The Church Treasurer's Manual

This Manual is produced for the use of the

Church Treasurers

in the Presbytery of San Jose
a member of the Presbyterian Church (U.S.A.)
and for church Treasurers in the PCUSA.

Others should feel free to use the manual knowing that much of the terminology pertains most directly to churches within the PCUSA.

The latest version of this manual is always located for download at the following link. If you would like a printable form of the manual please contact edd breeden at edd@breeden.us.
https://app.box.com/s/5ecuytpbu4o1plbqz1sb38i26s9ou6hf

Latest revision by Edd Breeden, December 2018
Added new information in Insurance, regarding inventory
And information on the handling of property
And information about Qualified Charitable Distribution
And information about Parking Benefits in the new tax law.

Originally dated March, 2004
Originally Compiled by the Financial Network Group
Of the PCUSA

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

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

Important Disclaimer

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

Preliminary notes to the 2017 addition:

Substantial changes have been made this year related to two events. One was the requirements of the FASB for Not-For-Profits in their new requirements for reporting and the Second was my own personal frustration with the ordering of the sections of the Manual; it didn't flow as well as I would like.

Related to the Financial Accounting Standards Board (FASB):
The FASB is the organization who developed and maintains what is often referred to as the GAAP, the Generally Accepted Accounting Procedures. GAAP is used throughout the financial world so that reporting has a general consistency throughout reports and companies.

This past year, the FASB has changed the standards for Not-For-Profit financial reporting in an effort to standardize reports and provide consistency in this arena as well. Most of the standards they have developed refer to larger public corporations seeking investors and banking relationships***; a few of the major changes make sense for individual churches and governing councils as well.***

Most of the FASB changes will apply to Accountants who are doing Audits of NFP organizations and will have to follow the new standards in their reporting; ***the impact for churches means you might have to provide your additional data to Accountants if you choose to hire them for an Audit rather than doing an in house review.***

The new standards might well be required by some banks and other institutions when your church is looking for loans or grants.

The current reporting done by most financial software and used by most churches is more than adequate for reporting to monthly board meetings and annual congregational meetings. I expect to see some new reports available in your software packages to be more consistent with these new standards.

A new requirement changes the naming of Funds on the "Statement of Financial Position" (the Balance Sheet for Not-For-Profits) by separating Funds into two categories (*Funds with Donor Restrictions and Funds without Donor Restrictions*) instead of the previous three (Permanently Restricted, Temporarily Restricted, and Unrestricted).

The Statement of Financial Position should further contain notes with information about each Fund showing the original amount, the Restrictions on the monies and the income, who set up the Restrictions (i.e. donor or board) and when the restrictions will be reclassified to Operating funds or some other Restriction (i.e. the end of this Restriction). **This end date is something the board should negotiate and impose at the time of receiving the gift or establishing the Fund.**

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CHAPTER 1 INTRODUCTION

Church Finances

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This manual is for people in the local congregation who fit the category of Treasurer, whether you have the title or not. The Treasurer usually is the single person in the church who oversees all of the financial workings in the church. You might not have to do all the work, if you have a team around you, but you will be the person the Session looks to for all of the financial and legal issues related to operating a church corporation.

Hopefully you have a team to help you. A full team would consist of a Finance Committee, one or more Financial Secretaries, a Bookkeeper, Ushers, a building & grounds committee and maybe even a board of trustees. Depending on the number of people you have working on this team, you will have the freedom to dole out some of the functions we talk about in this Manual; but all of them will need to be done by someone and that "someone" usually is the Treasurer.

This Manual provides a general overview of the jobs and additional resources to help you carry out the role. In many ways, the role of Treasurer is one of the most important roles in the church because without a good financial support system the church cannot move ahead with the ministry that God is calling it to fulfill.

Many functions of the church have financial implications: offerings, budgets, stewardship programs, personnel, insurance, taxes, investments, endowments, loans, and grants are the obvious ones but programs and even worship cannot run smoothly without the financial support to make things happen. Well done, Treasurer, you have a great role to play, hopefully, this Manual will help you carry out the tasks with the least amount of worry.

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

Each church has its own unique characteristics and this manual will give you a starting point from which you can adapt the information for your specific needs. One of your closest resources is your Presbytery office and leaders. They will have many answers specific to your location. Before you try to reinvent the wheel, call a few people, because it has probably been done before and it is much easier to adapt a form than to create one from scratch.

The resources and appendix of forms are current as of the latest revision of this manual (See date on front cover). Where possible the location of forms on the internet will be noted; but realize the author has no ability to govern how a particular website might change their paging or content. Please seek out

the most current form you might need from the appropriate Council or organization since many forms change often to reflect different needs or adjustments in laws and procedures.

Take a moment NOW to scroll through the list of Resources and the titles of the Appendix so that you will have an idea of what is available as you continue to read this Manual.

The Book of Order on Church Finances

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The Book of Order (G-3.0113) states:

"*Finances*

Each council shall prepare and adopt a budget to support the church's 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. Reviewers 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."

And The *Book of Order G-3.0205 states:*

"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 shall 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."

Generally Accepted Accounting Procedures (GAAP)
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The GAAP are designed for organizations that have a legal obligation to report in detail to their constituents, shareholders, partners and members. Churches should follow these guidelines as much as possible so people who read other financial reports will not be confused by the Church's reporting. At the same time, the church reports its financial data so that the board and membership has an idea how the money is being used and what the needs of the church are. The Church does not have an obligation to the broader public unless they have a need to go to the bank for a loan or a similar financial project. At that time, it might be helpful for the church to get a full Audit and have the Accountant produce a report that fully meets GAAP standards.

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

The Financial Team
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The financial team consists of the people who have a responsibility over the flow of money and the physical assets of the congregation; i.e. contributions, bank accounts, budget, spending, buildings, and the like.

The Finance Committee, or in your church it could be the Trustees of the Corporation, might have been delegated certain responsibilities by the Session to oversee the business of the corporation and make sure the church uses good procedures when handling the money and assets of the organization. This Committee has the responsibility of opening and closing bank and investment accounts and many of the functions related to the Physical Assets of the congregation. For more complete information, see Finance Committee.

Often a church will elect a *Treasurer.* Whether elected by the Session or the congregation, this person has the task to oversee the finances of the church. Typically, the Treasurer will review the record keeping, revenues, disbursements, the giving records, make sure people have statements of their contributions, reconcile the accounts regularly and make reports to the boards, membership and even the government as is needed. This Manual covers the details of these tasks beginning in Chapter Two, Functions of a Church Treasurer.

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

The Ushers have the first level of contact with the contributions to the church as they collect the offering and in some form safeguard the money until it can be passed on to the Financial Secretaries. Many churches are lax in this area as the offering plates get returned to the Communion Table during the service and there is just the hope that the next person in line, i.e. the Financial Secretary will pick up the offerings in a timely manner (this should be done immediately following service, even while people are still mingling in the Worship Center.)

The Financial Secretaries will gather the money from the offerings and place it in a safe place until they can count it. The task of counting, recording and depositing the money should be done as quickly following services as possible. (This task often is given to additional Counters so the Financial Secretary does not have to be responsible for the money every Sunday.) The Financial Secretary then provides the needed information to the Bookkeeper and the Treasurer. Usually, but not always, the Financial Secretary also keeps records of individual contributions and prepares statements to individual donors at least annually for tax purposes. Larger churches will divide this role up between numerous people; Counters, depositors, record keepers and statement mailers. For more complete information, see Financial Secretary.

The Bookkeeper records transactions in the accounting software or books, writes checks, and files financial paperwork. Depending on the size of your church this position could be filled by more than one person, dividing the task into multiple jobs for Accounts Receivable, Accounts Payable, Human Resources, and so on.

Many churches have a separate committee called the Building Committee or the Property Committee. While some churches overlap the responsibilities, the Finance Committee is usually concerned with the dollars and cents and the documentation of the church's finances and obligations while the Building Committee would be more focused on the maintenance of the property owned by the church.

For those who might be reading this Manual who are not from the Presbyterian tradition the Session of the church is the Board of Directors of the congregation and in our tradition they have the final say in almost every decision of the church. They are individually called Elders. Most Presbyterian Churches also have a board of Deacons who function as the caring arm of the leadership of the church. Presbyterians also group themselves in Presbyteries, which are usually made up of all of the Presbyterian churches of a geographical region. A Synod is a group of Presbyteries in a larger geographical region. And each of these groups, Session, Presbytery, and Synod are called Councils.

Chapter 2 Functions of A Church Treasurer

General Comments

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As stated above in the quote from the *Book of Order G. 3.0205,* the church Treasurer is elected by the Session of the church for a term determined by the Session. The work of the Treasurer shall be supervised by the Session or another board that the Session delegates this responsibility to, often the Trustees or the Finance Committee.

