rate each company as to its performance and financial stability. The best known such analyst is A.M. Best.
- What churches in this area are, or have been, your policyholders and for which of them have claims been paid? It is important to follow-up the list of references and discuss the experiences they have had.
- How often will you see the agent after the policy is written? What services are available to policyholders? A good insurance representative will make a point of periodically visiting the church and meeting with a representative or the board to review the policy, coverage and to make recommendations on changes in coverage (not always additions, but to recommend deletion of coverage that is not needed). The company should offer risk management assistance and help to inspect the property for unsafe conditions and also to assure both parties that all property is covered.

- Is the policy written in language you can understand? Many companies are doing a better job in recent years in avoiding unclear language. Ask for a sample policy before you make a decision.
- How quickly will the company make settlement on claims?
- Does the company know the business and risks of churches? Does it specialize in insuring churches and other not-for-profit organizations? A couple of companies with this specialized knowledge are Church Mutual (headquartered in Merrill, Wisconsin) and Preferred Risk (headquartered in Des Moines, Iowa). Unfortunately, all agents are not equally knowledgeable about the insurance needs of churches.

Some of the information that the insurance representative will need are:

- A listing of all real properties owned by the church.
- An inventory of all items of personal property to be covered, including those not on the premises and those not owned by the church but to be included (e.g. the pastors' extensive personal library).
- An inventory of all church owned vehicles.
- A list of all employees with annual salaries or wages, and primary functions.
- A listing of all major church activities throughout the year, including functions of church affiliates such as women's and men's clubs, youth and school or pre-school.

### **Follow-up**

At least once a year, the Session or a committee should review all insurance policies with the insurance representative. Questions to consider:

- Is all property included in the policy?
- Are valuations reasonable?
- Is an inspection of the property needed to determine opportunities for risk reduction?
- Are deductibles and co-insurance amounts reasonable?
- Have there been any significant changes in the organization, policies or personnel?
- Are the procedures for filing claims clear and known to those in appropriate position?

The Session or an appropriate staff person or committee should notify the insurance company whenever:

- There is a loss or accident to report.
- Significant new property or equipment is acquired.
- New activities begin, particularly those with liability potential.
- A new hazard develops.
- New construction or remodeling is planned.
- There is a significant change in personnel.
- The Session, pastor or appropriate committee has any question related to 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). (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.
- 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](http://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 with the 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, be sure to give her/him the appropriate forms when hired and annually in November or December for update. Include a copy of the plan for their keeping.
- 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](http://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 Income 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 income 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 encouraged to consult Internal Revenue Service Publication 517- Social Security and Other Information for Members of the Clergy and Religious Workers (Website:<http://ftp.fedworld.gov/pub/ird-pdf/p517.pdf> 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 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 2000-2003*. (See Resources in back of manual) The determination of the appropriate amount of total compensation that is designated as housing allowance is the responsibility of the pastor and it is not the responsibility of the treasurer or Session to question the appropriateness of the allocation between taxable salary and housing allowance. The treasurer may, however, advise the pastor on how to calculate an appropriate amount.

### **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 the 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: 2000-2003* OR Richard Hammer's *Church and Clergy Tax Guide 2002*-updated annually)

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

## **EMPLOYEE OR SELF-EMPLOYED?**

### **The IRS "20 criteria" Test**

Determining a particular person's status under this somewhat ambiguous test is often difficult. In 1987, the IRS developed a list of 20 criteria to be used "as an aid in determining whether an individual is an employee under the common law rules." Revenue Ruling 87-41. The criteria were "developed based on an examination of cases and rulings considering whether an individual is an employee." The IRS cautioned that "[t]he degree of importance of each factor varies depending on the occupation and the factual context in which the services are performed," and that "if the relationship of employer and employee exists, the designation or description of the relationship by the parties as anything other than that of employer and employee is immaterial." The 20 criteria are set forth below. Clergy who report their income taxes as self-employed should carefully consider these criteria (or one of the other two tests) to determine if they have a substantial basis for reporting as self-employed.

- (1) Instructions. A person who is required to comply with instructions about when, where, and how to work is ordinarily an employee.
- (2) Training. Training of a person by an experienced employee or by other means is a factor of control and indicates that the worker is an employee.
- (3) Integration. Integration of a person's services into the business operations generally shows that the person is subject to direction and control and accordingly is an employee.
- (4) Services rendered personally. If the services must be rendered personally by the individual employed, it suggests an employer-employee relationship. Self-employed status is indicated when an individual has the right to hire a substitute without the employer's knowledge.
- (5) Hiring, supervising, and paying assistants. Hiring, supervising, and payment of assistants by the employer generally indicates that all workers on the job are employees. Self-employed persons generally hire, supervise, and pay their own assistants.

(6) Continuing relationship. The existence of a continuing relationship between an individual and the organization for whom the individual performs services is a factor tending to indicate the existence of an employer-employee relationship.

(7) Set hours of work. The establishment of set hours of work by the employer is a factor indicating control and accordingly the existence of an employer-employee relationship. Self-employed persons are "masters of their own time."

(8) Full time required. If the worker must devote full time to the business of the employer, he or she ordinarily will be an employee. A self-employed person on the other hand may choose for whom and when to work.

(9) Doing work on employer's premises. Doing the work on the employer's premises may indicate that the worker is an employee, especially if the work could be done elsewhere.

(10) Order or sequence of work. If a worker must perform services in an order or sequence set by the organization for whom he or she performs services, this indicates that the worker is an employee.

(11) Oral or written reports. A requirement that workers submit regular oral or written reports to the employer is indicative of an employer-employee relationship.

(12) Payment by hour, week, month. An employee usually is paid by the hour, week, or month, whereas a self-employed person usually is paid by the job on a lump sum basis (although the lump sum may be paid in intervals in some cases).

(13) Payment of business expenses. Payment by the employer of the worker's business or travel expenses suggests that the worker is an employee. Self-employed persons usually are paid on a job basis and take care of their own business and travel expenses.

(14) Furnishing of tools and materials. The furnishing of tools and materials by the employer indicates an employer-employee relationship. Self-employed persons ordinarily provide their own tools and materials.

(15) Significant investment. The furnishing of all necessary facilities (equipment and premises) by the employer suggests that the worker is an employee.

(16) Realization of profit or loss. Workers who are in a position to realize a profit or suffer a loss as a result of their services generally are self-employed, while employees ordinarily are not in such a position.

(17) Working for more than one firm at a time. A person who works for a number of persons or organizations at the same time is usually self-employed.

(18) Making services available to the general public. Workers who make their services available to the general public are usually self-employed. Individuals ordinarily hold their

services out to the public by having their own offices and assistants, hanging out a "shingle" in front of their office, holding a business license, and by advertising in newspapers and telephone directories.

(19) Right to discharge. The right to discharge is an important factor in indicating that the person possessing the right is an employer. Self-employed persons ordinarily cannot be fired as long as they produce results which measure up to their contract specifications.

(20) Right to terminate. An employee ordinarily has the right to end the relationship with the employer at any time he or she wishes without incurring liability. A self-employed person usually agrees to complete a specific job and is responsible for its satisfactory completion or is legally obligated to make good for failure to complete the job.

Another factor, not mentioned in the above list, is the parties' own characterization of their relationship. For example, if a church and its minister enter into a written contract that specifically characterizes the minister as self-employed, this would be an additional factor to consider. Illustration 1-1 presents a clause that may be used by a church wishing to characterize its minister as self-employed rather than as an employee. The clause could be inserted in the contract of employment, or simply adopted as a resolution by the church board and included in the board's official minutes. Keep in mind that such a clause by itself, as the IRS observed in Revenue Ruling 87-41, will have little if any relevance and will never result in a minister being characterized as self-employed if he or she failed the "common law employee test" or a majority of the twenty criteria. It is merely one factor that will be considered, but one that could be given considerable weight in a close case. Of course, a church will offset the effect of such a clause by issuing its minister a W-2 instead of a 1099-MISC form at the end of each year.

The IRS announced that it soon will be releasing computer software to assist employers in classifying a worker as either an employee or self-employed. The software (which the IRS calls the "SS-8 Determiner") is based on the IRS "20 criteria test". The IRS says that its new worker classification software is "an expert system which makes correct and consistent worker classifications." We will be evaluating the software when it is released, and will share our assessment. Our prediction — the software will be heavily biased in favor of employee status.

The United States Supreme Court has come close to recognizing the 20 criteria, without referring to them directly:

In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished. Among the other factors relevant to this inquiry are the skill required; the source of the instrumentalities and tools; the location of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party's discretion over when and how long to work; the method of payment; the hired party's role in hiring and paying assistants; whether the work is part of the regular business of the hiring party; whether the

hiring party is in business; the provision of employee benefits; and the tax treatment of the hired party . . . . No one of these factors is determinative. *Community for Creative Non-violence v. Reid*, 109 S. Ct. 2166 (1989).

