

# **ACKNOWLEDGEMENTS**

This manual was initially developed by the Southern New England Conference (SNEC) treasury staff in 1996. Since that time, various edits and refinements have occurred, yielding the document which you now hold in your hands. By permission of the Southern New England Conference (SNEC), this document was adapted for use by the Greater New York Conference (GNYC). Thanks to all those who have contributed time and expertise to the development of this document and to SNEC for permission to use it in GNYC.



# TABLE OF CONTENTS

<b>A. Introduction .....</b>	<b>7</b>
A.1 Purpose of this manual.....	7
A.2 Contacting the Treasury Office.....	7
A.3 Qualifications & Job Description .....	8
<b>B. General Issues .....</b>	<b>10</b>
B.1 Confidentiality.....	10
B.2 Safeguarding Donors' Interest .....	10
B.3 Tithes & Offerings .....	10
B.4 Donations to Organizations not Authorized by the General Conference .....	11
B.5 "Loose Offering .....	11
B.6 Stewardship Promotion .....	12
B.7 Proper Channels for Giving .....	12
B.8 Responsibilities for Reporting .....	12
B.9 Church Board Authorization .....	13
B.10 Basics of Fund Accounting .....	13
B.11 Accounting for Auxiliary Organizations .....	15
B.12 Receiving Funds and custody of Funds .....	15
B.13 Bank Accounts .....	16
B.14 Savings Accounts/Investments .....	17
B.15 Federal Tax Identification Number & State Sales Tax Exemption Certificate .....	17
B.16 Courtesy Payroll – Employee vs. Independent Contractor .....	18
B.17 Necessity of an Assistant Treasurer .....	19
B.18 Ownership of Records & Access to Records .....	20
B.19 Organization & Storage of Records .....	20
B.20 Retention of Records .....	21
B.21 Audits Review by Conference Personnel .....	22
B.22 Ordering Supplies .....	23



**C. Specific Instructions.....24**

C.1 Collection, Counting, & Depositing Funds ..... 24  
C.2 Receipting ..... 27  
C.3 Disbursing Funds (Paying Bills) ..... 29  
C.4 Recording Receipts Entries in the Ledger ..... 30  
C.5 Recording Adjustments in the Ledger ..... 31  
C.6 Distributing Combined Budget Offering ..... 33  
C.7 Recording Disbursements & End-of-Month Totals in the Ledger 36  
C.8 Remittance to the Conference ..... 37  
C.9 Bank Reconciliation ..... 37  
C.10 Reporting to the Church ..... 40

**D. Unique Issues for Computer Users ..... 41**

D.1 Description of LUCIS Software ..... 41  
D.2 Benefits of Using *LUCIS Software* ..... 41  
D.3 System Requirements for *LUCIS Software* ..... 41  
D.4 Technical Support ..... 41  
D.5 Other Software ..... 42  
D.6 Importance of Backups ..... 42  
D.7 Ownership of Hardware ..... 42  
D.8 Reports for Church Use ..... 42  
D.9 Reports to Send to the Conference ..... 43



# INTRODUCTION

**A.1 Purpose of the Manual** – The Treasurer of the local church can justly be said to be the most important link in the chain of individuals charged with the handling of funds in the Seventh-day Adventist Church organization. This *Church Treasurers' Manual* has been prepared by the Southern New England Conference (adapted by the Greater New York Conference – GNYC) to assist you in this very important ministry. The instructions contained in this manual are intended to sharpen your skills, guide you when questions arise, and help your church remain in compliance with denominational policies.

Included in this manual are concepts from (1) the *Local Church Accounting Manual* compiled by the General Conference; (2) the *Seventh-day Adventist Church Manual*; (3) current policies adopted and implemented by GNYC; and (4) church accounting manuals from other conferences. In addition, GNYC treasury staff has added section we feel will be helpful you in your work.

**A.2 Contacting the Treasury Staff** – This manual is intended to provide guidance in handling the issues most commonly faced by treasurers. However, no matter how complete the manual may be, situations or questions will arise from time-to-time that are not specifically addressed herein. In such instances we urge you to refer to the *Seventh-day Adventist Church Manual* or contact treasury personnel in the conference office.

Currently, there are six conference employees directly associated with treasury, along with three additional persons who deal regularly with education and property matters. Use the following chart to help determine which person you should contact:

ISSUES	NAME	PHONE NUMBER
Accounts payable, remittance and cash receipts	Dora Trejos	(516) 467-5072 x134
Church/school, audit, accounting procedures, software use – LUCIS and CTS	Dalin Lindsay	(516) 467-5074 x154
Church and school accounts, remittance	Margo Lee	(516) 467-5248 x179
Insurance – property, liability, vehicle, claims, certificate of insurance; Vehicle – sale, purchase, registration, violations; NYC – water and sewer exemptions, DEP boiler; NYS - DEC boiler permit	Kelvin Rivas Lloyd Scharffenberg	(516) 467-5209 x175 (516) 467-5201 x155
Church/school Employer Identification Numbers (EIN), employment	Sandy Salas	(516) 467-5057 x125
Payroll	Delrita Cañas	(516) 467-5060 x177
Property tax exemptions, Real Property Income and Expense (RPIE)	Angella Loy Chin Lloyd Scharffenberg	(516) 467-5076 x142 (516) 467-5201 x155
Property acquisition, repairs, renovation, property violation, contracts, use agreements, FDNY exemptions and permits, property tax exemptions	Lloyd Scharffenberg Kelvin Rivas	(516) 467-5201 x155 (516) 467-5209 x175
Revolving Fund loans, bridge loans, property value, accounting records, annual capital improvement projects,	Arnovi Trejos Lloyd Scharffenbeg	(516) 467-5075 x174 (516) 467-5201 x155
Secondary education, three way plan, worthy student scholarships	Kerriann Hayman	(516) 467-5245 x157

If you are not sure which individual can best answer your question(s), simply call anyone of us and we will refer you to the right person. All of us are here to serve you and help you use your talents most effectively for the Lord.

**A.3 Qualifications & Job Description** – The task of the church treasurer is a sacred work. The greatest care should be exercised in electing individuals to this and other church offices who exhibit the personal qualifications and skills to properly carry out these sacred duties. The treasurer should be a church member of moral and religious fitness, dedicated to service, and willing to learn. The treasurer



should be a person of good judgment and sound integrity who is able to relate well with others. Attention to details and accuracy are important skills for the treasurer. Since much of the information dealt with by the treasury is sensitive, confidentiality is a must. Finally, the treasurer should be one who faithfully supports the church in all respects, including regular church attendance and tithing.

The following list describes the general duties of the treasurer:

- Receipt all funds that come into the local church
- Deposit all funds in a timely manner
- Record these funds regularly in the ledger
- Issue receipts to all donors for tax-reporting purposes
- Pay all authorized expenses
- Maintain an up-to-date checkbook
- Remit funds promptly (by the 10<sup>th</sup> of each month), to the conference treasury
- Balance the ledger, checkbook, and bank statement monthly
- Report the financial status of the church to the church board, and the church in business session, on a regular basis
- Organize and maintain, according to the required schedule, offerings envelopes, donors receipts, ledgers, paid bills, canceled checks, bank statements, and other pertinent materials
- Cooperate with the pastor, finance committee and/or operating board in preparing and implementing an annual budget.

We understand that this list of duties, all of which are elaborated on later in this manual, seem quite imposing. However, if each duty is done carefully, and conscientiously performed one step at a time, the Lord will see you through and you will do just fine.

# GENERAL ISSUES

**B.1 Confidentiality** – The position of treasurer is one that entails great trust. Donors are revealing personal information each time they turn in a tithe envelope. Other individuals are in a position of needing financial assistance from the church. It is the duty of the treasurer to keep this type of information confidential.

**B.2 Safeguarding Donor Intent** – It is the duty of the treasurer to safeguard the intent of all donors when any local, conference, or world offering is taken. It is a matter of trust for the treasurer and church board to ensure that all tithes, offerings, and other gifts are allocated and used for the purpose for which they were given. “Neither the treasurer nor the church board has the authority to divert any funds from the objective for which they were given” (*Seventh-day Adventist Church Manual, p 59*).