Practically speaking, the Session-elected Treasurer should be the central contact for all church finances. While the Treasurer may have a team surrounding them, they become the primary point of contact and oversight in all financial areas of the church. A typical list of responsibilities might include oversight of the following:

1. The congregation's financial records,
2. All bookkeeping,
3. Cash revenues (income),
4. Cash disbursements (expenses),
5. Paying Per Capita Assessments to the Denomination,
6. Giving records,
7. Sending of contribution receipts/statements,
8. Any required billing,
9. And Monthly reconciling the bank accounts as appropriate.
10. Preparing accurate financial reports for the Session/trustees.
11. Annual reporting to the Congregation of the Financial Activity and Condition of the Church.
12. Making sure that those in charge of various funds in the church report annually to the Session.
13. Regular reporting to the General Assembly with the Statistical Report and Per Capita related information. Complying, as required, with governing councils of the Church (Presbytery, Synod, or General Assembly).
14. Governmental Reporting to the IRS, State, and County as required for things like; Payroll taxes, Property taxes, Business taxes, Religious exemptions, Corporate filings and appropriate filing of the annual 990 if needed.
15. Being involved in Budgeting as directed by the Session and Finance Committee.
16. Anticipate financial problems and report to Finance Committee and Session.
17. Managing, safeguarding, and maintaining the congregation's financial resources and facilities.
18. Scheduling and overseeing the annual review or audit.

19. Overseeing that internal controls set by the Session/trustees are adequately being followed to prevent any misrepresentation or possible fraud.
20. Treasurers should receive and retain copies of the Session minutes after each meeting to ensure all action items relating to financial matters are met.
21. The Treasurer should 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 financial matters that pertain to that committee or group. (Be sure you communicate with the Session before you disclose information to a committee that does not directly pertain to their role.)
22. The Treasurer should always be preparing for audit/review procedures so that the annual review can be done by a volunteer committee with greater ease.
23. The Treasurer should maintain the checkbooks. Signers for checks should be authorized by the Session. (for audit/review purposes the Treasurer should have available the signatures of authorized signers to compare to signatures on requests and checks.) It is recommended that all checks over a specific dollar amount set by the Session be reviewed by the Session before being signed by the Treasurer.
24. The Treasurer should be sure that at least one other authorized individual knows how to access all aspects of the financial information in case of an emergency need when the Treasurer is out of town or unable to continue serving for some period of time.
25. The Treasurer should file all financial reports and see that a copy is kept on file in the church office.

NOTE: It is important that the role of the Treasurer be included in the by-laws of the church according to the laws of some states. 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: 2010.)*

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Financial records should be as simple as possible depending upon the size of the church and its assets. A church with several buildings plus endowments would of necessity use a more complex method than another church which has one building and no endowments. There might be Treasurers of other groups in the church (Example: Sunday School Class Fund or Presbyterian Women), Financial Secretaries and Counters all reporting to the

Treasurer and Session/trustees. All of these records should be kept in the secure location. Just a reminder, the Treasurer, under the Session, is responsible for all financial information based on the total revenue and total expenditures of the church regardless of which Funds or sub organizations are involved.

The Treasurer should maintain a "filing system" of some sort that includes the paper trail of the inflow and outflow of monies of the church, all of the appropriate personnel records and all of the permanent records of financial and property transactions.

FINANCIAL RECORDS

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The computer bookkeeping systems will have a record of the contributions of members and other inflow of money as well as the checks that have been written to pay the various expenses of the congregation. But beyond the computer bookkeeping system the Treasurer should maintain files related to this year's receipts and expenditures. This might include counting sheets used by the weekly Counters, deposit records including the actual deposit slip from the bank, all copies of bills and corresponding checks written and some way of keeping track of bills paid online directly from your bank. The expense files can be kept separated by months of the year or by individual vendors depending on how many checks your church writes in any given month. I personally prefer the Vendor method because I usually have to go looking for something by the name of the vendor rather than a particular date.

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The Treasurer should also maintain a set of personnel files related to all employees of the church. Each employee should have a file for their information that includes their date of hire and termination, salary, and all paperwork necessary for payroll including their W-4 or W-9 information etcetera. These files should include the paperwork for annual or more often personnel reviews and copies of letters related to their performance and decisions of the Session or Personnel Committee about their status. Note: Personnel files should be kept in a locked cabinet.

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Permanent records include records of the Corporation, Articles of Incorporation, By-Laws, Annual Statement of Information filings, Filings of Religious and Welfare Exemptions and Business Property Forms. In addition to Corporation paperwork, deeds or property, records of purchases, sales and upgrades of equipment, insurance policies, bank account and loan

applications, equipment manuals, leases, auto registrations, etc. These records should be kept related to any assets that will be more permanent to the church rather than a short-term usage. Some of these permanent records can be disposed of after a number of years or when the product expires or is sold. (For more information on how long to keep records you should refer to Suggested Record Retention in the Appendix).

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 in case of one not being available when needed).

VITAL INFORMATION

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The Treasurer should keep a folder under lock and key with all essential information for the church regarding the finances: (It would be helpful to keep a copy in the safe or safety deposit box off site. ***Do not have this list on a computer file on your computer where it is susceptible to hacking.***)

- Federal ID#.
- State ID#s – Tax Exempt, State Withholding #, Local Withholding #.
- Bank(s), account number(s), online ID names and passwords.
- Investment firm (may be PC(USA) Foundation), contact and phone # - Include any account numbers, passwords and online ids.
- Loan information – how financed, account #, rate, term, secured by, payment information, etc. Include dates when started.
- Documents from all contributions that resulted in creating a restricted fund, including the name of the giver(s), the purpose of the fund, whether the principal can be used, under what conditions, how the money can be spent and the length of time the church should maintain this fund. Much of this information should be reported annually to the Session and the membership to help the congregation remember the purpose of the fund and the terms of its use.
- List of church software being used including version, serial numbers, secure passwords and support phone numbers. Be sure to update this information every time a software or password is changed.
- Copies of all equipment invoices (particularly computer equipment and copiers), including serial numbers, date of purchase, cost and warranty information.
- List of phone numbers/websites used in the Treasurer's work, bank, investment firm, local and state tax office(s), www.pcusa.org,
- Any other pertinent info for your congregation.

Note: To know how long to keep certain records in your storage room see the Record Retention Guidelines found in the Appendix.

Bookkeeping

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Software

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

Some churches prefer to use an official church accounting software like ACS®, PowerChurch®, and Servant Keeper® to keep records of contributions and expenditures within strict accounting journals. Others prefer to use a more simplified checkbook program like Quicken® or QuickBooks®. Some churches choose to split their financial software between the bookkeeping software and a different software for keeping track of contributions. Whichever you choose, find a method that works well for your congregation and the staff or volunteers who need to work with it.

Backups

Computer backups should be made *each* time the accounting/reporting software is used. Copies of these backups should be kept off-site. If you use flash drives or other portable backup devices, they should be rotated on a regular basis. More than one person should know the location of these backups, have access to them and know how to use them if the need arises. No one ever expects to die or move away, but it happens often enough that it is best to have a second person who can quickly access use your software program. The "cloud" now offers a virtual off-site back up for financial and other church records through a variety of vendors like Dropbox®, Sugar sync®, One Drive®, etc.

Whether your church has the Treasurer do the bookkeeping or you have Bookkeepers who are volunteers or are hired, the Treasurer is the responsible party. The Treasurer has oversight of the Bookkeeper(s) and should check in on them and their work regularly so any discrepancies can be found and fixed in a timely manner.

Cash Revenues (Income)

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All monies which come in to a Church should be identified in the records as to who made the gift and how much the gift was and the nature of the gift so that the gift can be properly receipted. If the gift includes a restriction as to how it should be used, the Session should be notified before the gift is deposited unless the restriction has been previously approved by the Session. (See more information about Gift Acceptance Policies.) When a new restriction

is requested by a giver the Session should take the time to review the restriction, decide whether they will accept the gift with that particular restriction, and how they plan to carry out the restricted use of the money. This would also be a good time to set a time limit on the money so that when the time limit has been reached or the purpose has been fulfilled and money still lingers in that restricted account, the residue can be transferred to the general fund or some other restricted fund.

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

1. **Contributions** (Cash, Check, Credit Card, Online, Stock, etc.) – All contributions of money received by the church and all of the other organizations connected to your church that have separate bookkeeping systems/checkbooks. This includes payments on pledges (current as well as delinquent), donations from identified sources but not on pledges, loose offerings (cash or check), contributions made by purchase with receipt turned in for credit not reimbursement and special offerings.
    a. This will include stock from time to time that a member wishes to give directly to the church as part of their contributions. (Do NOT include capital and building funds, investment income, bequests, other income, aid and subsidy in the area of Contributions).
    b. In the Tax Reform of 2018, the Qualified Charitable Distribution, QCD, became permanent in the tax law. A QCD "is an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or over that is paid directly from the IRA to a qualified charity." (IRS)
    c. A QCD gift to the church if included in the individual's annual statement should be designated as a QCD because it is not deductible on the individual's Schedule A.
    d. The individual will receive a 1099-R from the company who sent the QCD to the church. Line 1 will report all monies distributed during the year. Some of the monies may have been distributed to the individual, some may have been distributed to charities, and some may have been distributed to qualify for the individual's Required Minimum Distribution (RMD)
        i. The individual should be reminded that their RMD is not a tax deduction but the remainder of the gift to the church is. The church will not know how much of the QCD is the individual's RMD but could remind the individual to be aware of this feature.
2. **Other Income** - This is all other income that does not necessarily need a deductible receipt, such as rent received or other reimbursements from organizations using church property or grants from non-PCUSA grants or sales of goods and services. This would include such things as tuition/fees for day care, day school, bookstore sales, leasing of church property, etc.