### **The Tax Court's "7 factor" Test**

In 1994 the United States Tax Court issued two rulings addressing the correct tax reporting status of ministers. In one case the court found that a Methodist minister was an employee for federal income tax reporting purposes. *Weber v. Commissioner*, 103 T.C. 378 (1994). In the second case the court concluded that a Pentecostal Holiness pastor was self-employed for income tax reporting purposes. *Shelley v. Commissioner*, T.C. Memo. 1994-432 (1994). These cases are summarized later in this section. While the court reached different conclusions in these two cases, it applied the same test for determining the correct tax status of ministers. The test requires consideration of the following 7 factors:

- (1) the degree of control exercised by the employer over the details of the work
- (2) which party invests in the facilities used in the work
- (3) the opportunity of the individual for profit or loss
- (4) whether or not the employer has the right to discharge the individual
- (5) whether the work is part of the employer's regular business
- (6) the permanency of the relationship
- (7) the relationship the parties believe they are creating

There are two additional points the court made that should be considered in applying this test:

- "No one factor dictates the outcome. Rather, we must look at all the facts and circumstances of each case."
- "The threshold level of control necessary to find employee status is generally lower when applied to professional services than when applied to nonprofessional services."

→ Key point: the Tax Court did not refer to the 20 criteria test announced by the IRS in 1987 (discussed above). Ministers who report their income taxes as self-employed probably will have a higher chance of prevailing under the new 7 factor test than under the more restrictive 20-factor test.

### **The Supreme Court's "12 factor" Test**

In 1992 the Supreme Court listed 12 factors to be considered in deciding if a worker is an employee or self-employed. *Nationwide Mutual Insurance Company v. Darden*, 503 U.S. 318 (1992). The Court observed that each factor must be considered, and that none is decisive. The 12 factors, along with an explanation of whether they support employee or self-employed status, are summarized below.

- (1) the hiring party's right to control the manner and means by which the product is accomplished — indicates a worker is an employee
- (2) the skill required — the more skill that is required, the more likely a worker is self-employed
- (3) the source of the instrumentalities and tools — workers who provide their own are more likely self-employed
- (4) the location of the work — if the work occurs on the employer's premises, this indicates the worker is an employee
- (5) the duration of the relationship between the parties — the longer the relationship, the more likely a worker is an employee
- (6) whether the hiring party has the right to assign additional projects to the hired party — indicates a worker is an employee
- (7) the extent of the hired party's discretion over when and how long to work — the more discretion, the more likely the worker is self-employed
- (8) the method of payment — employees are paid by the hour or week; self-employed workers are paid by the job
- (9) the hired party's role in hiring and paying assistants — self-employed workers hire and pay their own assistants; employees do not
- (10) whether the work is part of the regular business of the hiring party — an employee's work is part of the regular business of the employer
- (11) whether the hiring party is in business — employers are more likely to work for organizations that provide services or products to the public
- (12) the provision of employee benefits — employees are more likely to receive fringe benefits

For more information, refer to *Church & Clergy Tax Guide*, Richard R. Hammar, J.D., LL.M., CPA, (updated annually; 2001 Edition, Chapter 2).

## **HOUSING ALLOWANCE**

Reference: *Church & Clergy Tax Guide*, Richard R. Hammar, J.D., LL.M., CPA, Christian Ministry Resources, PO Box 2301, Matthews, NC 28106, (704) 841-8066, or FAX (704) 841-8039, also available on CD-ROM.

- Housing allowance computation. The guidelines recognize that the housing allowance exclusion for ministers who own their home is the lowest of three amounts — the church-designated housing allowance, actual housing expenses, and the annual fair rental value of the home (furnished, with utilities). It is now more likely that agents will apply all three tests when auditing ministers.

- Housing allowances for retired ministers. Retired ministers may receive part of their pension benefits as a designated housing allowance based on past services. Trustees of a minister's retirement plan may designate a portion of each pension distribution as a housing allowance that is excluded from income for federal income tax reporting purposes. The guidelines instruct agents that retired ministers must report housing allowances as taxable income for self-employment tax purposes.
- Home offices. The guidelines instruct agents to "question closely" the necessity of a minister's home office. This is a business expense that invites scrutiny. It should not be claimed unless there is a reasonable basis for it. The guidelines take the view that a minister who excludes all of his or her housing expenses as a housing allowance exclusion has in effect already "deducted" all of the expenses associated with an office in the home, and accordingly should not be able to claim any additional deduction of such expenses as an itemized (home office) deduction on Schedule A.
- Who is a minister for federal tax purposes? In deciding if a person is a "minister" for federal tax purposes, the following five factors must be considered: (1) the person must be ordained, commissioned, or licensed; (2) administration of sacraments; (3) conduct of religious worship; (4) management responsibilities in the local church or a parent denomination; (5) considered to be a religious leader by the church or parent denomination. It is not clear how many of these factors must be satisfied in order for one to be a "minister" for federal tax purposes. Some Tax Court decisions and IRS rulings suggest that all 5 five factors must be satisfied, while others suggest that a more flexible "balancing" test may be applied (under which some of the factors need not be satisfied).
- Key point: "ministers" are eligible for the following 4 special tax rules with respect to services they perform in the exercise of their ministry:
  - housing allowance exclusion (and the exclusion of the fair rental value of a church-owned parsonage)
  - exemption from self-employment taxes (if several conditions are met)
  - self-employed status for social security purposes (if not exempt)
  - wages exempt from federal income tax withholding
- Persons who qualify as "ministers" for federal tax purposes must be consistent with regard to these 4 special tax rules — if one applies, then they all apply

Housing allowance. The housing allowance is an example of an exclusion that applies only to income taxes, and not to self-employment (social security) taxes.

## **EMPLOYEE BENEFITS**

Certain fringe benefits provided by a church on behalf of a minister are excludable from the minister's income only if he or she is an employee. Examples include medical insurance premiums paid by a church on behalf of its minister; group term life insurance (up to \$50,000) provided by a church on behalf of a minister; amounts payable to employees on account of sickness, accident, or disability pursuant to an employer-financed plan; employer-sponsored "cafeteria plans" which permit employees to choose between receiving cash payments or a variety of fringe benefits. Favorable "tax-deferred annuities" (also known as "403(b) annuities" or "tax-sheltered annuities") offered by nonprofit organizations (including churches) may only be available to employees.

**Board of Pensions.** Within the Presbyterian Church (U.S.A.), the Board of Pensions provides most employee benefits. Substantially all pastors in called positions are required to be members of the Plan and receive these benefits. Lay employees may be included as members of the Plan, with some restrictions. The package of benefits includes medical insurance, pension benefits, long-term disability benefits, and death benefits.

The Plan charges “dues” rather than premiums. Dues are charged as a percentage of a figure known as “effective salary”, with minimums established. Effective Salary is described on an attached page. The current charges (2004) are 30.5% of effective salary.

Lay employees can be enrolled in the Plan at the discretion of their employer. The employer may elect to enroll all lay employees or only one classification of employee. There are two classifications recognized for lay employees: exempt (e.g., management and professional positions) or non-exempt (e.g. administrative, clerical, maintenance staff). If lay employees are enrolled, all those normally working 35 hours per week or more are considered full-time and must be enrolled. Employees normally working at least twenty hours per week but less than thirty-five may be enrolled at the employer’s discretion so long as the employer is consistent. Those working less than 20 hours per week are ineligible.

For more information, the *Benefits Administrative Handbook* is available from The Board of Pensions, 2000 Market Street, Philadelphia, PA 19103-3298, 1-800-773-7752. Information is also available from your Presbytery, or the Synod Treasurer, The Synod of Lakes and Prairies, 2115 Cliff Drive, Eagan, MN 55122-3327, 800-328-1880, extension 205.

**Death Benefits.** Under the Internal Revenue Code, an employee is not taxed on the cost to an employer of group-term life insurance premiums to a maximum coverage of \$50,000. Above this amount the employee is considered to have “imputed income”. An amount of this “imputed income” is to be included on the employee’s W-2. An attached sheet from the Board of Pensions explains this and gives directions for calculating an amount.

**Dental Insurance.** Dental Insurance is offered to members of the Plan as optional coverage. Unless your pastor or other covered employee has negotiated that your church will pay for this coverage, it is to be paid by the employee, usually through payroll deduction. For more information, please call the Board of Pensions, 1-800-773-7752.

**Cafeteria Plans.** A Cafeteria Plan (also known as a Section 125 Plan or Flexible Spending Plan) is an arrangement whereby some qualifying expenses for employees can be paid with pre-tax dollars rather than after-tax income. The basics of such a plan are as follows: The employer establishes an Account for each eligible employee who chooses to participate. The key to these Accounts is “Salary Conversion” or deferral, which allows the employee to “convert” a portion of taxable income to non-taxable income, which then can be used to pay certain qualified expenses.

The “converted” income, deducted from pay before federal and state income taxes are withheld and before withholding Social Security (FICA) taxes, is deposited into a Health Care or Dependent Care Reimbursement Account. The employee may then use these Accounts to pay certain health care or dependent care expenses that otherwise would be paid with after tax dollars.

In general, the law governing these plans does not allow changes in the election(s) during a Plan Year. The only exception is if an employee experiences a “change of family status” such as marriage,

divorce, birth or adoption, or a change in a spouse's employment status or availability of insurance to a spouse or other dependent. In other words, the salary conversion is a "use it or lose it" proposition. Salary deferred may be used only for eligible expenses and cannot be returned to the employee.