**B.3 Tithe & Offering Use** – Donations typically fall into one or two major classifications: *tithe or offerings*. Offerings are further sub-divided into three major categories: *local church, local conference, and world church*.

**Tithe** is defined as one-tenth of one’s increase or personal income. All members are encouraged to return a faithful tithe to the treasury of the denomination. “The tithe is to be held sacred for the work of the ministry, for bible teaching, and for the support of the conference administration in the care of churches and of field missionary endeavors. The tithe is not to be spent on other work, or paying church or institutional debt, or on building programs”, (*Seventh-day Adventist Church Manual, p 137*).

*All* the tithe received by a local church is to be remitted to the conference treasury. Of the tithe received at the conference, 10% is forwarded to the Atlantic Union Conference, 16% percent goes to the North American Division/General Conference, 10.1% percent is placed in a retirement fund for workers, 4% percent is given to Atlantic Union College, 1% for publishing and 1% percent (currently calculated in excess of 3.122 million) is remitted for assistance to small conferences. Therefore, it may be said that the Greater New York Conference retains, for operating purposes, 57.9% of the local tithe it receives. Further information regarding this is available from the conference’s treasury department. There may be adjustment to these percentages from time to time.

**Offerings** are non-tithe donations to provide further funding for *local church, local conference, or world church* operating budgets and/or special projects.

**Local church offerings** are non-tithe donations made to the local church to provide funding for operations and capital needs. Categories printed on the tithe envelope are “Church Budget”, “Building Fund” and “Church School”, with room for write-in additions. Operating expenses include: utilities, maintenance, Sabbath School supplies, secretarial or janitorial personnel, and church sponsored programs. Capital projects include such things as building project or an organ fund. Each year an operating budget should be developed to prioritize the needs and programs of the church. The budget should be formally approved by the church in business session.

**Local conference offerings** (also referred to as Greater New York conference advance) provide funding for a number of specific programs operated by the conference. The programs that receive funding are voted by the conference executive committee and are available from the conference treasury department.

**World Church offerings** provide funding for programs such as Adventist Disaster Relief Agency, Adventist world Radio, various TV ministries, Christian Record Services, Adventist Chaplaincy Ministry Oakwood College, Andrews and Loma Linda Universities.

**B.4 Donations to Organizations Not Authorized by the General Conference –** The General Conference of Seventh-day Adventists has been granted a 501(c)(3) exemption by the Internal Revenue Service. This status identifies the General Conference and its subsidiary organizations as not-for-profit organizations. There are many organizations to which members may wish to contribute that are not covered under the General conference 501(c)(3) umbrella. Donors should send their contributions directly to those organizations that are not covered. Funds received at the church for these organizations should be returned to the donor and a church receipt must not be issued. Examples of these organizations are Hope International, The Quiet Hour, Three Angels Broadcasting Network, and Your Story Hour. Denominational entities are listed in the SDA yearbook. Questions regarding donations can be answered by the conference treasury personnel (see section A.2).

**B.5 “Loose Offering –** “Loose “ offerings collected during church are to be applied to the offering for that day as indicated on the “Sabbath Offering Schedule” printed with the annual “Sunset Calendar.” The *Seventh-day Adventist Church manual*, p 60, states: “When an offering is taken for worldwide mission or for any general or local enterprise, all money placed in the offering plate (unless otherwise indicated by the donor) shall be counted as part of that particular offering.” This policy is based on the world mission concept on which the Seventh-day Adventist

church was founded and flourishes, and is in accordance with the biblical model of spreading the Good News to the world.

**B.6 Stewardship Promotions** – Treasurers are in a position to present information that can assist in the promotion of stewardship within the church. The information shared can take the form of trend analysis of giving, number of giving units compared to membership, local offering compared to tithe, use of funds, etc. The information a treasurer can offer should be used in conjunction with an overall stewardship plan for the church. Churches are counseled to think carefully before embarking on fund-raising activities. The *Seventh-day Adventist Church Manual*, pp 157, 158 outlines several key principles to ponder as fund-raising methods are being considered.

**B.7 Proper Channels for Giving** – The Bible states that all the tithes are to be brought to the storehouse. The Seventh-day Adventist Church is the storehouse of God for all tithes and offerings given by its members. The financial plan developed by the church organization is to be a unifying and strengthening force within the Seventh-day Adventist Church. The preferred practice of giving is for donations to be given at the local church, from which appropriate funds will be remitted to the conference. Donated funds sent to the conference for work outside the territory will be sent on to the union, from the union to the division, and then to the General Conference as appropriate. Great care is taken at each level to ensure that specific offerings are used for their intended purpose.

**B.8 Responsibilities for Reporting** – a church treasurer has the following responsibilities for reporting:

**To the Church Members.** Reports can be made to church members in two ways: (1) Annual receipts for donations are to be given to the donors before January 31. (2) The church, in a duly called business meeting, needs to approve the budget and annual financial report. A report to the church should be given at that time, including information about the previous year's activities as well as the proposed budget for the new year.

**To the Church Board.** A financial report should be made to the church board at each regular meeting, the report should include, as a minimum, cash balances, the status of any loans or payables, offering trends, and information about expenses. The church board is responsible for the operations of the church and needs timely financial information to assist

in making decisions.

**The Greater New York Conference.** Monthly remittance reports must be received at the conference by the 10th of each month. These reports should include a remittance report form or equivalent, and detailed back-up material in support of the figures on the report.

**To The Pastor.** The pastor is involved in the day-to-day activities of the church and should be aware of the finances of the church in a more detailed manner than the church board. The treasurer should report any unusual request for expenses to the pastor so that the proper approval can be granted. The pastor should receive a copy of the conference remittance report after it is completed.

**B.9 Church Board Authorization** – The church board is the operating committee of the church and carries the financial management of the church. It is the duty of the church board to establish approval criteria for the payment of expenses. Criteria should be developed for anyone who is authorized to make expenditures. Limits on spending should be established for department leaders. Authorization should be given for the treasurer to pay all standard bills such as rent, mortgage, utilities, insurance, etc, and all other budgeted items. The board may choose to authorize the pastor to approve certain expenditures up to a specific dollar amount. Any large or unusual amount should be approved by the church board.

**B.10 Basis of Fund Accounting** – Churches use a method of accounting known as fund accounting. This approach is used predominantly in not-for-profit organizations and provides a method to associate specific expenses with restricted donations made to the organization. Fund accounting is unique as compared with other commercial types of accounting.

**Functions.** Financial information about each department of the church needs to be kept separately. A function should be established for each distinct area of the church. Incomes, expenses, transfers, and fund balances for each department are then recorded in columns or sections known as functions. The purpose of these functions is to facilitate matching restricted income with appropriate expenses, to make sure donations are being used as intended. Examples of functions include the following: Building Fund, and Pathfinders. The function balance is the accumulated balance of the activity function.

**Income.** Churches receive income to fund operations and capital expenditures primarily through donations. These incomes are recorded in the appropriate functions. Some donations must be used for specific purposes; other donations can be used in a general way; and still other, non-donated income, is used where most needed. Typically, cash to fund all of the church's functions is deposited in a single checking account; but regardless of where the money is kept, its intended uses are carefully tracked in the ledger.

**Restricted donations.** Donations earmarked by the donor for a specific purpose are known as *restricted donations*. These include donations for functions such as Church Expense, the Building Fund, Sabbath School Expense, or Evangelism. Restricted funds must be used for the purpose for which they were donated.

**Unrestricted donations.** Donations given by a donor for general, unspecified uses are called *unrestricted donations*. These donations may be used for any purpose the church deems necessary. At times a local church, conference, or other entity may vote to allocate certain types of offerings to many different programs. Examples include "local church budget," "conference advance," and "world budget" offerings. Funds collected with these offerings are deemed "board allocated." The allocations associated with these "budget" offerings are sometimes adjusted to meet changing needs. The same governing body that approved the allocations may change them.

**Other income.** Proceeds from the sale of goods and interest earned on checking and saving accounts are unrestricted income. These are not donations made by individuals but are monies received through actions taken by the church. The church board has the responsibility to designate where these funds should be allocated, and has authority to change these designations at any time. With respect to selling of goods, it should be noted that one principle of accounting is to match income directly with related expenses. Allocation of the net proceeds can be made after the difference between the income and the expenses (i.e., net income) is computed.