When receiving this type of income, the Treasurer should be very familiar with the rules of Unrelated Business Income and be prepared to file necessary governmental forms if needed.

3. **Capital and Building Funds** - All receipts for capital improvement purposes, extraordinary repairs that increase the life of the asset, building funds, and equipment with anticipated useful life in excess of three years and a value usually over $1,000. If the useful life of the purchased asset is less than three years and/or the value is less than $1,000 the gift should be treated as a normal cash contribution and the expenditure a normal expense.

4. **Investment and Endowment Income** – The church should define Investment and Endowment Income in their Investment Policy so it will be clear to all exactly what is meant by "Income." Many people I have talked with consider the stock or investment as the principal and the interest or dividend as the income. The true income from an investment is a combination of Interest, Dividends, Long and Short Term Capital Gains, and any Increase in the value of the investment vehicle. How much of the total increase of an investment a church chooses to use should be set forth in the Investment Policy. The value of all Investments should be reported to the Session at least quarterly and could be reported with every financial report. These items should be included separately on the Statement of Financial Position (or the Balance Sheet).

5. **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. Many of these gifts will have "designations," i.e. Restrictions, as to how the donor would like the church to use the income and/or principal of the gift. The church should be proactive in developing and publicizing a Gift Acceptance Policy so the potential donors will know ahead of time how the Session would like to treat bequests. Included in the Policy should be a procedure where the donor can designate to some cause that is not part of the church's regular Gift Acceptance Policy.

6. **Subsidy or Aid –** This is money received from other churches or from PCUSA grants from Presbytery, Synod, or General Assembly agencies to be used in local mission and program.

Cash Revenues as listed above are the source of the funds received by the local church, whether it is from a person (living donor) or from a trust, estate, or other non-living source. The Budget report should clearly indicate

each of the Six (6) Cash Revenue Categories, if necessary, and should list the amount received and its source (this could be done in the form of a Note at the end of the report). The regular report to the Session should include this information in a format which non-finance people will find easy to read. Be sure to include both monthly and year-to-date information. It is also helpful to compare this income to the projected budget for the year. Most computer accounting programs have a standard report form such as this that can be produced using the information that you have recorded. For more information about reporting see Chapter 3 Financial Reporting.

Cash Disbursements (expenses)
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Cash Disbursements include all expenditures made by the church. These usually fall into 8 categories which coincide with the GA Statistical Report filed annually by the clerk with information from the Treasurer. If you keep track of these items as groups you can more easily fill in the numbers for the Statistical Report.

1. **Local Program** – Money from all sources that is expended for current operations of the congregation including costs of personnel (salaries, wages, benefits, pension and social security), office operations, building operations, utilities and maintenance, insurance premiums, interest and principal on loans and any other cost related to the operation of the church. These expenses usually make up the majority of the church's annual budget.
   Note: Because you might need to file a form 1099 for any individual or vendor at the end of the year, obtain from them a completed W-9 form before you issue to them their first check of the year. Even if you have collected this form and information in a previous year it is good to have a new form and current information each year. You never know if you will need it later in the year because you have paid them more than $600 during the year. Even if your church has a fiscal year different to a calendar basis, you are obligated to send out 1099 forms based upon the calendar year payments.

2. **Local Mission** includes all monies paid for local mission programs, ministries, and projects approved and directed by the Session and/or to local ecumenical bodies. On rare occasions the local mission of the church and a validated Presbyterian Mission might be the same thing, place those expenses under here or under 6 below at the discretion of the Treasurer; just be consistent from year to year.

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 the purchase of

equipment. These expenses usually cost over $1000 and have an anticipated useful life in excess of three years.

4. **Investment Expenditure or transfers**, includes money that is newly placed into savings or investments (such as certificates of deposit, stocks, bonds, including reinvested dividends). This also includes investment costs such as brokers' fees or commissions and bank fees.

5. **Per Capita Apportionment** includes the monies expended for Presbytery, Synod, and General Assembly apportionment. These monies should be sent to your receiving site in a timely fashion. Contact your Presbytery office for details related to sending in money for per capita, forms to use and addresses for mailing. Presbyteries and Synods vary on how they collect these monies. (For churches in the Presbytery of San Jose, all of our Per Capita monies are mailed to the Office of the Presbytery.)

6. **Validated Mission PC(USA)** includes the total of all monies given to Presbytery, Synod, and General Assembly agencies. Included are payments made toward the mission budgets (includes Directed Giving for missionaries) of these governing bodies; special offerings of the Synod, Presbytery as well as General Assembly Special Offerings (One Great Hour of Sharing, Pentecost, Peacemaking, Christmas/Joy), other offerings for Hunger, Disaster Relief, and Women's Birthday, Extra Commitment Opportunities, and other mission programs and projects related to the PC (USA) and not already reported as Local Mission. (See Appendix for Directed Mission Support Guidelines and for Extra Commitment Opportunities) (The Presbytery of San Jose churches will send all these monies to the Synod of the Pacific and include the Synod form so that your contributions will be directed to the ministries you prefer.)

7. **GA Theological Education Fund** is the amount that each congregation is requested to make as a voluntary contribution each year along with their Per Capita apportionment. The recommendation for giving is 1% of the contributions to the church in the previous year. Your congregation's gift is added to the gifts of many congregations around the nation 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 any of the seven items listed above.

Documentation

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Regardless of what bookkeeping method is used, there should be supporting documentation for each check that is written. Ideally, before the Treasurer writes a check the following information should be included on the church's expenditure authorization form:

1. A copy of the receipt, invoice, or other document requesting payment,
2. The name of the person or company on the check,
3. Address where the payment is to be sent,
4. The invoice number, if appropriate,
5. The amount(s) to be paid,
6. Which budget line(s) should be charged,
7. Some explanation of the need/purpose of the expense,
8. The date of the request,
9. The name and signature of the person submitting the request.
10. The name and signature of the person authorizing payment. The person authorizing payment should never be the person to whom the check is made out.

Authorization

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Yearly, the Session should authorize persons responsible for approving expenditures; this is usually committee chairs, clerk of Session, business manager, Treasurer, etc. The signatures of these individuals should be on record with the Treasurer's files so if there are questions at the time of the audit/review signatures can be compared.

Committee members should submit bills for payment to the chair of the committee for authorization of payment. The Session can authorize monthly payments of mission, per capita, utilities 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 Per Capita and Mission Giving in the Presbyterian Church (U.S.A.)

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

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

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

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

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

Giving Records

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The Treasurer with the help of a Financial Secretary should maintain a complete record of member pledges and details of their contributions to the church and church programs. These records need to be kept in enough detail to give any donors adequate reporting for IRS tax purposes. The IRS requires the church to list the date of each gift, the amount of the gift, and the purpose for the gift, i.e. General Fund or some other Fund. This will require a split listing for one check that is used partly for the General Fund and partly for Benevolence. Some churches give these statements to donors quarterly, however, all donors should receive a detailed year-end statement of their giving, again listing each gift by date, amount and purpose given.

Note: The IRS specifically excludes donations made to a tax exempt organization with the requirement that the funds go to a specific needy person. These are called "earmarked" or "pass-through" donations in which the not-for-profit organization functions as an agent rather than the recipient of the donation. In essence; the only reason that the donor made the contribution to the tax exempt organization rather than directly to the needy person was to get a tax deduction. This practice could be interpreted as tax avoidance (evasion) and is illegal for the donor and could have legal ramifications to the ministry including loss of tax exemption if the offense is deemed by the IRS as severe enough. See Benevolence Accounts later in Chapter 4.