A sample description of this type of plan is available upon request. For more information, contact: Jay Wilkinson, Treasurer, The Synod of Lakes and Prairies, 651-357-1145 or 1-800-328-1880, extension 205, or the Board of Pensions website, [www.pensions.org](http://www.pensions.org).

**Tax-Deferred Annuities.** One of the most popular retirement programs for ministers and other church employees is the tax-sheltered annuity (TSA). Generally, a TSA is a method by which current income can be deferred into an investment account to be accessed after retirement. In most cases, income after retirement places one in a lower tax bracket, thereby saving taxes at the same time as providing for one's retirement financial security. Unfortunately, the rules associated with TSAs are complex, and often require professional assistance. However, the benefits provided under these plans are significant, and merit serious consideration. The IRS expressed concern in 1995 over the failure of many 403(b) programs to comply with complex legal requirements. One IRS spokesman said recently that "*we have made no secret of the fact that the IRS has yet to find a 403(b) plan fully in compliance,*" and that the overall noncompliance rate may be as high as 90%! The primary reason is the complexity of the regulations. Even with assistance from a competent advisor, meeting all the rules is difficult, especially if one is trying to maximize the deferral.

A tax-sheltered annuity (more properly called a section 403(b) plan) is an excellent way for a tax-exempt church or religious organization to provide retirement benefits for some or all of its employees. The employer can fund contributions through "elective deferrals" (binding and irrevocable salary reduction agreements entered into between a church and an employee before the corresponding services are performed, and lasting for at least one year) or through "non-elective deferrals" (voluntary employer contributions not funded through salary reduction agreements), and it can make the program available only to selected employees. Contributions are not permitted out of compensation previously distributed to a participant. Whether an employee's annuity is funded through employer contributions or salary reductions, the employee's rights to the annuity must be non-forfeitable.

For more information, contact the Board of Pensions, Retirement Savings Department, at 1-800-773-7752.

## **Reference Resources for Chapter 7 – Personnel**

*Church and Clergy Tax Guide 2002 Edition, by Richard Hammar*

*Legal Resource Manual for Presbyterian Church (U.S.A.) for Middle Governing Bodies and Churches: 2000-2003, General Assembly Council Office of Legal/Risk Management Services*

*Presbyterian Church (U.S.A.) Guidelines for Session Personnel Committees, PDS#7221099001*

*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*

## 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, 213<sup>th</sup> 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, often 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.

One must remember that, with the exception of the terms of call of the pastor(s), the budget is Session's budget and Session must take ownership of it, and responsibility for its development and management.

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 from the Directed Mission Support Book
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 next 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*

*Presbyterian Church (U.S.A.) Website: [www.pcusa.org](http://www.pcusa.org)*

*Stewardship Manual: A Guide to Year-found Financial Stewardship Planning, published by Stewardship Education Team, General Assembly*



## RESOURCES

**The Board of Pensions of the Presbyterian Church (U.S.A.)** [www.pensions.org](http://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.  
*Safety Checklists for churches and Schools (2002 edition)*, Ask for Module 8- Reducing Risks Associated with Natural Perils  
*Tax Guide for Ministers*, Tax information for ministers and churches.  
*Understanding Effective Salary*, Booklet describing how effective salary is determined.

**Christian Ministry Resources**, P.O. Box 1098, Matthews, North Carolina 28106-9982, 800-222-1098

*Church and Clergy Tax Guide 2002 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 Treasurer Alert!* 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. Source for all giving materials such as Offering Envelopes, Pledge Record Forms, Automatic Debit Services for Pledge and Gift Giving.

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

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 - Contact Julie Slinger 800-624-2129  
Covenant Presbyterian Insurance Program – 800-754-0669  
Church Mutual Insurance – 800-554-2642

**Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and**

*Churches, 2000-2003*, Office of Legal/Risk Management Services, General Assembly Council, 1-888-728-7228, ext 5369.

**Presbyterian Church (U.S.A.)**, [www.pcusa.org](http://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, PDS#7221099001 - \$5.00***

***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.

## APPENDIX

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.*

# CHART OF ACCOUNTS

Account ID	Account Description	Account Type			
			2234	Harvest Dinner	Other Current Liabilities
1110	Operations Checking	Cash	2235	Silent Auction	Other Current Liabilities
1120	Checking Account	Cash	2236	Blanket Sunday	Other Current Liabilities
1130	Building Fund Checking	Cash	2237	Easter/Christmas Flowers	Other Current Liabilities
1210	Corwin Fund Savings	Cash	2238	Foodshelf	Other Current Liabilities
1220	Manse Fund Savings	Cash	2239	Habitat for Humanity	Other Current Liabilities
1230	Memorial Fund Savings	Cash	2240	Wednesday Dinner	Other Current Liabilities
1240	Handbell Fund Memorial	Cash	2241	Thanksgiving	Other Current Liabilities
1250	Organ Fund Memorial	Cash	2242	Landscaping	Other Current Liabilities
1300	Accounts Receivable	Accounts Receivable	2243	Family Ministry	Other Current Liabilities
1401	Corwin Music Investments	Other Assets	2244	Carillon	Other Current Liabilities
1420	Office Petty Cash	Cash	2245	Memorial Handbell Account	Other Current Liabilities
1430	Prepaid Pension/Insurance	Other Current Assets	2246	Memorial Organ Fund	Other Current Liabilities
1440	Undeposited Funds	Other Current Assets	2247	Sound System	Other Current Liabilities
1810	Endowment Fund	Other Assets	2248	Bridge Group	Other Current Liabilities
1820	Manse Fund	Other Assets	2249	Wheel Chair Project	Other Current Liabilities
1830	North Church Foundation	Other Assets	2250	Memorials Undesignated	Other Current Liabilities
1910	Buildings	Fixed Assets	2251	Memorials Designated Piano	Other Current Liabilities
1915	Deferred Maintenance	Fixed Assets	2252	Endowment	Other Current Liabilities
1920	Church Furnishings	Fixed Assets	2253	Memorials Designated Phone Sys	Other Current Liabilities
1921	Nursery Furnishings	Fixed Assets	2301	Special Offerings-OGHS	Other Current Liabilities
1930	Maintenance Equipment	Fixed Assets	2302	Special Offering-Pentecost	Other Current Liabilities
1950	Land	Fixed Assets	2303	Special Offering-Peacemaking	Other Current Liabilities
2000	Accounts Payable	Accounts Payable	2304	Special Offering-Christmas Joy	Other Current Liabilities
2101	Prepaid Building Fund	Other Current Liabilities	2312	Pentecost Offering-NPC Portion	Other Current Liabilities
2102	Prepaid OGHS	Other Current Liabilities	2313	Peacemaking Offering-NPC Portion	Other Current Liabilities
2103	Prepaid Per Capita	Other Current Liabilities	2320	Designated Mission-GA	Other Current Liabilities
2104	Prepaid Pledges	Other Current Liabilities	2340	Designated Mission-Presbytery	Other Current Liabilities
2203	Mariners	Other Current Liabilities	2350	Mission - Other	Other Current Liabilities
2204	Hunger - W&M	Other Current Liabilities	2501	403(b) Deductions	Other Current Liabilities
2205	Manse Fund Repayment	Other Current Liabilities	2502	Federal Income Tax Withheld	Other Current Liabilities
2206	Kirk gifts	Other Current Liabilities	2503	FICA Tax Withheld	Other Current Liabilities
2207	Music Fund	Other Current Liabilities	2504	Medicare Tax Withheld	Other Current Liabilities
2208	Handbell Fund	Other Current Liabilities	2505	Section 125 Deductions	Other Current Liabilities
2209	Youth Triennium	Other Current Liabilities	2506	State Income Tax Withheld	Other Current Liabilities
2210	Youth Ministry Fund	Other Current Liabilities	2509	Payroll Liabilities-Other	Other Current Liabilities
2211	Camp/Conference Scholarships	Other Current Liabilities	2801	Manse Fund Loan	Long Term Liabilities
2212	Computer Fund	Other Current Liabilities	2802	Mortgage	Long Term Liabilities
2214	Crop Walk	Other Current Liabilities	3000	Net Assets	Equity-Retained Earnings
2215	Deacon's Fund	Other Current Liabilities	3100	Corwin Fund	Equity-doesn't close
2216	Mission Yearbook	Other Current Liabilities	3200	Manse Fund	Equity-doesn't close
2218	North Nursery PreSchool	Other Current Liabilities	3250	North Foundation	Equity-doesn't close
2219	Retired Men	Other Current Liabilities	3400	Endowment Fund	Equity-doesn't close
2220	Session Fund	Other Current Liabilities	4001	Identifiable Gifts	Income
2221	Sunday Nursery Fund	Other Current Liabilities	4101	Loose Offering	Income
2222	Architect's Fund MAD TF	Other Current Liabilities	4102	Misc Receipts	Income
2223	Video Projector/Powerpoint	Other Current Liabilities	4103	Per Capita Income	Income
2224	Heifer Project International	Other Current Liabilities	4105	Youth	Income
2230	Suspense Fund	Other Current Liabilities	4107	Foundation Income	Income
2232	Garage Sale	Other Current Liabilities	4108	Other Interest Income	Income
2233	Craft Sale	Other Current Liabilities	4110	Building use	Income