**Expenses.** Payments made in exchange for goods and services are recorded as expenses. Expenses are recorded in the appropriate functions to match where income has been recorded. Funds that are sent to the conference are recorded as monies held in trust, not expenses.

**Transfers.** The procedures for allocating funds, such as, “church budget” offerings, are called transfers. Transfers can be on a dollar amount basis, a straight percentage, or a combination of percentage and flat dollar amounts. (these methods are combined in section (C.6). Transfers also provide a method of reallocating funds from one function to another. The net result of a transfer transaction is always zero. Transfers do not generate income for the church; they simply shift funds from one area to another.

**Fund balance.** The net worth of an organization is the sum of the function balances. On the balance sheet, the fund balance is the sum of the assets minus the liabilities-or, in other words, the difference between what the organization has and what it owes. If the church has no liabilities or debt, the fund balance equals its assets (usually the checking and saving account balances). The net gain or loss a church experiences for a defined period of time acts as an adjustment to the fund balance. Although a case can be made for distinguishing between them, the terms *fund balance*, *function balance* and *account balance* are used interchangeably throughout this manual.

**B.11 Accounting for Auxiliary Organizations** – Auxiliary organizations are entities that are related or subsidiary to the parent church, such as Adventurer, and Pathfinder Clubs, Community Services, or a Food pantry. Funds for these organizations should be accounted for in the church records, with the church treasurer serving as custodian of these funds. All monies received by the auxiliary organizations should be given to the church treasurer to be receipted. Disbursement of the monies for these organizations should be by request of the organization’s leader to the church treasurer, and should be accompanied by the appropriate documentation. As described in section B.9, the church board sets the financial parameters within which the auxiliary organizations function.

**B.12 Receiving Funds and Custody of Funds** – It is important that the church funds are held in such a manner that they will be secure until they are deposited in the bank. The treasurer’s first contact with the church funds comes when he/she takes charge of church offerings on Sabbath. Ideally, offerings are collected by deacons and ushers and are carried by them to a specified, private location away from the sanctuary. The church treasurer or assistant should be waiting at that location to take possession of the offerings, both cash and envelopes, from the deacons. At this time it is necessary that the “loose” offerings be counted jointly by the deacons (or some other persons not related to the treasurer) and the treasurer. It is not appropriate for the treasurer to count the offerings while the other individuals are idly standing by, nor is it permissible for the treasurer to take control of any offering without the loose offering being counted. When the counting process is

finished, the treasurer should complete the tithe envelopes for the loose offering, indicating the amount and the designation of the offering. It is a good practice to write a temporary receipt for the total of the loose offering and have it signed by one or more of the deacons.

This procedure of *dual custody* should be followed in the handling of all loose offerings. For example, Sabbath School offerings should be counted jointly by the treasurer and the Sabbath School secretary, with a temporary receipt being signed by the Sabbath School secretary. A church treasurer should be particularly interested in seeing that this procedure is faithfully followed for his/her protection. An immediate record of the cash received is witnessed by an individual other than the church treasurer, and when the formal receipt is written for the loose offering it can be checked against the temporary receipt to establish that all the funds received have been properly receipted.

During the church service the offerings should be secured in a safe place. In cases where the treasurer has to take the funds home, the funds should also be kept in a safe, secure place, away from other individuals, until the monies can be deposited in the bank, (some treasurers use a small, lockable, fireproof file box or safe for this purpose). It is important that the funds are deposited in the bank as soon as possible; preferably by the first business day following the Sabbath the offering was taken. An overnight deposit bag may be obtained from your bank to for this purpose. In no case should the treasurer or other individuals put themselves at risk to protect the funds in case of a burglary or fire.

**B.13 Bank Accounts** – *No* bank account (checking, savings, CD) should be opened, closed, or changed without formal action by the church board, evidenced by written minutes. A bank account should only be opened in the name of the church, using the Federal Tax Identification Number (see section B.15). The board authorization *must* specifically include the names of persons authorized to sign checks. The current names should be registered with the bank, at all times, as appropriate signors for the checking and savings accounts. These names usually include the treasurer, the pastor, the head elder, or an assistant treasurer. Typically, only the treasurer should sign checks on a routine basis. The other two individuals would sign only in case of an emergency. When the authorized signor drops membership in the church, leaves/his/her position, or is otherwise “deauthorized” for any reason, the church board must take actions recording the removal of his/her authorization and replacement with another signor.

Not all banks are created equal. It is important when opening an account to choose a bank which is conveniently located and offers the services desired by your



church. In addition, you should consider whether the bank account earns interest and what fees will be charged to your account. Many banks offer “no fee” accounts to not-for profit organizations. Finally, you should make certain that all funds deposited in a bank account are fully insured.

**B.14 Savings Accounts/Investments** – If a church has funds in a checking accounting that will not be used in the near future, it is advisable to keep those funds in a savings account, or some other insured bank deposit (such as certificate of deposit), to take advantage of earning additional interest. As stated previously, such accounts must be specifically authorized by the governing board. All funds received by the treasurer should be deposited in the organization’s checking account. Funds can then be transferred to a savings account by writing a check from the checking account. Withdrawals from the savings accounts should be made only for the purpose of transferring funds to the checking account; no expenditures should be made directly from the any savings account. (Any proposed investment in treasury bills, mutual funds, or other uninsured accounts should be entered into only after counseling with the conference treasurer.) Please note that, in keeping with denominational policy, *no loans* of church funds may be made to any individual or business at any time for any purpose. Neither should funds be borrowed from a church member or from another church.

Along with the checking account balance, all savings accounts or CD balances should be reflected in the church’s financial statement. The interest from the savings account is unrestricted and can be allocated by the organization in any manner it desires (section B.10). The church board should take official action designating which fund should receive the interest from the savings account(s).

**B.15 Federal Tax Identification Number/State Sales Tax Exemption Certificate** – Each church must have its own Federal Tax Identification Number. This number is required by banks to open a checking or savings account. In addition, this number is needed to apply for a sales tax exemption certificate from the state in which the church is located. If you do not have your own Federal Tax Exemption Number, you can contact conference treasury personnel (see section A.1 for phone numbers) for help in completing the application (see for F.6).

Each church should also have its own state sales tax exemption certificate. Issued by the state department of revenue in which your church is located, a certificate is needed if you wish to avoid paying sales tax on purchases. If your church does not have a certificate, you should request an application form from your state department of revenue. As stated above, you must have a Federal Tax Identification Number in order to complete the application for the tax exemption certificate.

Often the application asks for information with which you may be unfamiliar, such as a copy of your parent organization's directory page listing your church or a copy of your 501(c)(3) determination letter. Conference treasury personnel can provide these for you upon request. It is critically important that your church's tax exemption certificate be carefully protected and used *only* for authorized purchases. Any attempt to circumvent the law by allowing personal use of the certificate can jeopardize the church's tax exempt status and/or result in significant penalties.

**B.16 Courtesy Payroll by Conference** - Churches often hire people to perform certain functions. Duties for which individuals often get paid include accounting, secretarial, musical ministry, and janitorial services. The moment a church agrees to compensate an individual for services rendered, either in cash or "in kind," the church is entering into an employer/employee relationship. Employers are required to document employment eligibility, withhold and remit appropriate taxes, comply with wage and hour regulations (including paying time-and a-half for over 40 hours in a week), submit quarterly 941 forms, issue W-2 forms at year's end, and provide workers' compensation insurance to cover job-related injuries. And that is just the proverbial "tip of the iceberg"!

Since almost no Adventist church is set up to easily handle these payroll-related functions, the conference offers a *courtesy payroll* service free of charge. The process begins with properly completed I-9 and W-4 forms (see F.3 and F.4), which must be forwarded to the conference, along with a deposit of two month's pay, before the first check is issued. The conference will then issue the paycheck and bill the church each month. The conference will also take care of all tax reporting issues.

Although the conference does not charge for this service, there are some normal costs of being an employer which the church must bear. In addition to actual wages, the church must remit to the conference an amount for the employer's portion of Social Security Taxes (currently 7.65% of the person's pay).