Contribution Receipts/Statements (Quarterly and Annual-Year End)
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The guidelines for receipts or statements issued by the Church to their contributors and acceptable to the IRS as verification of donation deductions are as follows:

- The receipt or statement should include the Name and address of the church and/or be on church letterhead and be dated.
- The receipt or statement must be contemporaneous, i.e. dated before the taxpayer files a return for the year of contribution. The annual statement sent to the contributor during the month of January fits "contemporaneous" and allows them to include the donations in their tax return preparation. (Many people file their taxes in the months of February and March) Note: the IRS considers it a necessity for the contribution statement of a filer of taxes to be dated before they file their taxes. If they are being audited and ask for an old letter to verify their contributions and the Treasurer sends them a statement with the current date on it, the IRS might not accept the statement, the contribution and the tax deduction. Treasurers, make copies of every person's annual statement of contributions and keep it on file for at least 7 years so that you can make a copy of the original if it is ever needed.
- The receipt must include the date and the amount of each "Cash" Contribution given (cash includes, cash, check, credit card, online giving, PayPal and the like). This also includes In-Kind contributions when a member goes out and purchases something for the church and brings the receipt to the Treasurer; this amount can be included in the cash contribution list as cash if the giver does not receive a reimbursement from the church for the expenditure.
- When a contribution is not "cash" but a donation of tangible property, a separate receipt should be given and must include the date of the contribution and the description of the property contributed without any value placed upon it by the church. Contributors of tangible property, like stocks, real estate, collectibles, etc. have the responsibility to prove to the IRS the value of the property at the time of the contribution. The church does not need the value of the gift and does not include the value of this gift in the giver's statement or receipt of Cash Contributions. (The contributor might need to file IRS form 8283 with their tax return and might need an official appraisal to claim the gift. The value, the filing and the appraisal should all be done by the contributor at their expense and they should consult with their tax advisor on these matters.)
- The church should add to the receipt or statement the following wording:
  - "Any goods and services you may have received in connection with this gift were solely intangible religious benefits."
  - Or use: "Federal regulations require us, the church, to state that we have not provided you with any goods or services in exchange for this

contribution. Please retain this document for your records. It is an important document necessary for any available federal income tax deduction for this contribution. We have provided you with only intangible religious benefits and, consistent with the tenets of our faith and practice, only incidental tangible benefits."

- If goods and services were supplied in connection with the gift, then the following would be appropriate, "In return for your contribution, you have received the following goods or services (then describe them) which were valued by us at (include a good-faith estimate of value). The value of the goods and services you received must be deducted from the value of your contribution to determine your charitable deduction."

Reconciliation of a Checking Account

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

Since banks have different cycles you cannot always get your statement to run from the beginning of the month to the end. However, you should ask your bank if they can change your cycle so you can account more accurately for the end of the month on your reporting.

Financial Software allows you to do your reconciliation easily on the computer. If you use financial software remember to regularly look for un-cleared items so you can see if checks need to be voided or reissued. The printout at the time of reconciliation should offer you a list of un-cleared checks. You should make sure you do not have any un-cleared checks of more than three months old as you can assume people either have lost the check or decided not to cash it. Either way you would want to clear these items up regularly because uncleared items will often skew your financial reports especially if they are things like duplicate deposits or duplicate expenses.

Financial Reports

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The next task of the Treasurer is to report regularly to the people who will use the financial data to make decisions about the work of the church. Financial reports presented to the board and the membership must be understandable to the person who cannot think and comprehend the world of charts and numbers. So the Treasurer might need to restate or interpret the reports that are generated by the computer software program which their church uses.

Each computer program comes with a variety of standard reports that can be printed. You can often customize the reports for your particular needs.

In the next chapter; Chapter 2 Financial Reporting; you will find many helpful ideas about ways to make your reports and things you will want to make sure to include in your reports to help everyone involved see and understand the finances of the church more clearly.

Budgeting

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

Most churches look at last year's budget and just adjust it based upon what the actual expenditures might end up to be. Budgets are typically begun in early September so you might have to make an educated guess as to what the expenditures for the full year will be. However, you make your decisions, remember that a budget is just a guideline, and you should remind the Session and Finance Committee of this truth. Many lines in the budget will be inaccurate by the time you get to the end of the year. And the Session might need to make some adjustments to the budget as the year goes on.

Adjustments are best made by expecting the budget line to go over budget or seeing places where the budget will come in way below budget and appropriating that deficit to an expenditure or budget line that looks like it will go over the expected amount. Budgets in the Presbyterian church are approved by the Session, so the Session can make the changes in mid-stream, but large changes on a regular basis might raise issues of trust or concern on the part of the membership. Remember, that the Session should not change the "Terms of Call" for any ordained staff without a vote of the congregation at a duly called meeting. This would include things like changing the Pastor's salary or giving the staff a bonus which was not laid out in the budget that the membership saw at the annual meeting.

Resource Management

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Physical Assets

The physical assets of the congregation must be safeguarded and maintained. So the resources of the church that the Treasurer needs to oversee go beyond the financial aspects of the church. Any buildings of the church must be maintained in good condition to protect the property from deterioration due to neglect. As well, the property should be adequately insured and that insurance coverage should be reviewed at least annually.

The Building Committee or Trustees might have this responsibility but the Treasurer should be involved in the process so that bills get paid on time

and the Committee gets reminded of the timing of things like taxes, insurance renewals, warranty expirations, etc.

Cash Assets

Cash Assets need to be adequately managed, as we have been talking about, and there is a Chapter later that talks in depth about Internal Controls of processes and procedures so that this can happen. Chapter 4 Internal Controls.

Extra Funds, i.e. a surplus

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

Most churches who have extra funds or funds with restrictions that use only the income from these investments should follow good fiduciary guidelines; making use of certificates of deposits, stocks, mutual funds and bonds. To avoid taking advantage of the investment vehicles that are available to the church, and keeping all of the money in the bank account, causes the church to expose itself to poor fiduciary practices and potential law suits.

Investments which are not handled in a bank or an investment/brokerage house should be kept at a minimum under lock and key, preferably in a safe deposit box away from the church premises. Whatever the concerns of the congregation might be about brokerage houses and brokerage fees, the Finance Committee should strongly consider having investment monies kept in an account rather than in certificate form under lock and key. One of the main reasons is the ease of doing something with the certificates in a time of financial need.

The Finance Committee

The Finance Committee under the guidance of the Session have the responsibility to provide good fiduciary oversight of all property, whether physical or monetary, to protect both the "principal" and the "income of the investment." As mentioned earlier, the income is more than just the interest or dividends but should include the capital gains (whether reinvested or not) and the share value growth of the investment.

Keys, Accounts and Passwords

The Treasurer has the responsibility to safeguard any keys, account numbers, passwords, etc. and to be certain that only authorized persons have access to funds and official records. However, at least one other authorized person than the Treasurer (appointed by the Session and not related to the Treasurer) should know the location of necessary keys, account numbers, log in IDs, passwords, etc. As often as the Treasurer sees fit, or whenever the Treasurer is replaced with another person, the passwords and keys ought to be changed to protect the assets of the church.

Offerings

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

Regular Financial Reviews **see Chapter 6**
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The Treasurer should make provision for the church's financial records to be reviewed annually by a committee of the church or if appropriate by a local CPA. While this review is to protect the church from some possible fraud, it also serves the purpose of helping the church improve their management of cash and physical assets. Often in regular reviews the Treasurer or the Session become aware of things that have been overlooked for a period of time and now need to have some attention paid to them. This could be a payment that has been missed, a renewal which was overlooked, a process that is cumbersome or needed, or even a possible area of fraud being committed. Note: a statistic about fraud: 85% of all fraud is done by a person who is deeply trusted and left alone to do their work. Don't put one of your friends in a position of temptation like this. See Chapter 6 Audit or Financial Review for more information on this subject.

Chapter 3 Financial Reporting

Reporting Financial Data

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The Treasurer and the Financial Team have gone to a lot of effort to gather, organize, and keep the records. What for? To communicate this information to those people who make decisions about the future of the church. Usually this is the Session, often it is a Committee, and at least annually it is the membership of the congregation as they are considering their giving for the coming year.

What Reports Are Needed?

The Statement of Activity (also called the *Profit and Loss Statement*) is a report that lists the Revenue and Expenses for a given period of time; last month, year to date, or the whole year. This report can also show a comparison to the budget for the same period or for the whole year.

The Statement of Financial Position (also called the *Balance Sheet*) lists all of the Assets of the church as well as the Liabilities. This is where you will see how much money is in each bank account, investment account, and the value placed on buildings and other capital assets.

These two reports help the board and the congregation understand the complete financial situation of the church on a particular date; whether the revenue is more than expenses or not, if the church needs to stop spending as much money, do they need to let staff go, should they be investing their excess cash, etc.

The Treasurer might also see things in these reports to report to the Session; concerns about pledge pay-up, high expenses in one of the programs, etc.

It is appropriate for the Treasurer to present these two reports to the Session on a monthly basis for their review. Often the Session or one of the elders might want to know the details of one of the categories, like Christian Education, so they can see all of the expenses in that category for the time period.

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

The Profit and Loss (Statement of Financial Activity)

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This statement is designed to show the activity or flow of money into or out of the church's accounts. The simplest of all statements of financial activity (*in italics below*) was the old method of the Treasurer's report to the Session;

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

A report like this does give a picture of the finances of the church; you see the amount of money that came in and the amount that went out. And in some small churches this might still be enough information from time to time. But most Sessions and congregations today would like to see more detail; like what is the breakdown of the revenue and the expenses so they can see how much money is coming from what sources and how much is being spent on what kinds of activities.