4120	Daycare Rent	Income	5552	Advertising	Expenses
4301	Building Fund Income	Income	5553	Name Tags	Expenses
4310	Coffee Fund	Income	5554	New Member Programs	Expenses
4501	Special Offerings Income	Income	5555	Direct Mail	Expenses
5101	Mission-General Assembly	Expenses	5556	Member Recruitment	Expenses
5102	Mission-Synod ofLakes&Prairies	Expenses	5557	Misc (incl Web Site)	Expenses
5103	Mission-Presbytery	Expenses	5601	Paint-a-thon	Expenses
5105	Mission-Special Offerings	Expenses	5603	Hunger Mission	Expenses
5106	St Paul Council of Churches	Expenses	5604	Housing Mission	Expenses
5108	Theological Education Fund	Expenses	5605	Health Mission	Expenses
5201	Pastor Salary	Expenses	5606	Presbytery Mission Conference	Expenses
5202	Pastor Housing Allowance	Expenses	5651	Pledge Envelopes	Expenses
5203	Pastor Social Security Allow.	Expenses	5652	Pledge Drive Materials	Expenses
5204	Pastor Benefits Expense	Expenses	5701	Building & Grounds	Expenses
5206	Pastor Continuing Education	Expenses	5703	Planned Bldg Maintenance	Expenses
5207	Pastor Auto/Business	Expenses	5705	Garden Maintenance	Expenses
5208	Pastor Professional Expenses	Expenses	5710	Utilities	Expenses
5251	Assoc Pastor Salary	Expenses	5720	Insurance	Expenses
5252	Assoc Pastor Housing Allowance	Expenses	5730	Street Assessment	Expenses
5253	Assoc Pastor Social Security	Expenses	5740	Manse Fund Repayment	Expenses
5254	Assoc Pastor Benefits Expense	Expenses	5750	Mortgage Payments	Expenses
5256	Assoc Pastor Continuing Educ.	Expenses	5755	Capital Expenditures	Expenses
5257	Assoc Pastor Auto/Business	Expenses	5801	Office Supplies	Expenses
5258	Assoc Pastor Professional	Expenses	5802	Postage	Expenses
5276	Min of Pastoral Care Cont Ed	Expenses	5803	Office Equipment Maintenance	Expenses
5277	Min of Pastoral Care Mileage	Expenses	5804	Telephone	Expenses
5278	Min of Pastoral Care Professnl	Expenses	5805	Duplicating Expense	Expenses
5301	Choir Director	Expenses	5806	Staff Auto & Business	Expenses
5304	Director of Music	Expenses	5820	Per Capita Apportionment	Expenses
5307	Organist	Expenses	5840	Reserve Account	Expenses
5310	Custodian	Expenses	5901	Personnel Committee	Expenses
5313	Administrative Assistant	Expenses	6000	Pastor Nominating Committee	Expenses
5316	Bell Choir Director	Expenses			
5331	Substitute Services	Expenses			
5341	Employer FICA	Expenses			
5351	Staff Continuing Education	Expenses			
5401	Music Supplies	Expenses			
5402	Special Music	Expenses			
5403	Pulpit Supply	Expenses			
5404	Worship Supplies	Expenses			
5405	Organ Tuning & Maint	Expenses			
5406	Piano Tuning & Maint.	Expenses			
5407	Flowers	Expenses			
5451	Leadership Training	Expenses			
5452	CE Resources	Expenses			
5453	Youth Ministry	Expenses			
5454	Pop Machine Receipts	Expenses			
5456	Child Care	Expenses			
5501	Kitchen Supplies	Expenses			
5502	Fellowship Activities	Expenses			
5505	Parish Nursing	Expenses			
5510	Next 50 (PTCA)	Expenses			
5551	Witness Church Growth	Expenses			

## COMPUTER SOFTWARE

The following is a partial listing of sources of computer software for churches for computers running Microsoft Windows. Neither the Presbytery nor the Synod recommends any particular software. Information provided is from the vendors' advertising material and has not been verified in all cases. This alphabetical listing is not intended to be all-inclusive. There are many others available.

**AUTOMATED CHURCH SYSTEM** – Automated Church System, PO Box 3990, Florence, SD 29502-3990; 1-800-736-7425; <http://www.acshome.com> DOS based program in process of being written for Windows; Modules include Membership, Attendance, Special Mailings, Visitations, Calendar, Reservations, Music Library, Media Library, Contributions, General Ledger, Payroll, Accounts Payable, Accounts Receivable, Report Generator & more; Cost \$200 - \$600 per module, or all modules plus network version (\$600 separately) for \$4,875, Membership/Contributions/Visitation/ Attendance/Calendar module package for \$1,875. Pricing info may be obsolete.

**BY THE BOOK SOFTWARE** — <http://www.bythebook.com> Church software, online bible software and non-profit management software is for sale here to help with attendance, contributions, memberships and to educate parishioners. By The Book also offers religious art, Bible maps, and a Christian library. Pricing based on number of member records you need from \$50 for very limited size to \$995 for unlimited. Free downloadable demo available.

**CHURCH MANGEMENT SYSTEM (CMS)** — <http://www.SoftwareLib.com> 3300 Bass Lake Road, Suite 304, Brooklyn Center, MN 55429, (800) 247-8044, Fax: (763) 566-2250; Modules for membership, contributions, attendance, fund accounting, accounts payable, and report writing. A full-working demo system is available on CD-ROM for your evaluation.

**CHURCH MEMBERSHIP MANAGER** software <http://www.ChurchManager.com>. Church software to help in aiding membership contributions with an easy close out of year, and reports. FREE 25 user download.

**CHURCH MEMBERSHIP TRACKING SYSTEM** – Tolbert Data Systems, Inc., 4012 Raintree Road, Suite 140B, Chesapeake, VA 23321; 804-488-5506; free demo available; DOS or Windows versions available; Modules include Membership, Donations, Attendance, Visitation, Fund Accounting, Accounts Payable/Check Writing, Report Writer; Cost \$389 (Dos), \$495 (Windows) plus extra for Report Writer, \$129 (Dos), \$199 (Windows).

**CHURCHPRO** — Church Management Software <http://www.churchpro.org> Track attendance, membership, contributions. Graphs, Phone Dialer, Payroll, Attendance, Contributions, Affordable. User friendly. \$349.95. Second copy of Churchpro \$149.95 (Stand Alone or network/workstation) Third or more copies \$99.95 (Stand Alone or network/workstation). All copies of Churchpro are network ready. ChurchPro's staff will mail you a full working demo copy of the program for

\$15.95 +\$4.00 shipping. The is non-refundable. It includes the ChurchPro CD Rom, manual, and record tutorials. This demo version has a record limitation on several tables.

**CHURCH WINDOWS** – Computer Helper Publishing, PO Box 30191, Columbus, OH 43230-0191; 1-800-533-5227; free demo available; 30 day money-back guarantee for trial; runs under Windows; Modules include Membership, Contributions, Financial, Payroll; Network version available; Cost: \$395 - \$890 depending on modules needed. E-mail: info@churchwindows.com Demo available at website: <http://www.churchwindows.com>

**INTUIT QUICKBOOKS 2001** — <http://www.quickbooks.com> Good basic accounting package, although it is not customized for churches. Does not include membership or contributions modules. \$150.00 and up.

**MEMBERSHIP PLUS/MONEYCOUNTS** – Parsons Technology, One Parsons Drive, PO Box 100, Hiawatha, IA 52233-0100; 1-800-779-6000; <http://www.parsonstech.com>; free demo of Membership Plus at website (big file); Membership Plus includes Contributions module and integrates with MoneyCounts financial package; Membership Plus Deluxe sold separately for \$129, MoneyCounts for \$89; Membership Plus Deluxe also sold as package with several other programs (Quick Verse (Bible), Bible Illustrator, Labels Express, Calendar Works, and Holy Lands screen saver) for \$199 on CD-ROM; 30 day return policy.

**NONPROFIT SERIES FOR WINDOWS** – MIP, Inc., 505 East Huntland Drive, Austin, TX 78752-3772; 1-800-647-3863; free demo available; This is a fund accounting package only; runs under Windows 3.1, 95 or NT; Cost unknown, but big buck\$.

**PEACHTREE ACCOUNTING FOR WINDOWS** — <http://www.peachtree.com> Good basic accounting package, although it is not customized for churches. Does not include membership or contributions modules. \$200.00 and up.

**POWERCHURCH SOFTWARE:** Church Management Made Easy  
<http://www.powerchurch.com> Quality church software for today's growing churches.

**POWER CHURCH PLUS** – F1 Software, 208 Ridgefield Drive, Asheville, NC 28806; 1-800-486-1800; free full working demo available; runs under Windows 3.x or 95; Modules include Membership, Contributions, Accounting, Record Keeping; will work under all major network systems; Cost \$295 as of 12//31/96.

**QUICKCHURCH** - <http://www.quickchurch.com> Organization Management System is a fast, easy, and affordable management system which has features to increase your membership and contribution activity. Features include: unlimited records, contribution management, committees, groups, special dates, word processing, pictorials, graphs, plus more. Free downloadable demo.