Some churches have incorrectly classified certain workers as "independent contractors" and, therefore, have not felt the need to withhold taxes and perform the other necessary reporting. However, failure to comply with the law in this arena can place significant church assets in serious jeopardy. The conference and our churches must be very careful to ensure that all workers are being handled and reported correctly. Neither the employer nor the employee can simply "deem" the worker to be an independent contractor; and a signed contract does not necessarily free the employer from the legal obligations of being an employer. The fact that the

workers are part-time and/or temporary does not give the employer the right to treat them as though they were not employees.

Listed below are a few of the criteria that would indicate a worker is an employee and not an independent contractor. An employee typically:

- \* performs services on a regular and continuous basis
- \* receives instructions as to how and where the work is to be performed
- \* may have a set number of hours
- \* is paid by hour, week, or month
- \* uses the organization's equipment
- \* performs services only for your organization and does not make those services available to the general public
- \* does not carry his or her own worker's compensation insurance
- \* has a set schedule or routine established by the organization
- \* is not at risk for financial loss.

If a worker in your church or school falls under any one of the descriptions above, more than likely that person is an employee and is *not* an independent contractor.

If a worker is an independent contractor and receives more than \$600 in a calendar year, the church is required to issue that individual a 1099-MISC form (not reproducible by copying). The treasurer should ensure that this form is given to the worker and submitted to the Internal Revenue Service in a timely manner and in accordance with the tax code.

**B.17 Necessity of an Assistant Treasurer** – If your church is of any size, the various duties and responsibilities of the church treasurer are a large undertaking for one person. The election of one or more assistant treasurers should make the job much more manageable. This would allow duties to be divided in such a way that both the treasurer and assistant treasurer are not overly burdened. For example, many churches will have the assistant treasurer make deposits and write out donors receipts, with the treasurer handling the remaining duties.

Some churches may argue they are too small to need an assistant treasurer. Others may have treasurers who are willing to perform all the treasury duties. Even so, it is important that an assistant treasurer be elected. This person may be needed in the absence of the treasurer to perform certain essential duties, such as receiving, counting, and depositing funds or writing checks in an emergency. These situations often arise if the treasurer is ill or away on an extended vacation.

The church should look for the same qualities in an assistant treasurer that it desires in a treasurer. The assistant treasurer should be a dedicated person with moral and spiritual fitness. It is important that *all* individuals responsible for handling the Lord's funds exercise the same integrity and confidentiality expected of the treasurer.

**B.18 Ownership of & Access to Records** – All of the accumulated treasury records are the property of the local church. The treasurer must deliver *all* the records to his/her successor. Any supplies, manuals, and equipment that are not the personal property of the treasurer should also be passed on to a new treasurer. Since most records held by a treasurer contain sensitive and confidential information, access to these records should be restricted to the treasurer, pastor, first elder, and conference auditors, and in certain situations, individuals deemed appropriate by the board.

**B.19 Organization & Storage of Records** – Your job as a church treasurer, as well as the job of the conference auditor, will be much easier if the treasury records are well organized. It is highly recommended that the records be organized as follows:

**Tithe envelopes.** The tithe envelopes should be organized alphabetically by week. Each group of envelopes should have on top an adding machine tape that agrees with the week's deposit and offering worksheet, and should be wrapped with a rubber band. The tithe envelopes for the week should match the donations recorded on the receipts and the amount posted for that week. The weeks are then banded according to month. Be sure to label each month properly.

**Offering worksheets.** Sign and file your offering worksheets in a folder, chronologically.

**Deposit slips.** Keep all your deposit slips together; either in an envelope or simply secured with a rubber bank.

**Copies of donors' receipts.** File the church's copies of donors' receipts (both manual and computer) in alphabetic order. Organize manual receipts by month and then by year.

**Checks.** Organize cancelled checks (including the voided ones) in numerical order.

**Paid bills.** Organize the paid bills and receipts in the same order as the cancelled checks; in other words, in the order in which they were paid. Each bill should have written on it the date and the number of the check with which it was paid. Organize the bills, sequentially by year, in labeled folders. We urge you to use the journal vouchers and attach the paid bills or receipts to the back of the form. This will allow for orderly filing since some pieces of paper are very small.

**Treasurer's copy of remittance reports.** Keep the treasurer's copies of the monthly remittance reports sent to the conference in sequential order in a folder or notebook.

**Checking account bank statements.** Keep the bank statements in a folder, separated by year. Include any notices from the bank of adjustments to your account for NSF checks, etc. Finally, include in this folder copies of your monthly bank reconciliations, either on the back of the bank statements or on separate paper or bank reconciliation form.

**Savings account, Revolving Fund, and other statements.** Savings account bank statements and Atlantic Union Conference Revolving Fund statements should be kept in a file. Passbooks, certificates of deposit, and other such records should be kept in a secure, locked area and be available at review time.

**Ledgers.** Each ledger should be labeled, indicating the time period covered by the ledger.

**Church board minutes.** The treasurer should keep copies of the board minutes in a folder or notebook. These minutes are used as verification of board decisions, including annual budget, out-of-the-ordinary expenditures, opening and closing of bank accounts, authorization of signors on bank accounts, etc.

It is the responsibility of the church to provide a secure, locked storage area large enough to hold all of the treasurer's records. The treasurer and pastor should have keys to this storage area.

**B.20 Retention of Records** – The schedule below shows how long certain church treasurer's records should be kept. Please note that *no records should be disposed of until they are audited*, even if they exceed the retention period criteria.

<b>Record</b>	<b>Retention Period</b>
Audit reports	Permanently
Ledgers	Permanently
Copies of board minutes	6 years (the church clerk or secretary is to maintain the original minutes and keep them permanently)
Invoices and receipts for paid bills	6 years
Church's copies of donor's receipts	6 years
Bank statements reconciliations and cancelled checks	6 years
Tithe envelopes	Keep all envelopes until they have been audited by the conference, then retain only the current and previous year's envelopes

Church records that have met the retention period and have been audited may be destroyed by shredding or burning. Advise the board before you destroy any records.

**B.21 Audit Review by Conference Personnel** – Denominational policy requires that the conference treasury department, audit each church's treasury records on a regular basis (i.e., at least once every two years). Please keep in mind that this is an audit of the church's records, not an audit of the treasurer!

The Greater New York Conference is on the two-year cycle. There are times, however, when a church may desire to have an audit review performed before one is regularly scheduled. This may occur if a problem is believed to be present or when a change of treasurer occurs. We will do our best to honor such requests in a timely manner.

Since the conference is the parent organization of the churches, an independent audit cannot be done. Instead, the conference performs an “internal” audit review, with the resulting report being intended only for the church and its members.

An audit review by conference personnel is *not* something that should be dreaded or feared. The purpose of the review is fourfold:

- To serve as a “help session” for the treasurer, during which questions may be answered and suggestions offered.
- To ensure that the records are “in balance”
- To verify that the treasury procedures in place are functioning effectively
- To ensure that the local conference, and the General Conference policies are being consistently followed.

If the instructions and recommendations in this manual have been followed carefully, preparing for an audit review should not be difficult. The treasurer’s only task will be to make all records for the audit period, as listed in sections B.19 and B.20, available to the auditor(s).

**B.22 Ordering supplies** – Church treasurer’s supplies, such as tithe envelopes, donor receipts, ledger books, remittance mailing envelopes, etc., may be requested through the conference treasury department at any time. Make proper arrangement to pick them up or have them mailed to you. There is no cost to the local church for supplies.

# SPECIFIC INSTRUCTIONS

**Note:** Topics enclosed in arrows (> <) are handled differently by those using the computer software. Treasurers using the software should refer to the helps or guidelines for additional instructions in handling these items.

**C.1 Collecting, Counting & Depositing Funds** – Tithes and offerings should be collected, and the “loose” offerings counted, using the *dual custody* procedure outlined in section B.12. The treasurer should be sure that there is a tithe envelope for each donation or each item of cash received on behalf of the church, including loose offerings. If a certain donation does not have a tithe envelope, prepare one indicating from whom the donation was received and to what fund the donation was given.