Revenue can be broken down by the types of income the church might have and how much detail the Session might want. For example, your categories of revenue might be as simple as; Contributions and Other Income. Or the Session might want to see; Contributions from Regular Members (Pledges), Contributions from Visitors, Rent on the Home the Church owns, Interest Income, Refunds, and any number of details which might help the Session know where the revenue comes from. There is no right way to break down these categories, it truly depends on what information the Session considers helpful to their planning or "how you have always done things in the past." (Just a Note: even though people find change difficult, reporting things the way they have always been reported may not be the best use of time or the greatest help to the Session. The Treasurer is the one who can present options to the Session so they could reconsider the detail of the reports especially if they have become too cumbersome.)

Further details are available on most computers for the Treasurer to breakdown a category and print out a list of all of the expenses in the category. It would be helpful from time to time to give this breakdown to the person(s) in charge of spending these monies so they can check things over. There is always the possibility that the expense was charged to the wrong category and needs to be changed to reflect an accurate accounting.

The Balance Sheet (Statement of Financial Position)

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The Statement of Financial Position (also called the Balance Sheet) lists all of the Assets of the church as well as the Liabilities. This is where you will see how much money was in each bank account, investment account, and the value placed on buildings and other capital assets as well as the liabilities of the organization such as outstanding loans, bills that need to be paid, credit card balances and even the details of the restricted funds.

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

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

A report like this does give a picture of the finances of the church; you see the amount of money that was in the bank at the beginning and the end of the month. And in some small churches this might still be enough information from time to time since they might not have more than one bank account. But most Sessions and congregations today would like to see more detail; like how much money is in each of the several bank accounts, checking and savings, and how much money is set aside for restricted accounts or other fund categories and what might be the pending liabilities of the church as well.

Property as an Asset of the Church

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Normal practice for Non-Profits is similar to Corporations for profit, although most churches that I know of do not include the value of buildings in their list of assets.

The rational for including building cost and depreciation on the balance sheet helps the organization know the cost basis of the property at the time of sale to determine and account for any gain or loss (usually for tax purposes). Churches don't ever think about the sale of the property since they expect to be around forever. At the moment, churches don't have to worry about taxes on the sale of property. But as the atmosphere of the country seems to move towards taxing churches, including this in your accounting plans will be beneficial if the tax laws actually change.

The cost of the property should be listed as an asset under long term assets. This is the actual amount paid for the property plus any additional capital expenditures over time. If you do not have the data on the purchase price of the property you can estimate that amount. The amount listed should be the amount paid for the asset, or the amount of value of the asset when it is placed in the accounting records, as well as any leasehold improvements made near the time of purchase. All other leasehold improvement should be listed separately as they occur and depreciated over the life of the improvement.

The property should probably be seen as a 30-year depreciation (MACRS) and that amount should be listed as a negative number accumulating each year so you have a net value, i.e. cost basis refigured each year on the Statement of Financial Position.

As well as these numbers being tracked in the Statement of Financial Position, it would be good to add notes to the report if the property is ever used as collateral for loans or other obligations. These notes should include the nature of the loan, the amounts involved, as well as the dates when the encumbrance will be freed up. Also include any other information that might

be lost over time that would be of value for new financial persons and members to know.

Notes on Reports

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With the dawn of the new reporting requirements of the FASB comes something that has been missing in churches for years. How many times have you heard someone say, "When was that money given to the church and do we have restrictions on how we can use it?"

Now, these details are expected to be tacked on to the Statement of Financial Activity and the Statement of Financial Position, as they are needed. The "Note" for each Fund should list the donor (either a single person, a larger group, or the Session) who made the Restriction, the date of the Restriction, what portion of the Fund can be used (i.e. the principal and income, just the income, or some other specific instruction), the purpose of the Fund (how it can be used), the date or circumstance when the Restrictions will be lifted for some reason, and what the Session can do with the remaining money at the time the Restrictions are lifted. The Session should set up a Gift Acceptance Policy and include with that Policy a Restricted Gift Information Sheet; see a sample in the Appendix. This will help the Treasurer have the information necessary to write the Notes needed on the Financial Statements.

Under the liabilities section of this report you should have two major sections for Funds; Funds without Donor Restrictions and Funds with Donor Restrictions. These two categories are covered in more depth in Chapter 5 Restricted Funds and Investments. Simply put, when you set money aside for a specific purpose, the money fits into three different categories; Money that can be used anytime and anyway the Session chooses; Money that the Session has chosen to set aside for a specific purpose; and Money that the Session accepted as a gift from a donor that is earmarked for a special project. The first of these three fits the category of Funds without Restrictions, even if the Session might have it waiting for a project, that use can change at any moment. The second and third category has to do with Funds with Restrictions that are only able to be used in a particular way.

Each Fund that is separated on the Statement of Financial Position should have a "Note" associated with it. The note could be in the title, such as Jones Playground Fund 12/2025, or could be at the end of the report as a footnote. The "Note" should indicate at least who set the restriction, what the restriction is for, and when the restriction will end. There will be more information about Restrictions and Fund Notes in Chapter 5 Restricted Funds and Investments. To be complete the "Note" should also include any other Restrictions related to whether the principal can be spent, how much "income" from the investment can be spent, what should the Session do with any money left in the account after the end date set on the Fund.

Another Note that can be helpful and will be required in the new FASB guidelines is describing how liquid assets will be managed by the Session so they can provide the needed cash flow for the next 12 months. This means that

the Session needs to be thinking 12 months out financially at all times. What contributions can be expected to come in, what back up funds can be tapped into if the projections do not come to pass, and how easily the Session could tap into Funds to cover short falls in the budget process. One of the things most churches do not have that they should have and might be required to develop would be a reserve fund that is available to help with expenses during the low income months; usually in the summer time.

Monthly Reporting

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Each month the Treasurer should prepare a report for the Session that gives them at least a short version of the financial situation of the church, i.e. the Activity and Position. Depending on the financial situation of the church the Session might also want more detailed breakdown of the income and expenses and the value of the Funds. Usually, the two main financial statements will be enough.

Your Committees might also like to have a monthly recap of the inflow and outflow of the budget lines that fall under their oversight. If this information is matched to budget, they will know more about what they have left to spend and can more appropriately plan for their upcoming needs.

If your team includes a Finance Committee, they might like the reports in more detail than the Session so they can do "auditing-on-the-go" by seeing discrepancies along the way and correcting things before the last minute. For instance, a mission committee could have chosen to stop sending money to a missionary who has left the field, and the Treasurer not knowing this has continued to send the monthly check. It would be better to find this out after one month than after 6 months. The same would be true if the janitorial company had been replaced and the Treasurer had not been told. Or if the income has been lagging behind the expenses for a few months and the Finance Committee feels a need to send a letter to the congregation or notify the Session of the need to think about cutting staff or other expenses.

Annual Reporting to the Membership

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The Presbyterian Churches are required to have an Annual Congregational Meeting and most have this meeting in the first part of the year where the committees give their summary reports for activity during the previous year. The Treasurer often presents the Statements of Financial Activity and Position as well as the Budget for the coming year. These reports should have all of the notes attached so that members know the details of the financial situation of the church. This gives them an opportunity to ask questions and express concerns.

These Annual Reports often include a comparison to the previous year's amounts so people can see the progress or the potential setbacks that might be

coming. Members who are more familiar with financial reporting in For-Profit Corporations might want to know about the different assets held by the congregation, how these might be invested, what the Return of Investment (ROI) was for the preceding year, what restrictions are placed on funds being held for specific purposes and what the time line if any is placed on using the funds before they revert to another use. More of this information will be explained under **Chapter 5: Restricted Funds and Investments.**

Annual Reporting to Individuals

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This topic has been covered in **Chapter 2 under the section Contribution Receipts/Statements** so we won't say much here except that this is a crucial responsibility of the Treasurer and the Financial Team. For IRS tax reporting purposes each member of the congregation should have an annual statement of their giving so they can justify the deductions they place on their Tax Return. It is important to get these statements out to individual donors as promptly as possible; usually by the end of the month of January.