**REVELATIONS Church Administration Software** — <http://www.revelations.com> 800-596-4266. The Revelations Church Management System allows you to plan and track your church's activities. Revelations has always been Y2 compliant and includes automated management of: Households and Members, Special Events, Groups and Talents, General Attendance, Pledges and

Contributions, Church Mailings, Photos and Pictorial Directory, Integration with Quicken, Quickbooks and Word Processors, Scheduling, Visitation, and Archiving of Members. \$249.00 plus extra for network version, multiple church version, and/or report writer.

**RDS ADVANTAGE** – <http://www.rdsadvantage.com> RDS Publishing, 6801 N Broadway, Suite 120, Oklahoma City, OK 73116; 1-800-337-6328; free demo available; DOS based software; Modules include Membership, Visitation, Evangelism, Education Programs, Attendance, Promotions, Fund Accounting, Contributions, Bank Reconciliation, Report Writer; Cost \$599 – 995 (info may be obsolete) depending on modules needed whether network license needed; cost includes training in Oklahoma City (not including travel & living expenses) for two people for up to six days.

**SERVANT KEEPER** — 800-773-7570 Good member database system and contributions module. Interfaces with QuickBooks for the bookkeeping side. <http://www.servantpc.com> E-mail: [servantpc@servantpc.com](mailto:servantpc@servantpc.com) Relatively inexpensive package.

**SHEPHERD'S STAFF** – Concordia Publishing House; 1-800-325-2399; free demo available; Windows; Modules include Membership, Attendance, Contributions, Finance; Cost \$375 – 949 based on modules needed. [www.shepherdsstaff.org](http://www.shepherdsstaff.org)

**SHELBY WINDOWS** – Shelby Systems, 65 Germantown Ct, Suite 303, Cordova, TN 38018-7277; 1-800-877-0222; free demo available; DOS 5.0+, or Windows 3.x/95; Modules include Membership, Contributions, Attendance, Finance (General Ledger, Budgeting, Check Processing, Bank Reconciliation), Prospects, Word Processing Interface, Accounts Payable, Payroll & others; Cost \$2,495 – 4,995 based on modules needed. [www.shelbyinc.com](http://www.shelbyinc.com) or information at [today@shelbyinc.com](mailto:today@shelbyinc.com)

**SOFTWARE FOR CHURCHES** – Data Developments, Wolverhampton Science Park, Stafford Road, Wolverhampton WV10 9RU, England; 011-01902-824044; Modules include RollCall, Rosters, CashCall, Covenant, Donate, Parish Office, Hymn-Seeker; Windows 3.1 or 95; cost £129 per module or £499 for all modules (do your own conversion to \$).

## Software for Macintosh

Faithful Shepherd -- Diakonia Software -- <http://www.church-software.com/fs/> Has membership, donations, and attendance modules. Creates a deposit electronically in [Quicken](#), [QuickBooks](#), [Peachtree](#), [MYOB](#) or [Aatrix accounting software](#). Available for Windows or Macintosh operating systems. Single user version starts at \$199. Multi-user versions start at \$398. A five-user concurrent use license is \$597. Demo version available for \$15.

Saint Saver 4.0 -- <http://www.mumac.org/SaintSaver.html> “SaintSaver 4.0 is a series of Hypercard stacks for doing a vast array of church record keeping tasks with minimum repetition and maximum power. There are over 100 kinds of financial reports and database operations that can be performed. It works on Macs with 2 MB RAM and with Hypercard 2.0 or higher. Even if you do not have Hypercard, SaintSaver will work as a standalone application with an optional home stack that is included on the free demo version. SaintSaver works even better today than the day it was first created, because Macs have become faster and faster. That means the program works faster

than ever. Yet, it still works on the oldest Mac you have.” Full working demo is available (30 day time limit) for download at no charge. Price is \$35.

ChurchWorks -- Starsoft Technologies -- <http://www.starsoft.com/html/ChurchWorks.html>  
ChurchWorks 6.0 is a church management program for Macintosh and Windows. It has membership and donation modules. It integrates with QuickBooks, MYOB and “other General Ledger programs that accept external journal entries.” A free downloadable demo is available. Price is \$995.

**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***  
**DIRECTED MISSION SUPPORT GUIDELINES**  
**PLEDGE FORM – Directed Mission Support**

**MISSION FUNDING**  
**EXTRA COMMITMENT OPPORTUNITIES**



**EXTRA COMMITMENT OPPORTUNITIES**

**2005 Pledge Commitment Form**

**Return Form Only to:**

**PRESBYTERIAN CHURCH (U.S.A.)**  
 Office of Gift Administration, Room 5618  
 100 Witherspoon Street  
 Louisville, KY 40202-1396  
 1-888-728-7228 Ext. 5650 FAX 1-502-569-8884

Date \_\_\_\_\_

CHURCH PIN

(Name of Church or Individual)	(Telephone #)	(Presbytery)
(Street)	FAX Telephone # if applicable	(Synod)
(City & State)	(Zip Code)	<b>Churches/Individuals E-Mail Address:</b>

Request authorization to share in the support of the following projects through **Extra Commitment Opportunities** in the **ANNUAL** amounts shown for the year 2005: (The full year's pledge should be indicated on this form.)

Project Number	Project Name	Annual Amount	Posted OFFICE USE ONLY
Recorded by: _____ <small>(ECO office use only)</small>			← TOTAL

**ALTERNATE PROJECT SELECTIONS**—This will facilitate the certification process in the event the project you have selected is already fully subscribed.

Project Number	Project Name	Annual Amount	Posted OFFICE USE ONLY

Pastor	Contact Person & Phone Number
--------	-------------------------------

## **MISSION FUNDING**

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

“Special Offering.” The phrase has a raft of different meanings depending on who is saying it and who is hearing it. Many of the emotional responses related to those meanings are negative. For a mission committee, it may mean deciding how to use its share of the offerings that invite the congregation to keep a portion; at the least it means finding people to present minutes for mission for several Sundays. For many pastors, it means another attempt to preempt the ongoing stewardship emphases of the church. For Sunday school teachers, it may mean an interruption in the scheduled curriculum. For far too many members, it means another source of guilt, either for not giving or for not giving “enough.”

The purpose of this article is not to deny the reality of any of those perspectives and responses, but to suggest another: an avenue of connection. For members, a special offering can be an opportunity to find a connection with part of the church’s mission they feel passionate about, and to focus extra energy, prayer, and financial support on that aspect of the church’s mission. That can be a healthy and important step in their overall journey of discipleship. For Christian educators, it can offer an avenue for connecting lessons discussed in class with tangible action that makes a difference in the larger world. For stewardship and mission committee members, it can be an opportunity to give members a connection with the work of the larger church. And for pastors and sessions, such increased identification can actually predispose members toward more generosity, not less.



Let’s look just briefly at the four churchwide special offerings of the PC(USA) and the avenues each might offer for members to connect with the needs to give and be involved that many of them experience. One Great Hour of Sharing, received by most congregations during Lent and on Easter, is the first offering in the calendar year. Since 1949, Presbyterians have faithfully supported this Offering, giving about as much to support One Great Hour as all other denominations combined.

One reason is the wide range of ministries and projects supported that maintain a pretty clear focus on helping communities experiencing either urgent or chronic need to meet challenges through their own efforts and creativity. The three programs supported by the Offering meet needs ranging from the most immediate (disaster relief and emergency response, through Presbyterian Disaster Relief) to long-term, structural problems (through both Self-Development of People and the Presbyterian Hunger Program). Given the long tradition of the Offering, the challenge is keeping it from feeling perfunctory. By checking the [Web page](#), or calling the Office of Special Offerings at (888) 728-7228, ext. 5183 or 5168, those interested in investing some creativity can find ideas to adapt, or can share their own ideas with the wider church.

**... a special offering can be an opportunity to find a connection with part of the church’s mission they feel passionate about, and to focus extra energy, prayer, and financial support on that aspect of the church’s mission.**

The second offering in the year, the Pentecost Offering, is also the newest and the most rapidly growing. Begun in 1998, it has grown every year and is now received by more than 1,900 congregations, mostly on the Day of Pentecost. Its focus is on ministries with children and youth. One of the most exciting aspects from the viewpoint of congregations is that the 212th G.A. (2000) suggested that congregations keep 40 percent of the Offering for their own ministries with children at risk. The remaining 60 percent is sent to the General Assembly—10 percent for other ministries with children at risk and 50 percent for ministries with youth and young adults. This offers members or congregations that have a passion for particular kinds of ministries an opportunity to flesh out their visions. Congregations that have trouble deciding on how to use their share of the Offering can look at other congregations’ ideas on the [Web site](#) or call their



presbytery office to see if the presbytery is sponsoring projects focused on children at risk.



This October, the Peacemaking Offering will be received for the twenty-fifth time. Begun in 1980, it was the first offering to recommend that congregations keep a share. In fact, in many ways its use in congregations, presbyteries, and synods is one of the primary focuses of the Offering, since 25 percent stays in congregations and synods and presbyteries divide another 25 percent. The 50 percent that comes to the General Assembly allows the Presbyterian Peacemaking Program to create study resources, plan conferences, and sponsor international peacemakers, in addition to supporting the production of the Offering resources.

Congregations that have not decided how to use their share of the Offering can check the [Web site](#) or 25 Ways Your Congregation Can Enhance Its Commitment to Peacemaking Using Its 25% of the Peacemaking Offering from the packet of offering resources.