When the treasurer (or assistant treasurer) is ready to make a deposit, the following steps should be taken:

- a Empty each envelope, one at a time, verifying that the total of cash and checks in the envelope equals the amount marked on the outside of the envelope. Also check the addition on the envelope to see that the total of individual items agrees with the total of the envelope.
- b Alphabetize the tithe envelopes then run an adding machine tape on all the envelopes. Write the Sabbath date on the adding machine tape.
- c Count the total cash to make sure it agrees with the total of the adding machine tape in “b” above. If the two totals do not agree, recheck the figures to find the mistake.
- d Prepare the deposit for the week when the total cash agrees with the total of the tithe envelopes for the week. Use the actual date of the Sabbath being processed on the deposit slip.



- e Prepare the offering worksheet, indicating the total cash and the offerings. Both sides must agree and the total should also agree with your deposit for the week. Allow all those who count to sign the form. File the forms in a folder, chronologically.
- f Take the deposit to the bank by the first business day following the Sabbath the offering was taken. File the deposit slips, chronologically, in an envelope.

***Related Issues:***

**When should be the cutoff for issuing receipts for donations received at year-end?** The treasurer should issue receipts based on when the donation was unconditionally received. In other words, donations collected at church, delivered to the treasurer's home, or mailed to the church or treasurer, must be received by December 31 in order to be receipted in that year, regardless of the date on the check, tithe envelope, or postmark on the envelope. Post-dated checks should be receipted as of the first date the check can be deposited. For example, a check received December 28 but dated January 3 should be receipted with the January date.

**What should be done with donations received through the mail?** Donations received through the mail by the treasurer during the week, but after the weekly deposit has been made, should be kept in a safe place and included in the deposit for the following Sabbath.

**What should be done if the total of cash and checks in the envelope differs from the amount indicated on the outside of the envelope?** If the contents do not agree with the amounts on the envelope, write the correct amount on the bottom of the envelope. If the amount is large or the total of the individual items on the envelope does not agree with the contents, contact the donor as soon as possible, notifying them of the discrepancy. If the donor cannot be contacted immediately, set the envelope, along with its cash and/or check, aside and continue processing the rest of the deposit. If the donor cannot be contacted before the deposit is made, hold the envelope and enclosed funds until the donor can be contacted, then deposit the funds with the following week's offerings.

**What should be done if a check is received that is not signed?** If a tithe envelope contains a check which is not signed, set the check and tithe envelope aside and continue with the rest of the deposit. Once you are able to get the check signed, include the check and the tithe envelope in the next week's deposit.

**How should deposited checks returned by the bank as NSF (Non-sufficient Funds) be handled?** Returned checks always seem to cause some confusion. Here is the way we suggest these checks be handled:

- a Check with the issuer to see if the check will clear now. If so, redeposit the check in the bank using a separate deposit slip from your regular deposits and mark it "REDEPOSIT." If this happens within the same month the bank returns the check, then no entry is needed on the bank reconciliation or in the ledger to record the returned check or the redeposit. You may want to record the returned check (including the name of the individual) as a subtraction in your checkbook and the redeposit as an addition in your checkbook so that it is in agreement with you bank statement charges and credits.
- b If the redeposit has not been made, but you feel the funds will still be able to be collected, then the amount of the returned check should be listed as a subtraction from the ledger balance on the bank reconciliation in arriving at the adjusted ledger balance. In either case, an entry is not required in the ledger or on the receipt at this point in time.
- c If the re-deposited check is again returned to you unpaid, it may not be deposited again. You must then enter it in the "Adjustments" section of the ledger. The entry should be marked as to whose check was returned and for what Sabbath the offering was collected. The amount of the check should be placed in bracket so indicate it is a negative and should be subtracted from the various local church and conference funds according to how it was originally recorded as a receipt. The receipts should again be subtotaled in the adjustments section of the ledger and included in the calculations. This will show the amount that should be remitted to the conference for the month. If the monthly receipt has been written, a new receipt should be written showing a reduction of the total contributions by the amount of the returned check. Computer users will follow the instructions from the guidelines as to how to handle checks returned twice.

**What should be done if foreign currency is received?** Occasionally, foreign currency will be turned in as a part of the offering. Foreign currencies should not be receipted immediately. It is necessary for the treasurer to find out from the local bank the rate of exchange on the particular currency, and the actual value which the bank will credit in U.S. dollars. In addition, the treasurer should determine if there is a processing fee by the bank. If the fee is more than the credit the church will receive in U.S. dollars then the currency should **not** be processed but returned to the donor (if known). If the value in U.S. dollars is more then the

fee, then a separate deposit ticket can be prepared in the usual way for the foreign currency, and a receipt written in U.S. dollars for the amount which the bank is prepared to credit your account, less any processing fee.

**C.2 >Receipting<** - The monthly receipt method is currently being used in the Greater New York Conference for those not on computer. A description of that system follows:

**Small Receipts System.** This system uses one receipt for each donor for each month (see sample on p. 54). At the top of the receipt enter the church name, donor's name, and the month. The receipt has sufficient columns to allow for up to five Sabbaths each month. Each week the information from the donor's tithe envelope should be entered in the corresponding space for the Sabbath the offering was received. If the donor contributes to an item not listed on the receipt, that offering should be written in on the blank lines provided. After all the envelopes for a given week have been entered on their respective receipts, run an adding machine tape on the "Totals" block of the receipts week. Do this for each week of the month. At the end of the month, total each receipt. Make sure the receipt balances both horizontally and vertically. Run an adding machine tape on the total receipts for the month to ensure they balance with the total deposits for the month.

***Related Issues:***

**What funds received are tax deductible and how should non-deductible funds be receipted?** Funds received must be given irrevocably and with "no strings attached" in order to qualify as tax deductible donations. There is no gift if the donor retains control of the funds and how they are used. Specifying which church fund (such as Evangelism or Building Fund) is not considered retaining control for this purpose. Funds received that are marked for specific individuals (see next paragraph) or payment for goods or services (i.e., a devotional book or a church banquet) are not tax deductible. If funds are received which are not tax deductible, the receipt must indicate the same with the words "Not Tax Deductible".

**How should donations marked for a specific individual be handled?** The general rule is that funds that are received and designated for a specific individual are personal gifts and therefore are not tax deductible. This situation often arises

when individuals want to give student aid or “needy” funds earmarked for a particular person or family. Even if the church initiates and announces the collection of funds for a needy person or family, these deductions are not deductible as charitable contributions (*The Zondervan Church and Nonprofit Organization Tax & Financial Guide, 1994 Edition*). Funds received into a Student Aid, Needy Person, or Community Services Fund are tax deductible if they are not designated for a particular individual or family and are under the control of the church board. A practical means of handling this issue from the church’s perspective, if it desires to assist an individual or family, is to announce that the church does not have sufficient funds to meet the needs of certain people in the church or community (or worthy students) without specifying individual names. Donations to these projects could then be used at the discretion of the church board. It is not illegal for a charity to accept a nondeductible gift as long as the donor does not receive a charitable receipt. Even so, it is preferable that nondeductible gifts, such as those mentioned above, be returned to the donor, since the mere cashing of a check made out to a charity may cause the donor to believe that a charitable contribution has been made. There is an exception to the above rule for contributions to charitable organizations in support of specific individual workers (such as student missionaries) if certain criteria are met. The following is taken from (*The Zondervan Church and Nonprofit Organization Tax & Financial Guide, 1994 Edition, p. 137*): “Contributions to support the ministry of specific individual workers of a nonprofit organization may be deductible if the

1. organization controls and administers the funds following its board-approved policies and procedures, and the work it supports is in the furtherance of its exempt purpose;
2. amounts distributed to the recipient missionary/staff members are in salary payments for services rendered for the organizations or in payment for business expenses related to the work of the missionary/staff member, and
3. organization clearly distinguishes the funds given to the organization for the support of a missionary/staff member from funds that are nondeductible personal gifts passed on directly to the individual.”