This is a repetition but I believe the information is worth repeating: The guidelines for receipts or statements issued by the Church to their contributors and acceptable to the IRS as verification of donation deductions are as follows:

- The receipt or statement should include the Name and address of the church and/or be on church letterhead and be dated.
- The receipt or statement must be contemporaneous, i.e. dated before the taxpayer files a return for the year of contribution. The annual statement sent to the contributor during the month of January fits "contemporaneous" and allows them to include the donations in their tax return preparation. (Many people file their taxes in the months of February and March) A contemporaneous receipt must be dated before the Tax Return of the donor is filed, including extensions. If someone asks you for a receipt for their contributions and you print them a new receipt, it might well have today's date on the receipt and if they have already filed their taxes, the receipt will be considered invalid and their contributions might be rejected by the IRS. One thing a Treasurer can do is to print out two copies of the annual receipt and keep one of the copies in a file for about 6 years in case a donor needs to produce documents for an IRS audit of their taxes. Not something required, but a nice service. Most audits take place within 3-4 years of filing.
- The receipt must include the date and the amount of each "Cash" Contribution given (cash includes, cash, check, credit card, online giving, PayPal and the like). This also includes In-Kind contributions when a member goes out and purchases something for the church and brings the receipt to the Treasurer; this amount can be included in the cash contribution list as cash if the giver does not receive a reimbursement from the church for the expenditure.

- When a contribution is not "cash" but a donation of tangible property, a separate receipt should be given and must include the date of the contribution and the description of the property contributed without any value placed upon it by the church. Contributors of tangible property, like stocks, real estate, collectibles, etc. have the responsibility to prove to the IRS the value of the property at the time of the contribution. The church does not need the value of the gift and does not include the value of this gift in the giver's statement or receipt of Cash Contributions. (The contributor might need to file IRS form 8283 with their tax return and might need an official appraisal to claim the gift. The value, the filing and the appraisal should all be done by the contributor at their expense and they should consult with their tax advisor on these matters.)
- The church should add to the receipt or statement the following wording:
  - "Any goods and services you may have received in connection with this gift were solely intangible religious benefits."
  - Or use: "Federal regulations require us, the church, to state that we have not provided you with any goods or services in exchange for this contribution. Please retain this document for your records. It is an important document necessary for any available federal income tax deduction for this contribution. We have provided you with only intangible religious benefits and, consistent with the tenets of our faith and practice, only incidental tangible benefits."
  - If goods and services were supplied in connection with the gift, then the following would be appropriate, "In return for your contribution, you have received the following goods or services (then describe them) which were valued by us at (include a good-faith estimate of value). The value of the goods and services you received must be deducted from the value of your contribution to determine your charitable deduction."

Budget Reporting

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Every Church seems to have their own way of producing a budget for next year. Some use a simple method of looking at last year's budget and the actual income and expenses and just revising the numbers accordingly. Others go through an elaborate process, checking with every committee for their anticipated needs and then creating a new budget for the coming year. Either way, the Treasurer is usually involved in the process, at least to give someone the actual income and expenses year to date.

Since most members are not accountants or familiar with line item budgets, many churches have gone the next step and developing a Narrative Budget which might serve as a better tool to communicate the costs of the program of the church to the congregation. This reporting is talked about in more depth in Chapter 9 Stewardship and Budgeting.

Please choose the best report format for the audience you have; i.e. hand out to the congregation the Narrative Budget but also have available a line item budget for those that might prefer seeing it in the traditional format.

GA Statistical Report

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Annually, the Clerk of Session is asked by the Clerk of Presbytery to fill out the Annual Statistical Report from the General Assembly. These reports can now be filled out online. The Clerk will need certain financial data to fill out this report and will most likely come to the Treasurer for that data. Knowing ahead of time what is needed can make the Treasurer's job a little easier. Some churches actually build their chart of accounts around these required numbers for reporting or some software packages allow you to develop special reports that give you the numbers you need. A little bit of work preparing for these reports will make them much easier to fill out when the time comes.

Remember the report is looking for ballpark figures for the purposes of comparing changes from year to year. This means you should round your numbers to the hundreds of dollars rather than listing dollars and cents. The categories requested might not be the same as your budget delineation; feel free to move your monies around a bit to fit the GA report, however, move things around in the same way each year for a more accurate report.

Per Capita Apportionments

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"*Per capita* funding is how Presbyterians mutually share the costs of coming together to discern the Spirit's leading for the future." Opening line of the web page of the PC(USA) statement on per capita.
(http://www.pcusa.org/percapita)

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

According to the Book of Order, G-3.0106, "Each council above the Session shall prepare a budget for its operating expenses, including administrative personnel, and may fund it with a per capita apportionment among the particular congregations within its bounds. Presbyteries shall be responsible for raising their own funds, and for raising and timely transmission of per capita funds to their respective synods and to the General Assembly. Presbyteries may direct

per capita apportionments to Sessions within their bounds, but in no case shall the authority of the Session to direct its benevolences be compromised."

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

Who pays per capita, and how much?
Congregations (through their Sessions) pay an annual amount of money per church member — per capita apportionment — to their Presbyteries. The annual per capita amount is a combined request from a congregation's Presbytery, Synod, and the General Assembly — based on their respective budgets for the coming year. Presbytery's per capita rate depends on its geographical location and size, its mission needs, and the needs of the respective Synod and the General Assembly amount. Some Presbyteries collect the per capita along with the Basic Mission Giving rather than a separate amount, others split the two amounts. Either way, your Presbytery needs to pay your churches share to the Synod and the General Assembly.

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

How is the per capita rate set?
Each Council sets the per capita rate by dividing their total budget for the coming year by their total membership figure. The membership figure usually used is the last number reported to the GA in their Annual Statistical Report. This causes a time lag of at least one year because the budget it developed before the more current numbers are reported. Keep in mind, if your numbers are not up to date, you could be paying per capita on members you had years ago and no longer have today. This is a good reason for your Session to be diligent about keeping the membership rolls accurate, reporting rightly in the Annual Statistical Report and adequately communicating with members who have left the church for some reason.

General Assembly Per Capita Budget
The per capita budget of the General Assembly principally provides for the cost of holding GA meetings, expenses of the permanent and special committees of the General Assembly, The Presbyterian Historical Society, the work of the Moderator of the General Assembly, the Office of the General Assembly, GA Publications, and some staff, legal, and comparable expenses to our

memberships in ecumenical bodies. Fair share costs of Shared Support Services relating to building operations and centralized accounting services are also included.

Governmental Reporting

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The Treasurer is responsible to comply with community, state and federal regulations with respect to filing payroll tax reports such as the 940's, 941's, W-2's, W-3's, 1099's, and any State equivalents, etc. This includes the completion of Form 941 at least quarterly if not monthly or semi-weekly and payment of taxes withheld from payroll in the form of payroll tax deposits (Consult IRS Circular E for more information). State and local tax codes determine the forms to use, the method of payment and the frequency and you should contact your local and state tax offices for the most current and accurate information on what you need to pay and when it might be due.

Most of the Federal and State forms for filing payroll related taxes can be found, filled out and filed online.

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

The Treasurer is also responsible for any other IRS filings such as Form 990. Your church may or may not be required to file a Form 990 because of the exempt status of churches at the time of this update, however, the Treasurer should be familiar with this form or have a tax preparer who is. Check to see if your church has any **Unrelated Business Income** which might trigger a need for you to file this form or at least the 990EZ or 990T.

By definition, **Unrelated Business Income** is any income from a regularly conducted trade or business which is not substantially related to the purpose of the non-profit organization, in this case, the church. On the IRS website (irs.gov) they use the words, "does not contribute importantly to the exempt purpose of the non-profit organization. Many churches engage in activities to raise money and use the profits to supplement the church's budget. ***UBI is not related to how you use the money, but how you acquire the money.*** Three tests apply for churches to check whether their activity and its income is taxable as UBI.

1. The IRS defines income from a trade or business as income from the sale of goods or services. Are you selling something for a fee rather than providing religious benefits for a donation? Be careful you comply with this principal and don't just call a fee a donation to get away with tax evasion.
2. They also say if this business is regularly conducted the income might fall in the category of UBI. Regularly conducted means a church engages in this activity with a frequency and continuity comparable to

a for profit business. It does not need to be daily since many businesses are not open every day, some might be open once a week. Do you have a book store in the church or a thrift store? See Chapter 4 Internal Controls/ Bookstores, Thrift Stores.

3. The third test is whether the activity from which the profit comes is substantially related to the purpose of the church (organization). This again is not the that the financial proceeds are used for the work of the church, is the activity itself substantially related to the purpose of the church.

If your church engages in regular income-producing activities that are not substantially related to worship and Christian Education the Treasurer might want to learn more about Unrelated Business Income and talk with a Tax Professional who can help with the understanding of filing a 990 long or short form with the IRS.

Information is also available from Richard Hammar's, Church and Clergy Tax Guide, revised annually (www.churchlawandtax.com) *or from the Office of Legal/Risk Management Services of the General Assembly Council. (See Resources for ordering information and phone numbers.)*

Chapter 4 INTERNAL CONTROLS AND RECORD KEEPING

The Financial Team

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As was mentioned in Chapter 1, rather than having the Treasurer working alone, it would be beneficial to have a Finance Team responsible for the different tasks outlined in this Manual. That may not always be possible so some of the tasks might need to be combined so that the work can be covered.