**Few members will feel a deep connection to all four of the offerings. Yet members unmoved by any of them may be even rarer.**

Several generations of Presbyterians have given to the [Christmas Joy Offering](#) and its predecessors, the Joy Gift and the Christmas Offering. Received the Sunday before Christmas, the Offering has two related focuses. One is the Assistance Programs of the Board of Pensions, which help to meet the needs of the church's faithful servants, people who used their gifts in the service of the church and who are now experiencing unforeseen needs. The other focus is racial ethnic schools related to the PC(USA), where young people can discover and develop their own gifts and find ways to use those gifts to help their community. Members who may be interested in a deeper involvement in the Offering can contact the Office of Special Offerings to become part of a network of local advocates who can help other congregations get the materials they need and locate speakers who may help the congregations interpret the Offering.



Few members will feel a deep connection to all four of the offerings. Yet members unmoved by any of them may be even rarer. Why not give these avenues for connection a chance to engage your members' creativity and generosity, weaving them more fully into the fabric of your congregation and the larger church?

## 2004 Special Offerings Dates, Themes, and Scriptures

### **One Great Hour of Sharing—Sharing Love with God's Whole Family**

**April 11, 2004**

*Theme:* "God Uses All Gifts for Big Purposes"

It's remarkable what your gift will do.

*Scripture:* "There is a boy here who has five barley loaves and two fish. But what are they among so many people?" (John 6:9)

### **Pentecost Offering—Helping to Nurture Faith**

**May 30, 2004**

*Theme, Scripture:* "Together with Christ We Will Be Given What God Has Promised" (Rom. 8:17)

### **Peacemaking Offering—Joining**

#### **God's Peacegiving**

October 3, 2004

*Theme, Scripture:* "I will grant peace in the land" (Lev. 26:6)

### **Christmas Joy Offering—Meeting Human Need**

#### **December 19, 2004**

*Theme:* "Increase the Joy"

*Scripture:* "The people who walked in darkness have seen a great light; those who lived in a land of deep darkness—on them light is shined. You have multiplied the nation, you have increased its joy." (Isa. 9:2–3a)

### ***What is Per Capita Apportionment?***

Is Per Capita Apportionment the equivalent of Membership Dues? Is it a tax? Definitely not. A definition recommended by the Office of the General Assembly and approved by the 207th General Assembly: "Per Capita is an opportunity for all communicant members of the Presbyterian Church through the governing bodies to participate equally, responsibly, and interdependently by sharing the cost of coordination and evaluation of mission; of performing ecclesiastical, legislative, and judicial functions that identify a reformed church, while at the same time strengthening the sense of community among all Presbyterians."

The history of Per Capita goes back to at least the mid-1800's. A plan of mileage was adopted by the General Assembly to defray the costs of commissioners attending the General Assembly meeting. Uses of per capita have been broadened through the years. One of the major uses still remain, to cover the expenses of those we send to represent us at meetings of our governing bodies. Another important use is to operate our judicial system.

For 2004, the per capita apportionment for us is \$xx.xx **per member**, broken down as \$xx.xx for the Presbytery, \$x.xx for The Synod of Lakes and Prairies, and \$x.xx for the General Assembly. These amounts will allow each of these governing bodies to conduct their essential functions; the bare minimum that makes us Presbyterian. The Mission work that makes us Christians is above and beyond this amount. Each congregation is challenged to contribute at least xx% of their operating budget toward the mission work of the Presbytery, Synod, and General Assembly.

We invite each member to contribute at least the amount of per capita, in addition to the amount that they would otherwise contribute. This will allow your Session to use the maximum amount possible for the *Mission* of our congregation, the Presbytery, the Synod, and the General Assembly. In our offering envelopes, there is an additional envelope to designate an amount for per capita. Please use it to contribute an additional \$xx.xx per member in your household. If you are able to contribute more than this, that will help cover the per capita for some members who are unable to contribute an additional amount.

## Procedures for Counting Offerings and Recap Sheet

## Guidelines for Retention of Financial Records

Accident reports and claims (settled cases)	7 years	Payroll records	7 years
Accounts payable ledgers/schedules	7 years	Petty cash vouchers	3 years
Accounts receivable ledgers/schedule	7 years	Plant/building ledgers	7 years
Bylaws, Articles of Incorporation	Permanent	Property appraisals	Permanent
Audit reports	Permanent	Property records	Permanent
Bank reconciliations	1 year	Purchase orders	7 years
Cash books	Permanent	Receiving reports	1 year
Charts of accounts	Permanent	Requisitions	1 year
Checks, cancelled	7 years	Stenographer's notebook	1 year
Checks, cancelled, (important matters, taxes, real estate, etc.)	Permanent	Stock/Bond Certificates (cancelled)	7 years
Contracts and leases (expired)	7 years	Subsidiary ledgers	7 years
Contracts and leases in effect	Permanent	Tax returns and audit reports	Permanent
Correspondence, vendors	1 year	Time sheets	7 years
Correspondence, general	3 years	Vouchers and registers	7 years
Correspondence (legal)	Permanent		
Deeds, mortgages, bills of sale	Permanent		
Depreciation schedules	Permanent		
Duplicate deposit slips	1 year		
Employee personnel records (after termination)	3 years		
Employment applications	3 years		
Endowment receipts and terms of bequest	Permanent		
Expense analyses	7 years		
Financial statements (end of year)	Permanent		
General and subsidiary ledgers(end of year)	Permanent		
Insurance policies (expired)	3 years		
Internal audit reports	3 years		
Internal reports	3 years		
Inventories	7 years		
Invoices	7 years		
Journals	Permanent		
Minute books of Session, Trustees	Permanent		
Note receivable ledgers/schedules	7 years		



## Request for Proposal Cover Letter (sample) - Audit

March 3, 2006

XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXX, XX XXXXXXXXXXXX

Dear XXXXXXXXXXX:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX (the "Church") is interested in receiving bids for auditing services from qualified firms for the 2005, 2006, and 2007 calendar years, with fees stated separately for each year. You are invited to respond to this request in accordance with the enclosed Audit Proposal Requirements. Also enclosed is a one-page summary of information about the Church.

This request for proposal is being sent on behalf of the Audit Committee and administration of the Church to audit firms that have been identified as having an interest in church audits and that possess the capacity to perform the desired work.

There will not be a formal bid opening. The Church will use the following criteria, among others, in evaluating submitted proposals. The criteria are presented in order of significance:

- Quality and competence of firm and firm audit staff.
- Experience and involvement with not-for-profit entities and churches.
- Competitiveness of fee proposal.
- Quality of references and their responses.
- Approach to audit services and emphasis on efficiencies, innovation, and cooperation with client.
- Breadth and expertise of non-audit services available from the firm.

Your response to this request for proposal is due on or before 4:00 p.m. on March 31, 2006 at the following address:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Business Administrator  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
xxx N. State Street  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
Phone: XXXXXXXXXXXX; FAX: XXXXXXXXXXXX  
E-mail: XXXXXXXXXXXX

Please let me know if you have any questions or need any additional information.

With kindest regards,

XXXXXXXXXXXXXXXXXXXXX  
Business Administrator

Enclosures

## Request for Proposal (RFP) - Audit

XXXXXXXXXXXXXXXXXXXX

XXXXXXXXXX, XX

### PROPOSAL REQUIREMENTS

Respondent proposals should include an executive summary, not to exceed two pages in length, that highlights why your firm feels it is the most qualified to provide audit services to the Church. Also, the request recommends that you provide the following information and answer the following questions as you deem appropriate. This information will enable the Audit Committee to adequately evaluate your qualifications.

#### **Audit Proposal Requirements:**

1. Identify the name, e-mail address, phone number and fax number of your firm's contact person.
2. Describe the nature and extent of your firm's experience with not-for-profit entities. In particular, what is your experience with churches?
3. Provide a list of churches audited by your firm. Note those churches that are new clients, and note any churches that have terminated engagements within the last three years and the reason for the termination.
4. Identify any emerging issues within the audit profession that you feel are important to churches.
5. Describe your approach to audits of not-for-profits/churches, including your view as to your and the church's roles in the audit process.
6. Indicate ways in which the church's resources might be used to reduce your level of effort and minimize audit fees.
7. Describe your firm's approach to assessing control risk in churches and not-for-profit entities.
8. Do your long-range plans include any changes in strategic direction that could affect your involvement with not-for-profit organizations and your ability to conduct audits of churches and not-for-profits?
9. Are you aware of any relationships between your firm and the church, or between your employees and members of the church community that could lessen or impair your independence and objectivity?
10. Describe the procedures your firm will employ to ensure a smooth and effective transition from our former auditors, if you are selected as our new auditors.
11. Describe your firm's resources with respect to assisting the church with technology, operational, strategic, and tax issues and the applicable fee structure for these consulting services. How do you distinguish between "billable consulting services" and "non-chargeable client services"?
12. Provide information regarding firm quality standards, independence of firm and results of the most recent peer review of your audit and accounting practice.
13. Provide biographies of all staff members who might be assigned to work on the audit of the church.

14. Please include five references from not-for-profit or church clients. References from clients of a similar size and type are preferred. Please include the name and complete address information for a contact person at each reference, plus a description of the services provided to each reference.