**How are non-cash donations handled?** If the church receives a non-cash donation of property, a letter of receipt should be issued to the donor. This letter should include the name of your organization, a detailed description of the item received, the date the donation was received, from whom it was received, and whether or not any goods or services were given in exchange for the item. This letter should *not* verify the value for tax deduction purposes. It is advisable to

notify the donor that if they are claiming a charitable donation for a gift of property valued at \$500 or more, they are required to complete Form 8283 (see form F.14). For non-cash gift (other than publicly traded securities) valued at more than \$5000 the donor must obtain a qualified appraiser and get the signature from an officer of the charity. If, within two years of receipt, the charity sells or disposes of non-cash gift which required an appraisal, it (the charity) must file Form 8282 with the IRS within 125 days of the disposition (see form F.15). It should be noted that the *donation of services of labor is not tax deductible*; therefore the church should not issue any type of receipt in these situations.

**C.3 Disbursing Funds (Paying Bills)** - It is essential that every check written have adequate documentation to back up what expense was paid and why. Depending on the circumstance, the type(s) of documentation needed, will vary. In most instances, the documentation will be a bill, invoice, or receipt. There are occasions, however, when this type of documentation is unavailable (for example, when assisting a needy person). In these cases, the actions recorded in the church board minutes serve as documentation. The appropriate board action should be referenced in a paid bill file, indicating who received the payment, the date, and how much was paid. All bills, invoices, and receipts should show who was paid, the date, the amount, and the check number. This is to make it easier to locate and identify the payment.

All funds must be disbursed by check. We are aware that debit cards, credit cards, and ATM cards are popular and trendy ways to pay bills; however, you should be aware that we do not recommend this method because of the high potential for fraudulent activity. If an item has not been budgeted, church board approval should be obtained before payment. It will often be necessary to get the approval of the department leader before paying bills that are not routine. For example, the treasurer should contact the personal ministry's leader before paying a bill for supplies or materials that that person has ordered. This will allow the leader to verify the price, amount, and description on the invoice and to confirm that the items have been received.

When a check is written or deposit is made, an entry should be made promptly in the checkbook. This will allow you to have a running balance of funds in the checking account. Checks should never be made out to "Cash," since these checks can be cashed by anyone. If the treasurer is reimbursing himself/herself, an authorized person other than the treasurer should sign the check. It is not advisable to give someone a blank check with an authorized signature on it.

***Related Issues:***

**What should be done if a member asks for funds in advance to purchase something for the church?** If someone needs to purchase something for the church, it is preferable for them to purchase it with their own funds then turn in the receipt for reimbursement. The church may also want to authorize the opening of accounts at certain often-used stores, where designated members of church can purchase items and have a bill sent to the church or treasurer to be paid later. Avoid the practice of advancing funds to members to make purchases based on promises to bring all the proper information later. It has been observed that these good intentions too often lack follow through, which results in not being able to obtain adequate documentation for the church records, as well as extra work and “headaches” for the treasurer.

**How should the treasurer handle a situation where a member has purchased an item for the church and wants reimbursement, but has lost the receipt showing payment?** In a situation where the member has lost a receipt but wants reimbursement, the first thing to do is to verify the item(s) have, in fact, been purchased. Once this is done, the treasurer should attempt to obtain independent verification of the cost of the item if possible. One way to attempt this is to check the price of the item at the store where the item was presumably purchased. The treasurer should then have the person seeking reimbursement submit a signed statement describing the item purchased, the date purchased, the cost of the item, where it was purchased, and the fact that the receipt was lost. If this was an approved purchase, the individual can then be reimbursed.

**What should be done if an expenditure causes a local church fund to “go negative”?** If an expenditure causes a fund to go negative, this can be handled in one or two ways: If it is believed additional funds will be received in the near future to make the account positive, the account can be left negative until additional funds are collected. Place the figure in brackets to indicate the negative balance. If, however, it is unlikely additional funds will be received to offset the negative balance, this fact should be brought to the church board. A vote should then be taken to transfer funds from an appropriate fund to cover the negative balance. In order to safeguard the donors’ intent in giving those funds, it is imperative that the expenditure that caused the fund to go negative is an appropriate use of the transferred funds.

**C.4 >Recording Receipt Entries in the Ledger<** - For those using a manual approach to accounting, you must enter the receipts monthly, in the ledger. At the end of the month, once all of the tithe envelopes for each week have been receipted for that month, enter in the receipts in the ledger. Before doing so, enter the ending balance

from the previous month at the top of the ledger page on the line marked "Balance of Footings Brought Forward." The "Total Month-End" figures from all receipts are then entered numerically, in the ledger.

Once all of the receipts are entered, they should be totaled to arrive at the "Total Receipts" for the month. Make sure this total agrees with the deposits for the month.

**C.5 >Recording Adjustments in the Ledger<** - After the "Total Receipts For the Month" line, any adjustments should be recorded. When any entry requires a negative figure, place that amount in parentheses ( ) so that it will stand out among the other numbers. These adjustments are typically required for the following items:

**Checking Account Interest.** Checking account interest should be recorded on a monthly basis. The month in which interest was received must be indicated by the ledger entry. The amount of the interest should be entered as a positive figure in the "Checking" column, the "Total Church Funds" column, and the "Church Budget" column.

**Bank Charges.** Any bank charges that appear on the bank statement should appear in the ledger. The ledger entry must indicate the month the bank charges were deducted on the bank statement. The amounts should be entered as an adjustment after "Total Disbursement" in the Checking Account column.

**Non-sufficient Funds (NSF) Checks.** Any checks which have been returned to the church as "Non-sufficient Funds" and which have been deemed to be non-collectable (see *Related Issues* in section C.1) must be recorded in the ledger. The entry should be marked as to whose check was returned and for what Sabbath the offering was collected. The amount of the check should be placed in brackets to indicate it is a negative and should be subtracted from the "Checking" column. The amounts from the various local church and conference funds should also be recorded as negative amounts according to how it was originally recorded as a receipt. Make the necessary adjustment to the donor's receipt to reflect the reduction.

If and when a member reimburses the church for a NSF fee, that money should not be treated as a tax-deductible contribution. Rather, it is recommended that a separate tithe envelope be labeled for the source, amount, and purpose of the reimbursement, and that the transaction then be recorded separately.

**Adjustments from the Previous Month.** If adjustments need to be made to the ledger as a result of an error in a prior month, these should be made in this section.

These adjustments often arise from the bank reconciliation, which is done after the previous month's ledger has been closed. These adjustments will vary depending on the type of error, but they should be recorded in a manner similar to that of checking account interest and bank charges.

**Voted Transfers.** Occasionally a church will vote to transfer funds from one local church fund to another. Once again, you must be sure that the transfer of these funds are appropriate, based on the intent of the donors who originally gave the funds and the manner in which they will be used in the new fund. Since a transfer between local church funds does not affect the checking account balance or the total church balance, no entries are made in these columns. Instead, the amount of the transfer is entered as a negative amount in the column from which funds are being transferred and a positive amount in the column receiving the funds.

**Saving Account Entries.** Saving account entries often pose a challenge to treasurers since they are handled differently than most other entries. Savings entries come in two forms: (1) savings account interest and (2) transfers between savings and checking accounts.

Savings account interest should be booked on a regular basis (at least quarterly), by recording the amount of the interest as a positive figure in the "Savings" column, the "Total Church Funds" column, and the column of the fund to which the church has voted for savings interest to go.

Transfers between the checking and saving accounts will be handled differently depending on whether the transfer is to or from the savings account. A transfer from the savings account to the checking account should be done with a separate deposit to the checking account, and is recorded by entering the amount being transferred as a negative amount in the "Savings" column and a positive amount in the "Checking" column. All transfer from the checking account to the savings account should be done by check. This entry is recorded in the "Disbursements" section of the ledger as an addition to the "Savings" column and a subtraction from the "Checking" column. No entries are made to the "Total Church Funds" column or any of the local church funds in either of these instances, since those balances are not affected transfers.

After all of the adjustments for given months have been entered in the ledger; the amounts should be totaled and labeled "Total Adjustments". This figure should be added to the "Total Funds Available" line to arrive at the "Total Funds After Adjustments".