A full Team would include a Finance Committee; a group of people who regularly look over the financial data, do research on things like insurance, deeds, corporation status, filings, reporting, budgets, and the like. The individuals involved in a full Team would include the Treasurer, the Ushers who collect the offerings, the Counters who count, record and deposit the monies, the Financial Secretaries who add the data from the Counters into the record keeping system as far as individual contribution records are concerned, the Bookkeeper who pays the bills and files the information.

This Team, often under the direction of the Treasurer, will be the ones who keep the financial work of the church running smoothly, providing the basis for the internal controls to minimize opportunities for things to slip through the cracks. (See the Chapter 1 definition of Finance Team.)

Finance Committee

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

The Finance Committee is organized to support the Treasurer in implementing the various financial policies of the Session. They can help the Treasurer in the budget development, overseeing investments, developing draft policies for Session approval, selecting and approving Financial Secretaries and Counters, and other appropriate tasks. They usually will review the current financial report on a monthly (timely) basis and communicate with the Session when things seem out of order or when a group in the church is reaching the limit of their budget for the year. The Finance Committee usually does not make financial decisions unless they have been authorized to do so by the

Session but they are like the watchdogs who see something and bring it to the attention of the Session. See the appendix for a sample Job Description for the Treasurer and a sample Job Description for the Finance Committee.

Some churches expect the role of Stewardship to be included in the role of the Finance Committee. This can be difficult because of the difference between the spiritual gifts and abilities needed to oversee finances and policies and the spiritual gifts and abilities needed to interpret the ministry of the church to encourage generous giving to meet the needs of the church's ministries.

A church with membership less than 75 might find it difficult to have both a Finance Committee and a Stewardship Committee, however, when the church reaches an attendance greater than 75 they should think seriously about splitting the function between two committees. See Chapter 9 Stewardship and Budgeting for more information.

Treasurer

The Treasurer's responsibilities have been fully laid out in Chapter 2 Functions of a Church Treasurer.

Ushers

The Ushers are the first contact with the offerings as they pass the plates during the church services. They have the responsibility to collect the offerings, place them in a secure place, which might be into the hands of the Pastor or worship leader. Some churches will give the Ushers the added responsibility of Counting the money but most churches leave that task to the Counters or the Financial Secretary.

Counters

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"SUNDAY OFFERINGS" should be counted immediately after the service(s) by two or more persons. Counters assigned to count the offering should not be the Treasurer or Financial Secretary, if possible. The Counters will give to the Treasurer the original count sheet to explain the details of the bank deposit and a copy of the deposit slip to the bank. The Counters will also give to the Financial Secretary a copy which details the amount, the Fund designation, and the giver of every gift received related to the deposit so they can record donors, dates, amounts and Funds which the money was given for.

With the use of computer financial software programs the offerings are often recorded into the accounting program directly. This allows the counter to list in the software program, who gave, how much, what date, and for which account. This has eliminated the step of having to write it down and then someone else input the information into the accounting system.

The Counters should see that the deposit is ready and taken to the bank for deposit as quickly as possible. The slip that the bank gives out to verify the deposit was made should be returned to the Treasurer or Financial Secretary, depending on your church's system, to be included with the financial records. *See Appendix for Procedures for Counting Offerings.*

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

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

Financial Secretary
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The Financial Secretary is usually elected by the Session/trustees to oversee counting of all offerings, the recording of the same, keeping accurate records of the gift amount, the giver, and the purpose of the gift, make the appropriate deposits and then report the information to the Treasurer. With the advent of computers and church financial software the counting and recording often can be done at the same time. When a smaller church does not have enough people to have Counters, their work ends up being done by the Financial Secretary. When a church has both Counters and Financial Secretaries on the Finance Team they might need to distinguish who does what tasks so that duplicate work does not get done but everything does get done.

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

At the end of each quarter the Financial Secretary totals the amounts received for each donor and mails copies of the statements to each person who

either makes a pledge or contributes to the church. Some churches do not send out quarterly statements but I think they are missing an opportunity to encourage donor to rethink their giving, increase their amount, catch up on payments they might have missed, etc. A year end statement should be sent to each giver in January with the summary of all their gifts and pledges. See Chapter 2 Functions of a Treasurer / Contribution Receipts / Statements for more information on Statements.

For IRS tax purposes, the gift must be recorded as given in the year it was actually received not the date on the check. The one exception would be a check mailed and post-marked in one year but received in the next; that check can be included in the donation records of the year post-marked. Checks that are back dated to the previous year and received on the 1st Sunday in January should be counted as contributions for the new year not the year just ended.

Bookkeepers

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

Financial Procedures

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Most churches function in the area of finances by the seat of their pants assuming that everyone in a position knows what they should be doing and know how to do it right. If that were truly the case, there would be little need for a Manual like this one.

Churches should have a set of procedures that have been approved by the Session and that are followed by every person on the Finance Team. These procedures should at the minimum include:

- Job descriptions for the Finance Team.
- A Gift Acceptance Policy
- A Cash Disbursement Policy
- A Counting Offerings Plan
- A Conflict of Interest Policy
- A List of Procedures that should be followed so that proper controls can be enforced for the good of the church and the protection of the people who handle the money.

Financial Controls

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Basic to internal controls is the segregation of duties among different persons and clear communication between those persons. The roles of the Financial Team; Treasurer, Finance Committee, Ushers, Counters, Financial Secretary, and Bookkeeper should be clearly defined. A church, especially smaller churches, might choose to use fewer people, but it is important to have income functions handled separately from disbursement functions; i.e. the person who counts and deposits the money ought not to be the person who writes and signs the checks. In addition, the Session should have clear policies related to counting, depositing, and distributing the money and they should expect the Treasurer to adhere to those policies strictly.

The following is a checklist to assure that there are good internal controls in place for the entire organization.

An Internal Control Checklist:

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- The church should have a Gift Acceptance Policy which clearly defines the kinds of gifts that might be acceptable, which designated funds the Session is maintaining, how a giver might designate money to a different fund, and how long the Session will wait before they will use the extra money on other projects. (See a sample in the Appendix)
- The church should have a Session approved Fully Accountable Expense Reimbursement Plan for employee expenses so the reimbursement does not become income to the recipient. (See a sample in the Appendix)
- The Session should approve a Procedure for Counting Offerings so the best practices are followed regularly and consistently. (See a sample in the Appendix)
- The church should have a Conflict of Interest Policy to prevent potential fraud with people who have too much inside control. (See a sample in the Appendix)
- The church should make sure no one person handles all aspects of a transaction from beginning to end; I.E. collects the money, counts the money, deposits the money, and writes the checks. You don't want a person writing their own paycheck or reimbursement check. (See information on Financial Secretary)
- The church should have different people be responsible for custody of an asset and those who record transactions related to that asset.
- The church should require that all cash receipts are deposited and recorded immediately. No later than the first banking day after Sunday or the Church event where the money was collected.
- The church should require all expenses be approved, by the chair of the committee under which the expense is made, before the check is written.

- The church should have all payments made by serially 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.
- All bank accounts should be reconciled monthly.
- Transactions should be entered into the computer software program regularly, at least monthly, so that reports can be generated for each Session meeting. If you are still using a paper accounting system, subsidiary ledgers should be balanced to general ledger accounts on a regular basis, at least monthly.
- Review comparative financial statements in sufficient detail every month to disclose significant variations in revenue and expenses. This means the Finance Committee or the Session should see a detailed report of accounts, similar to a Profit and Loss Statement, at each regular meeting.
- Bank statements and cancelled checks should be opened and reviewed by someone who is not a payee or not authorized to write checks.
- Investigate unusual items as soon as they arise, such as checks to unfamiliar vendors, checks for large amounts and checks to employees or other insiders.
- Use serially numbered sales receipts, purchase invoices, checks, tickets, purchase orders, receiving reports and debit or credit memos.
- Use duplicate deposit tickets and retain copies in the office and keep all bank deposit receipts in a file with other financial records.
- Deposits should be made daily if necessary or at a minimum weekly. Minimize the time that un-deposited checks / money sit around the church. Even if you believe the amount is too small to deposit and want to wait for more money to come in, it is better to deposit the money regularly and not wait.
- Use a budget or forecast to detect whether goals are achieved. Investigate differences – ask what happened and why?
- It is essential that records are retained. See "Record Keeping" in Chapter 2. See Appendix for recommendations on how long to keep certain records, Records Retention Guidelines.

Other Organizational Controls
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- Incorporate hiring policies and practices which include drug testing, and background checks as well as references. (See Resource List for publications about Hiring and Firing Policies)
- The church should institute a policy to have all staff, officers, and appropriate volunteers trained in "safe church practices" to prevent

abuses of any type. The church should talk with their insurance company or Presbytery office about acceptable Safe Church Policies and have a program within the church to adhere to the appropriate policies.

- Be sure to have up to date Personnel Policies and make sure that each employee receives a copy at the time of hire and receives a new copy when the Policy is amended or updated.
- Each employee should have a Job Description and receive an annual job performance review.
- This seems a large task for small churches especially but if an employment dispute ever surfaces in your church you will be happy you have these policies in place.