15. Other Information

- a. Please submit three (3) copies of your proposal
- b. Copies of prior years' reports and other financial information are available upon request
- c. The audit engagements include the following:
  - i. xxxxxxxxxxxxxxxxxxxx Church (years ending December 31, 2005, 2006, and 2007)
  - ii. xxxxxxxxxxxxxxxxxxxx Memorial Fund (separate audits for years ending December 31, 2006 and 2007, with due dates of March 1, 2007 and March 1, 2008, respectively)  
xxxxxxxxxxxxxxxxxxxxxxxx. Memorial Fund (separate audits for years ending December 31, 2006 and 2007)
- d. xxxxxxxxxxxxxxxxxxxx (separate audits for the years ending December 31, 2005, 2006, and 2007) Please visit [www.xxxxxxxxxxxx.org](http://www.xxxxxxxxxxxx.org) for information on this separate not-for-profit entity.
- e. We request that the audit reports on the financial statements of xxxxxxxxxxxxxxxxxxxx Church be completed and delivered on or before June 30<sup>th</sup> of the year subsequent to the year covered by the audit.

# Request for Proposal - Audit - Sample

## Independent Auditor Sample Request for Proposal (RFP)

Dear (*Partner of Independent Audit Firm*):

(*Ministry Name*) has used its present accounting firm, (*Name of Audit Firm*), for \_\_\_ year(s). While we are pleased with their services, we have decided to review which accounting firm will service our accounting needs over the next \_\_\_\_\_ year period. (*Name of Current Audit Firm*) will also be presenting a proposal to retain this account. We use our accounting firm as follows:

- Audit of the financial statements for the year ending \_\_\_\_\_, 20\_\_.
- Preparation of the related management letter.
- Presentation of the results of the audit and the management letter at the board's Audit Committee meeting in \_\_\_\_\_ of each year.
- Consultation on financial and other matters related to the organization as required annually.
- Very limited consultation on tax matters as required.

The primary users of the financial statements are the Board of Directors and the Audit Committee. In addition to the audit of the financial statements and meetings with management and the Audit Committee, we also require approximately \_\_\_ hours of partner and manager time for consultation with management throughout the year.

Your Firm has been selected as a candidate for review of your qualifications to provide these services, and is hereby invited to submit a written proposal. Specific questions to which we ask your response are listed in Exhibit I. Please note that your proposal fees should be for a \_\_\_ year period, beginning \_\_\_\_\_, and should be based on a single, annual fee for the routine and consultative services outlined above.

In an effort to minimize the time required for you to prepare your proposal, we have enclosed the following background information for your consideration:

- |             |                                   |
|-------------|-----------------------------------|
| Exhibit I   | Overview                          |
| Exhibit II  | Audit Time Table and Deliverables |
| Exhibit III | Scope of Operation                |
| Exhibit IV  | Organizational Charts             |
|             | A. General                        |

B. Office of Finance

Exhibit V Audited Financial Statements for the year ended \_\_\_\_\_,  
20\_\_

Any additional information which you may require to prepare your proposal may be obtained by scheduling an appointment with me. My administrative assistant, \_\_\_\_\_, can schedule an appointment with you.

Three copies of your written proposal are due in our office by \_\_\_\_\_, 20\_\_, and will be reviewed by our Finance Committee in \_\_\_\_\_, 20\_\_. Once a final decision has been made, you will be notified of the Audit Committee's selection no later than \_\_\_\_\_, 20\_\_.

The Audit Committee of the (*Ministry Name*) reserves the right to reject any or all proposals submitted and to also make award where it appears it will be to the best interest of (*Ministry Name*).

Thank you in advance for your interest in our account. Please do not hesitate to call me if there are any questions in regard to this request.

Sincerely,

\_\_\_\_\_

# **FINANCIAL REVIEW GUIDE**

## **Important Disclaimer**

This checklist is provided to assist churches in fulfilling the requirement of *Book of Order* provision G-3.0113. The *Book of Order* does not require that the annual review of the financial records of a congregation be conducted by a professional accountant or attorney. Completion of this checklist should satisfy the requirement of the *Book of Order*. The Office of Stewardship is not rendering legal, accounting, or other professional services. If accounting or legal advice is necessary or required, the services of a competent professional advisor should be sought.

## **Copyright Information**

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## INTRODUCTION

This document is intended as a guide to assist Presbyterian churches with their compliance with the minimum standards of financial procedure specified in the Constitution of the PC(USA), Part II, known as the *Book of Order*.

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 (or treasurers).

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.

As the *Book of Order* states,

**"Such auditors should not be related to the treasurer (or treasurers)."**

This document presents guidelines for such *a committee of members* as described above. It is assumed that some churches are able and do hire professional accountants to conduct a formal audit of the churches' finances. These auditors are well versed in the procedures that are necessary. It is the congregation not able to hire a professional that this document primarily addresses (though it may be useful and serve as a guide for any church no matter its size.) For the congregations that use it, this document discusses the many aspects of planning, carrying out, and documenting a financial review as required by the *Book of Order*.

The financial review of a congregation, regardless of the size of its membership or budget, would typically include, *but not be limited to*, the steps included in this guide.

### **Nature of the Review**

The purpose of the review is not to catch someone in the act of misusing or stealing funds. Though it may protect a congregation and treasurer from these things, the primary purpose of the review is to insure good financial procedures and to help the congregation have confidence and trust in the stewardship of their contributions. A financial review includes becoming familiar with every aspect of the church's financial procedures. The committee should evaluate the church's financial operations, reports, policies, and procedures. The committee should use interviews and firsthand observations to determine, to the best of its ability, the answers to the following questions. The answers received and the judgment of the committee will then affect the sample size of transactions and documentation selected for examination and independent verification.

The checklist is a way of identifying areas that are strong and those that need attention. An explanation of the items in the checklist appears at the end. It is expected that the checklist be used before the instructions and explanation section is consulted. This sequence speeds up the process and increases efficiency. The section on instructions and explanations is not designed to be exhaustive.

# FINANCIAL REVIEW CHECKLIST

\_\_\_\_\_ **PRESBYTERIAN CHURCH**

For the Fiscal Year Ended \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
*Committee Member's Signature*

Date Completed      Initials

**Reconciliation of Bank & Investment Accounts**

Operating bank account #	_____	_____
Month	_____	_____
Bank account #	_____	_____
Month	_____	_____
Bank account #	_____	_____
Are bank accounts balanced monthly?	_____	_____
Verification of beginning and ending year balance	_____	_____

**BANK & INVESTMENT**

Account signatories verified	_____	_____
Telephone or other transfer verified	_____	_____
Safe deposit box access checked	_____	_____
Account balances confirmed by Bank/Company (see attached forms)	_____	_____
Name _____ Confirmation Sent & Returned	_____	_____
Name _____ Confirmation Sent & Returned	_____	_____
Name _____ Confirmation Sent & Returned	_____	_____
Name _____ Confirmation Sent & Returned	_____	_____

**A. INCOME**

Offering counted by two unrelated persons Funds deposited \_\_\_\_\_  
in timely fashion \_\_\_\_\_  
Financial secretary's and treasurer's \_\_\_\_\_  
records compared against deposits Transactions \_\_\_\_\_  
checked against postings to GL Other income processes \_\_\_\_\_  
verified \_\_\_\_\_  
Designated funds directed to restricted accounts Pledges recorded \_\_\_\_\_  
on donor records \_\_\_\_\_  
Confirmations sent to donors \_\_\_\_\_  
#sent \_\_\_\_\_ (Keep a list) \_\_\_\_\_  
# returned \_\_\_\_\_  
Differences researched & cleared \_\_\_\_\_  
Finance secretary's records reviewed \_\_\_\_\_  
Finance secretary's records agree with general ledger \_\_\_\_\_

NOTES:

**B. DISBURSEMENTS**

Date Completed      Initials

Invoices properly approved	_____	_____
Canceled checks examined to verify that disbursements were actually paid to the proper parties	_____	_____
Check number and date noted	_____	_____
All checks, used and voided, accounted for	_____	_____
Purchase order system, if applicable, functioning appropriately	_____	_____
Accounts to charge noted on invoice	_____	_____
Any invoices to vendors over 30 days in arrears	_____	_____
Per capita and mission apportionments paid per session direction	_____	_____
Interest & service charges recorded	_____	_____
General ledger balances equal daily transaction	_____	_____
A procedure in place to account for restricted gifts	_____	_____
Procedure in place to distribute gifts regularly (Confirm with receiving agency in Presbytery)	_____	_____
Designated gifts paid out on a timely basis (Confirm with receiving agency in Presbytery)	_____	_____
Canceled checks matched to invoice for appropriateness	_____	_____
Disbursement of petty cash funds given proper approval	_____	_____
Reimbursements to the petty cash fund properly made	_____	_____
Maximum figure for individual approval of payments established and followed	_____	_____

NOTES:

**C. REPORTS**

Complete financial picture provided by reports	_____	_____
Reports made helpful to committee members	_____	_____
Approved budget included in reports	_____	_____
Over-budget expenditure approvals in order	_____	_____
Controls for over expenditures provided	_____	_____
Policies for restricted funds reviewed	_____	_____
Restricted funds used according to policy	_____	_____
Regular reports provided on pledge giving to finance committee and pastor	_____	_____
Reports provided in timely fashion	_____	_____
Reports distributed to the appropriate people	_____	_____
Both a balance sheet and a statement of income and expense prepared	_____	_____