**C.6 >Distributing Combined Budget Offerings<** - The Combined Budget or Church Budget approach to funding is a method whereby church members give to one account, from which distributions are made to meet most or all of the local church's needs. The distribution of funds to each church account is determined by the voted church budget, and allocations are made at the end of each month based on the offerings received. The amounts in the "Church Budget" column of the "Total Funds after Adjustments" line should be distributed. This is done by placing this amount in brackets (indicating a negative amount) on a line marked "Distribution of Combined Budget", and recording the distribution amounts to the various accounts as positive figures (methods of determining these amounts are outlined below). Note that no entry is made in the "Total Church Funds" column since total church funds are not affected by distributing the Combined Budget amount. This line is then combined with the "Total Funds after Adjustments" line to arrive at "Total After Budget Transfers".

Accounts receiving amounts from the Combined Budget are classified as either *priority* or *non-priority* accounts. *Priority* accounts receive a fixed amount each month from the Combined Budget, while *Non-priority* accounts receive a percentage of the amount left after the *priority* accounts have been funded. There are two primary methods for accomplishing this task:

- a **Straight Percentage Method** – This method of distributing combined budget funds are the easiest to apply. Each budgeted account receives a percentage of the Combined Budget offerings based on an approved annual budget. Thus there are no priority accounts. Here is an example of how this would work:

ACCOUNT	ANNUAL BUDGET	PERCENTAGE OF ANNUAL BUDGET
Church Expense	\$15,000	37.00%
Church School	\$ 5,000	12.50%
Sabbath School	\$ 4,000	10.50%
Building Fund	\$13,000	32.50%
Church Ministries	\$ 3,000	7.50%
Total	\$40,000	100.00%

If \$3,000 were received in a given month, this would be distributed as follows:

<b>ACCOUNT</b>	<b>PERCENTAGE</b>	<b>AMOUNT</b>
Church Expense	37.00%	\$1,125.00
Church School	12.50%	\$ 375.00
Sabbath School	10.00%	\$ 300.00
Building Fund	32.50%	\$ 975.00
Church Ministries	7.50%	\$ 225.00
Total	100.00%	\$3,000.00

- b *Priority & Non-priority Accounts Method* – With this method, certain accounts are given priority by receiving a fixed amount before any amounts are distributed to *non-priority* accounts. In this way certain fixed costs, such as mortgages, school subsidies, utilities, etc., can be sure to be funded. Any amounts left over after funding the *priority* accounts are distributed on a percentage basis. An account can be categorized as both a *priority* and *non-priority* account. A church may want to do this for the Building Fund, for example, where a fixed amount is needed for the mortgage and a percentage is desired to meet other building needs. Following is an example of how this method can be used:

<b>PRIORITY ACCOUNT</b>	<b>ANNUAL BUDGET</b>	<b>MONTHLY AMOUNT</b> (Annual Budget Divided by 12)
Church Expense	\$15,000	\$1,250
Church School	\$ 6,000	\$ 500
Building Fund (Mortgage)	\$ 9,600	\$ 800
Total Priorities	\$30,600	\$2,550

<b>NON-PRIORITY ACCOUNT</b>	<b>ANNUAL BUDGET</b>	<b>PERCENT OF TOTAL NON-PRIORITY ANNUAL BUDGET</b>
Building Fund	\$ 3,500	35%
Sabbath School	\$ 4,000	40.00%
Church Ministries	\$ 2,500	25.00%
Total	\$10,000	100.00%

If \$3,000 were received in a given month, this would be distributed as follows:

PRIORITY ACCOUNT	ANNUAL BUDGET
Church Expense	\$1,250
Church School	\$500
Building Fund (Mortgage)	\$800
Total Priorities	\$2,550

The amount remaining to be distributed to the *non-priority* accounts is \$450 (\$3,000 received, less \$2,550 distributed to the *priority* accounts), which would be distributed as follows:

NON-PRIORITY ACCOUNT	PERCENTAGE	DISTRIBUTION FOR THE MONTH
Building Fund (Other)	35.00%	\$157.50
Sabbath School	40.00%	\$180.00
Church Ministries	25.00%	\$112.50
Total Priorities	100.00%	\$450.00

***Related Issues:***

**What should be done if an individual gives an offering specifically marked to go to one of the Combined Budget accounts?** Although a church may be on a combined budget plan, individuals may still want to give directly to specific items. In those instances, the offering should be placed in the account indicated and *not* be considered when distributing the Combined Budget amount.

**How should the situation be handled if the Combined Budget does not receive enough funds in a given month to cover the priority amounts?** This can be handled in a couple of ways depending on the nature of the priorities. If all of the priority accounts are equally ranked (i.e., equally important), the combined budget could be distributed among these accounts on a pro rata basis. In other words, each priority account would receive a percentage of the total received that month based on the percentage each account is budgeted to receive of the total of the priority

items. If the priority accounts are not equally ranked, then the combined budget would be distributed, starting with the top-ranked priority, by going down the list allocating the fixed amounts until the funds run out. In either of these situations, if excess funds are received in a later month, the non-funded amounts for the priority accounts may be funded before distributing amounts to the non-priority accounts.

**How should positive and/or negative year-end balances in Combined Budget accounts be handled?** Rarely do accounts receiving amounts from combined budget end the year with a zero balance. Account balances usually end up positive or negative. The church may vote to “zero out” some or all of these accounts, with the balance being placed in another designated account or back into the Combined Budget account. Be sure when doing this that all amounts given specifically to any account have been fully used. Unspent portions of specific donations must not be zeroed out or transferred to another account. The church may decide to carry forward the balance of some accounts funded by combined budget.

Typically, a church will authorize its board to make transfers between accounts funded by donations to the combined budget, but a vote of the church in business sessions is required if, for example, combined budget funds are being transferred to the Air Conditioning Fund, Piano Fund, or other special project. When making any year-end transfer, in or out please keep in mind that primary concern is honoring the intent of donors.

**C.7 >Recording Disbursements & End-of-Month Totals in the Ledger<** - The next step is entering all disbursements for the month. Be sure to list each check in numerical order, ending with the conference remittance check. Enter the date of the check, the name of the vendor, and the check number. The amount of the check should be entered in the “Checking” column and the “Total Church Funds” column (except for the conference remittance check, which is entered in the “Total Conference” column), as well as to the individual funds to which the check applies. Be sure the total of the amounts in the individual funds equal the total of the amount of the check. Also be sure each check in the checkbook has been listed. After all the checks for the month have been recorded, total the disbursements on the line labeled “Total Disbursements”. The total of this line should then be subtracted from the “Total After Budget Transfers” to arrive at the “Ending Balance”. This line should be added across to verify that the total of the individual local church funds equals the ending amount in the “Total Church Funds” column, and that the “Savings” and “Checking” columns added together equal the “Total Church Funds” column.

**C.8 >Remittances to the Conference<** - If using a manual accounting system, at this time the “Church Treasurers’ Monthly Remittance” form should be completed (see sample E.3). The top section applies to conference funds. The amounts for this section can be taken straight from the “Total Funds After Adjustments” section of the ledger. The “Total Remittance” amount on the form should agree with the total in the “Total Conference” column of the ledger. The bottom section of the form is for local church activity and is compiled using various lines from the ledger. The column headings on the form match quite well with the various totals line in the ledger, except for adjustments recorded in the ledger. The “Total Adjustments” and the “Total Receipts” line in the ledger should be combined to complete the “Received During the Month” column of the form. Be sure all of the lines and columns add up properly. Once completed, the white and yellow copies of the form, along with the yellow copies of the ledger pages for the month, should be submitted to the conference. Be sure to include a check made out to the conference for the “Total Remittance” amount (please do *not* staple nor tape the check).

For those using LUCIS Software, you will print and send the “DN Entry Lists/Reports (Total) and DN remittance Report. Be sure to specify the correct deposits.

The preceding items *must* be sent to the conference so that they arrive by the tenth (10<sup>th</sup>) of the month following the month being reported. Copies of the remittance reports should be given to the pastor in a timely manner.

**C.9 Bank Reconciliations** – To help keep the treasurer’s books in proper balance and catch any posting errors, bank reconciliations *must* be done monthly. This will show whether the adjusted bank, ledger, and checkbook balances agree. If these figures are not the same, there is a mistake somewhere. The following procedures are suggested to help with this reconciliation process. This information may be recorded on the back of the bank statement, on a separate piece of paper, or on the back of the ledger sheets and should be kept with the treasurer’s records (see sample E.4). Often the bank statements are not received until after the remittance is due to the conference. *Please* do not delay submitting the remittance report because the bank reconciliation is not done. Instead, send the remittance to the conference when due and make any adjustments required for the bank reconciliation in the following month’s ledger.