NOTES:

Date Completed      Initials

**D. GENERAL LEDGER**

Restricted funds separated appropriately	_____	_____
Internal controls for receipts reviewed (see separate document for understanding of internal controls)	_____	_____
Internal controls for disbursements reviewed	_____	_____
Other asset accounts reviewed (equipment, buildings, contracts, etc.)	_____	_____
Accounts payable reviewed	_____	_____
Accounts receivable reviewed	_____	_____
Prepaid expense account reviewed	_____	_____
Any related party/employee loans noted	_____	_____
Unearned Income account reviewed	_____	_____
Fund balance from prior year correct	_____	_____
Correct fund balance carried into next year	_____	_____

NOTES:

**E. ADMINISTRATIVE**

Church Employer Identification Number obtained	_____	_____
File for EIN and tax filings safeguarded		_____
Deed to church property and/or mortgage safeguarded	_____	_____
Insurance policies safeguarded		_____
Insurance coverage appears to be adequate		_____
Prior year insurance policies safeguarded		_____
Church has separate bond for persons handling money		_____
Where and how documents are safeguarded noted		_____
Persons with access noted	_____	_____

NOTES:

Date Completed      Initials

**F. PAYROLL**

Personnel files kept on individuals	_____	_____
Personnel files safeguarded and confidential _____	_____	_____
Salaries paid according to approval	_____	_____
Tax forms issued to clergy persons, employed persons, and government	_____	_____
Payroll tax deposits and timely remittances to government made	_____	_____
Time sheets filed and approved <small>(not by treasurer)</small>	_____	_____
Employee benefits paid and current pension _____ other _____	_____	_____
Any salary reduction plans noted	_____	_____
Session!committee approval noted and written documentation in file	_____	_____
Amount paid to persons on contract! honorarium verified	_____	_____
Proper 1099 filing of approvals for persons paid for over \$600 paid on contract!honorarium	_____	_____
Other	_____	_____

NOTES:

# REPORT OF THE ANNUAL FINANCIAL REVIEW

The Session is required to provide for an annual audit of the records of all financial officers, including the financial secretary and/or church business manager and/or treasurers of the church and all its organizations and shall report to the Session.

For the period beginning \_\_\_\_\_, \_\_\_\_\_,  
and ending \_\_\_\_\_, \_\_\_\_\_.

## I. RECEIPTS, DISBURSEMENTS, AND BALANCES

	( a ) Balance at Beginning of Period	( b ) Cash Received & Recorded	( c ) Total Disbursements for Period	( d ) For Transfers +(-)	( e ) Balance at End of Period
<b>Local Church Funds</b> <small>(Use those applicable to your church)</small>					
General Fund	\$	\$	\$	\$	\$
Benevolence Fund					
Building or Improvement Fund					
Board of Trustee's Fund					
Presbyterian Women					
Presbyterian Men					
Church School					
Other Fund Organizations					
Name:					
Total amount of cash in ALL treasuries of the	\$	\$	\$	\$	\$

# **THE FINANCIAL REVIEW CHECKLIST**

## ***INSTRUCTIONS and EXPLANATIONS***

### **A. Confirmation**

After the books are closed for the year but before the financial review begins, the committee should prepare confirmations for banks, insurance companies, and donors. Those confirmations are essential for providing independent confirmation of bank account balances and authorized signatures, the coverage level(s) and related premiums(s) for all insurance policies, and, on a test basis, donor contributions.

1. *Bank Confirmations*

For each bank and investment account, request the balance as of year end and a list of person(s) authorized to sign on each account. (*See items on Checklist, under Bank and Investment.*)

2. *Insurance Company Confirmations*

Request the confirmation of the policy number, the level of coverage and the anniversary date and premium. (*See insurance items on Checklist, under (E.) Administrative.*)

3. *Pledge and Donation Confirmations*

On a test basis (a representative sample), confirm the amounts received from donors and the period for which the donation is to be booked. Copies of year-end statements may be used to facilitate this process. (*See items related to donors on Checklist, under (A.) Income.*)

These confirmations constitute an essential piece of the reviewing process. Second requests may be required if confirmations are not responded to in a timely fashion. The responses should be sent directly to the reviewer(s), not in care of the church.

## B. Cash

Two categories of cash need to be audited at year end: bank or savings accounts held in the name of the church, and any petty cash accounts held in the office of the church. At this time the reviewer must have the list of all bank accounts and person(s) authorized to sign on each, a copy of all the financial statements for each month being reviewed, and the bank account statements and reconciliations for that same period. (*See items on Checklist, under (A.) Income*)

§ Review the bank confirmations to see that the ending balance as stated by the bank is the same figure used in the last statement of the fiscal year, then check to see that the current authorized signers as listed by the bank are the same names listed within church records. If the lists fail to match, inform the treasurer, who should investigate any differences.

§ Review all bank reconciliations to see that the beginning balance of one month is the same as the ending balance of the previous month. Note whether the book balance as listed on the bank reconciliation is the same balance presented on the financial statements.

§ Pick a month and actually perform a bank reconciliation for each account using the original books of entry, the financial secretary's records and any subsidiary journals. If you find a discrepancy between your reconciliation of the month and the reconciliation provided by the treasurer(s), research the discrepancy to find an explanation or an error.

§ The reviewer should do an independent count of all petty cash accounts. This count should tie to the books. Review expense types for their appropriate charging to program area or administrative accounts. Ascertain suitability and adherence to policies.

## C. Income/Receipts

Determine if the deposits as listed by the financial secretary and the treasurer match those listed on the bank statement. Verify, on a test basis, the deposits for Sundays during the calendar year. (*See items on Checklist, under (A.) Income.*)

- \$ Test (a random sample, not to exceed 10 items) the counter's documentation versus the Sunday receipt deposit slips and bank statements. Review original book of entry for correct posting of Sunday deposits.
- \$ Using the donor confirmations, determine whether the amount paid as reported by the donor is the same as recorded and received by the financial secretary. If there is a difference, research for a timing difference, inaccurate recording, or some other explanation.
- \$ Review the original books of entry to determine if other income has been recorded accurately (i.e., appropriate account, correct amount, unrestricted or designated vs. restricted, etc.). Trace the entries to the financial statements.

**D. Disbursements** *(See items on Checklist, under (B.) Disbursements.)*

- § Review the Finance Committee and other committee minutes, as appropriate, for actions concerning disbursements, including benevolent and per capita payments. Reconcile those actions with any actual payments made.
- § Test to ensure that all of the disbursements have been properly authorized.
- § Review the original books of entry and disbursements journal to ensure that all disbursements have been recorded appropriately.
- § For the insurance premium disbursements, check to see whether the amount disbursed is the same as that listed by the insurance company as premiums due.
- § Verify that income designated for special mission purposes has been distributed or allocated accordingly.

If there is a purchase order system in conjunction with disbursements, note whether the purchase orders have been authorized and approved by the appropriate person(s) and matched against the actual disbursement or invoice.

## **E. Payroll and Tax Records** *(See items on Checklist, under (B.) Payroll)*

- \$ Reconcile all payroll with tax records and tax payments made.
- \$ Verify that the appropriate amounts have been reported on the 94 1s, W-2s and 1099s and that the forms have been transmitted to the federal, state and local tax authorities on a timely basis. Also verify the existence of current W-4s and I-9s for all staff. The church may not do Social Security withholding for clergy but can make voluntary income tax withholding pursuant to a W-4 form, at the pastor's request.
- \$ Test that the appropriate amount of taxes have been deducted from the paychecks and can be tracked back to the W-4 as submitted by each staff person.
- \$ If the church is not using an accountable reimbursement plan for clergy, or other staff, the appropriate allowances need to be recorded on the W-2 form (or 1 099 form, if it is still being used) issued by the church to the clergy.
- \$ Track the payroll and tax records to the actual disbursements made and recorded with the original books of entry.
- \$ If irregularities exist, research to determine (error) or cause.
- \$ If there are Tax Deferred Annuities (TDAs), Section 125, or other salary reduction agreements, verify existence of signed agreement and proper tax withholding applied.
- \$ Verify pension contribution with pension board. If there is a salary reduction agreement, review documents for accuracy and verify that agreements have been approved by Session.
- \$ Verify that housing allowance resolutions are in place and have been properly applied to reduce clergy's reportable 941 and W-2 income.

## I. RECOMMENDATIONS

The Auditors/Auditing Committee (*circle one*) has examined the accounts listed on the front side, reviewed procedures of counting and accounting under the current ***Book of Order G-3.0113***, reconciled receipts and disbursements with bank deposits and bank balances, and has found the balances displayed correctly, presented fairly, with proper procedures, and records properly kept, except as noted below:

Signed: \_\_\_\_\_ Date \_\_\_\_\_  
*Financial Review Committee Chair or Auditor*

***COPIES OF THIS REPORT SHOULD BE DISTRIBUTED TO  
THE MODERATOR OF SESSION, CLERK OF SESSION, AND ALL SESSION MEMBERS,  
COMMITTEE ON FINANCE AND/OR BOARD OF TRUSTEES***