#### ***Steps to Create an Adjusted Bank Balance***

1. Enter the balance at the end of the month shown on the face of the bank statement.

2. Look at last month's bank reconciliation and cross off the amounts listed as "deposits on transit" that appear on the current bank statement. There should be no deposits left on this list. Then look at the amounts listed as deposits in the current month's treasurer's records. If there are any amounts that were deposited after the close of the bank statement, and therefore do not appear on the bank statement, these should be listed on the bank reconciliation as "deposits in transit" with their total being added to the bank statement balance.
3. Look at last month's bank reconciliation and cross off the checks listed as outstanding that appear on the current bank statement. Any "outstanding checks" from the previous month that do not yet appear on the current bank statement should again be listed as "outstanding checks". Then look at the checks recorded for the current month. Any of these that do not appear on the bank statement should also be listed as "outstanding checks". The total of this list will be your total of outstanding checks for the month and should be subtracted from the bank statement balance.
4. The ending bank statement balance plus the "deposits in transit" minus the outstanding checks will be the adjusted bank balance. This should agree with your adjusted ledger balance and checkbook balance as described below.

### ***Steps to Create an Adjusted Ledger Balance & Checkbook Balance***

Since the ledger and checkbook balances should agree at the end of each month, the process of reconciliation for each of these is the same; therefore, only the process of reconciling the ledger balance is outlined below:

1. The first step in arriving at the adjusted ledger balance is to write the ledger balance as shown at the end of the month.
2. If the bank statement was not received in time to record bank account activity for the month, then any items on the bank statement, such as interest income, service charges, and returned checks, will have to be listed as adjusted entries as discussed below. These items should then be recorded in the "Adjustments" section of the ledger *for the following month* as outlined in section C.5
  - a Any interest earned by the checking account must be added to the ledger balance.

- b Any service charges recorded on the bank account must be subtracted from the ledger balance.
  - c Returned checks may be handled in different ways depending on the circumstances. See *Related Issues* under section C.1 for how to handle NSF checks.
3. Once the items listed above have been listed on the bank reconciliation and have been added or subtracted, as appropriate, the result will be the adjusted ledger balance. This should agree with the adjusted bank balance as calculated above.

***Related Issues:***

**What should be done if I can't get the records to balance with bank?** If the adjusted bank balance and the adjusted ledger and checkbook balances do not agree, these suggestions can be followed:

- a First check the addition in the ledger and on the bank reconciliation.
- b Look at last month's reconciliation and make sure all of the items were recorded properly. For example, make sure the interest and bank charges were recorded in the ledger. If an item was missed this should again be listed as a reconciling item.
- c Make sure the amounts on the bank statements agree with the amounts in the ledger. This involves looking at each deposit and each check on both the bank statement and ledger to ensure they agree. During this process, make sure to review those items listed as "deposits in transit" or "outstanding checks" on the previous bank reconciliation.
- d Review once again the list of "deposits in transit" and "outstanding checks" to make sure none have been missed.
- e Remember, any entry in the ledger that affects the checking total must be reflected on the bank statements or the adjusted bank statement balance portion of the bank reconciliation, and any charge or credit on the bank

statement must be reflected in the ledger or adjusted ledger balance portion of the bank reconciliation.

- f The conference auditors are willing to assist if there are difficulties in balancing for a particular month. After all of the suggestions listed above have been tried please do not hesitate to contact them (see section A.2 for contact information).

**C. 10 Reporting to the Church** - The treasurer should report the financial activity and conditions for the church to the board and church in business session at every regularly called meeting. This will keep members informed of the needs of the church, as well as allow decisions based on the accurate and up to date information. The treasurer will often present a copy of the “Church Treasurer’s Monthly Remittance” report (i.e., the monthly-end report sent to the conference) as the financial report. This report, when properly completed, shows all activity for the month and the end-of-month fund balances. However, this report alone does not give the full financial picture of the church, because it does not report such things as year-to-date totals, comparisons to budget, obligations the church has not yet paid (a mortgage, for example), etc. To address this problem, the conference treasury department suggests two additional financial report pages to aid the treasurer in reporting complete and accurate information to the church. Similar information can be generated by *The LUCIS Software*. The information needed for these reports is self-explanatory. With this information, the church should be able to make good decisions regarding the use of church funds, thus rendering faithful stewardship of the funds entrusted to it.



# UNIQUE ISSUES FOR COMPUTER USERS

**D.1 Descriptions of the *LUCIS Software*** – The *LUCIS Software* is a financial management software package for Seventh-day Adventist churches and organizations. The Lake Union Conference Information Services department developed it. With this software, a treasurer can maintain a name, address, an account database, process and verify contributions and deposits, produce receipts, post and print check disbursements, distribute funds, post general accounting entries, and print various levels of financial statements and reports.

**D.2 Benefits to using the *LUCIS Software*** - There are several benefits, both for the local church and the conference, in using the *LUCIS Software*:

- The software was designed by and for Seventh-day Adventist churches
- Technical support is provided by someone familiar with the unique accounting requirements for Seventh-day Adventist churches
- Other treasurers at churches within the conference help provide a peer support user group
- The software is being maintained by a “company”, rather than an individual
- The software is inexpensive.

**D.3 System Requirements for the *LUCIS Software*** – “A computer sufficient to run major applications such as word processing or spreadsheets is more than adequate to run *LUCIS Software*. Operating systems currently running *LUCIS Software* include: Windows 98, NT 4.0, 2000, XP, 2003, Vista.”

**D.4 Technical Support** – The Conference Auditor currently provides technical support for the *LUCIS Software*. Any questions regarding setup, ongoing use, help with problems, or general information for this software will be answered by the conference auditor(s) (see section A.2 for contact information).

Those doing work on a computer need to have a basic understanding of Microsoft Windows. The conference cannot provide training or support on the operating system of a computer. There are many courses and on-line materials available for individuals wishing to learn the basics of computer operation.

Hardware support should be sought through the vendor or manufacturer of the machine if a component of the machine is causing problems. Most manufacturers of computers offer warranties that include on-site maintenance options. Each computer owner should obtain the level of support with which they feel most comfortable.

**D.5 Other Software** – Several accounting software packages are available that can be adapted to the needs of a church. However, for continuity of reporting and support, the conference recommends use of the *LUCIS Software*. Churches are advised not to use a software package written by a church member, pastor, or treasurer because of lack of ongoing technical support and an audit trail.

**D.6 Importance of Backups** – Church records kept on a computer are at risk of being damaged or lost. Hardware failure, operator error, or a virus can destroy data. In most cases loss can be avoided by backing up the data files to a storage device on a regular basis. It is advisable to keep more than one set of backups in case damage occurs to the most recent one. Do regular backups. Follow the guideline below:

- a) Before weekly closings
- b) Before monthly closings
- a) When you are finished working each day
- b) Before annual closing
- c) After annual closing

**D.7 Ownership of Hardware** – It is common practice for church treasurers to use their personal computers for keeping church records. If at all possible, the church should purchase a computer for the treasurer to use, thereby providing continuity when there is a change in treasurers.

**D.8 Reports for Church Use** – Each church board will need to decide which reports are meaningful. The treasurer and board should work together to determine what is needed. Care should be taken by the treasurer not to overwhelm the board with voluminous or overly complicated reports, because most accounting software can produce many different types of statements.

The purpose of reports to the board is to keep them informed on the state of church finances and provide facts for assistance in decision-making. The following reports should be routinely included:

- Closed Contributions Summary (with no personally identifiable data)
- Balanced Sheet
- Financial Activity Statement
- Financial Activity Summary
- Schedule of Problem Areas

Depending on the software being used, the preceding reports may have different names or may need to be specially created by the treasurer.

**D.9 Reports to send to the Conference** – The same reporting requirements apply to computer users as to those using the manual accounting system. You are required to send the following items:

- Remittance Check
- Remittance Sheet (Manual System)
- History Summary or (Remittance Report) – Detail (Computer System)
- Ledger Book (Manual System)
- Contribution by Donor – Total (Computer System)