Leasing out the Church

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Many churches are leasing out a portion of their facilities to other organizations to gain some income. These should be looked at carefully to make sure the leasing does not jeopardize the property tax exempt status of the church in the community/county within which you live. These rents can also be potential Unrelated Business Income (UBI) if you do not justify the lease as being a part of your exempt purpose. Note: just because you use the money for your non-profit work does not mean it is non-profit income and if it is UBI it might be subject to taxation. Please read Unrelated Business Income if you have outside groups leasing your church property. Usually, if the group using the church property is also a 501(3) organization there will not be a problem, but the local governmental agencies might want documentation to prove such.

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

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

Organizations which are for profit orgs will almost always be seen as Unrelated to the exempt purposes of the church. Organizations which are not for profit organizations should be screened with the information provided in the link above.

Bookstores, Thrift Stores and other enterprises in the church.
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When a church enters into some enterprise, whether it is leasing the property, selling books or donated items, or any other exchange where the church receives money like a normal business would, it may be required to report the income separately as Unrelated Business Income. To avoid jeopardizing your tax exempt status as a church, which should be engaged in worship and related education and mission, the Treasurer should be very familiar with UBI rules and definitions so that proper accounting can be made, appropriate forms can be filed and taxes due can be paid.

Please remember that your non-profit status is based upon your activities and how you raise your money, not on the lack of profit you end up with at the end of the year. A non-profit organization can take in more money than it spends. It is non-profit because its primary purpose is to do non-profit type work; in the case of the church, religious work. When the church starts doing "business" it gets into areas that are grey inside the tax codes and the Treasurer should be familiar with these grey areas anytime a potential "business" is engaged in.

Benevolence Accounts, Deacon's Fund
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Many churches collect some money so that those in need can be helped. The help can come in the form of gift certificates, paying for motel room in town, buying gas, providing a meal, developing a food pantry, having a clothes closet or any number of ways to provide assistance to someone who calls or comes to the church in need. After all, this is one of the many ways we can show the love of Jesus Christ to the world. But we still need to look at the financial complications with the Benevolence or Deacon Fund, or any other creative and caring name your church has come up with.

These projects need to be funded and the funds used to dispense some help to the person who comes to you with a need. Let's look at the funding first and the dispensing second.

Funding

Funding these projects can come from Special Offerings, like the monthly appeal on Communion Sunday or just a general awareness of the church's program and people contribute to it. It can also be some money set aside in the church's budget or canned goods brought to the church for restocking the Food Pantry. However the funding takes place, if a person wants some kind of credit on their annual statement of contributions, these gifts need to be delineated by date, amount, purpose and if the contribution is a gift in kind, i.e. food, clothing, there needs to be a receipt from the store. If the donor brings items that were not recently purchased, they can be given a receipt for goods donated but the church cannot place a monetary value on the gift.

If you solicit funding for the Benevolence Fund, then all of the money given needs to be used for the reason it was given. The Session cannot change their mind and use the money for some other cause. This becomes a Restricted Fund with specific guidelines for its use. This will be talked about more under the next chapter; Chapter 5 Restricted Funds and Investments.

If the funding is given for an individual or a family, the church should be careful not to be acting as a pass through agency that is just helping the donor receive a tax deduction for a gift that does not qualify for a tax deduction. *Note: The IRS specifically excludes donations made to a tax exempt organization with the requirement that the funds go to a specific needy person. These are called "earmarked" or "pass-through" donations in which the not-for-profit organization functions as an agent rather than the recipient of the donation. In essence; the only reason that the donor made the contribution to the tax exempt organization rather than directly to the needy person was to get a tax deduction. This practice could be interpreted as tax avoidance (evasion) and is illegal for the donor and could have legal ramifications to the ministry including loss of tax exemption if the offense is deemed by the IRS as severe enough. See Benevolence Accounts later in Chapter 4.*

Dispensing

When it comes to dispensing the assets of the Fund to a needy person there are a few financial things for the Treasurer to keep in mind beyond the normal questions of how much might the church be enabling the needy person to continue being needy, how is the church salving its own conscience with minimal care so that it does not need to get involved in deep caring for those in perpetual need and how much the church is helping the needy person find a solution for the conditions in their life that landed them in the needy position in the first place. These are clearly questions for the Session and Pastor to wrestle with, thankfully they do not fall in the Treasurer's lap.

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

1. Is there a need. This might seem obvious, especially when a homeless person arrives at the church's door, but if a neighbor comes to the church looking for help on their Electric Bill, this might be more of a valid question. Or, what if the person asking for help is a member of the congregation, what is the extent of their need?
2. Can the person provide for that need on their own? Do they have funds or other means to provide but they do not want to use those savings accounts at the moment so they ask the church for help? *Note: Both 1 and 2 are guideline questions that often will not have a clear answer but the church's person in charge of helping others should at least be thinking of these two questions when making the decision to dispense goods. Sometimes these questions have obvious answers, sometimes not, but at least think about them before dispensing.*

3. This question helps the church to avoid getting into the habit of pass through contributions. Does the person fit in a larger "class" of people? For example, did you go around the church gathering funds for Sally because her house just burnt down? That is a noble gesture but if you collected the money for Sally and gave it to Sally, the donors should not consider the gift a tax deductible contribution. If, on the other hand, the collection was for the community good because there was a fire in the neighborhood, and anyone who was affected by the fire knows of the fund and could apply for assistance, and Sally is the only one who applied, then the potential "class" of people you could dispense to is larger than just Sally and her family.

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

Scholarships

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

1. Does the person have a need?
2. Do they have a way to meet that need on their own?
3. Is there a larger "group" that knows about this scholarship and have the opportunity to apply for it?

The concerns here are the same, are we just trying to help a person from our congregation who might or might not have a real need and do it in such a way that the donors can take a tax donation for their gifts. If they don't need the tax donation but just want the gift to be anonymous we don't have a problem, but then the gift cannot be placed on the year end statement of giving.

Note just for emphasis or in case you have not seen this in other places in the Manual: The IRS specifically excludes donations made to a tax exempt organization with the requirement that the funds go to a specific needy person. These are called "earmarked" or "pass-through" donations in which the not-for-profit organization functions as an agent rather than the recipient of the donation. In essence; the only reason that the donor made the contribution to the tax exempt organization rather than directly to the needy person was to get a tax deduction. This practice could be interpreted as tax avoidance (evasion) and is

illegal for the donor and could have legal ramifications to the ministry including loss of tax exemption if the offense is deemed by the IRS as severe enough. See Benevolence Accounts later in Chapter 4.

Chapter 5 RESTRICTED FUNDS AND INVESTMENTS

Fund Reporting

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A "Fund" is a pool of money that is used for a particular purpose. Funds without Restrictions usually end up in the Operating Fund, sometimes called the General Fund. If the church has a surplus of Revenue over Expenditures, I would encourage the Session to set up a Reserve Fund and then when that is "fully funded" set up other Investment Accounts to hold the money until it might be needed. If the Session determines that some of the "excess" Operating Fund should be set aside for a specific purpose this Fund would be considered a Board "Designated" Restriction and the Fund would be accounted for under the heading of Funds without Restrictions because the "Restriction" in this case can be adjusted by the Board or removed altogether if they so choose.

In days gone by the Treasurer usually set up different Bank Accounts, either Checking or Saving, for each different Fund to keep the monies from different Funds separate. (i.e. the Building Fund, the Youth Fund, the Benevolence Fund, the Reserve Fund, etc.) Then when contributions were received for a particular Fund that money would be withdrawn from the Operating Fund where it was deposited and deposited into the appropriate Restricted Fund Account.

With the advent of the computers, Treasurers of many churches have begun pooling the money in one or more Bank Accounts and then accounting for these Fund monies separately on paper or as a liability on the Statement of Financial Position (the Balance Sheet) so they know how much money was designated for each Fund at any given time. Of course, the downside of pooling monies comes when the amount of money in the Bank Accounts is less than a total of all the Restricted Funds; meaning the church has borrowed from one or more Restricted Funds to pay Operating Costs. This is a common practice among churches but should be avoided wherever possible.

Assets and Liabilities on the Statement of Financial Position

Other than the Operating Fund which is reported on the Statement of Financial Activity, the main divisions of Funds fall into two categories; Funds without Restrictions and Funds with Donor Restrictions.

A typical Balance Sheet (Statement of Financial Position) has two parts. A list of all of the Assets of the Corporation and a list of the Liabilities/Capital of the Corporation. The Assets include the actual places where money is "housed;" Checking Accounts, Savings Accounts, Investment Accounts, and the value of the actual physical Assets of the Corporation. The Assets could even include a line for "Mattress Money" if the church being averse to Banks and Brokerages keeps all its money in cash under someone's mattress. But the Funds are not usually listed among the Assets of the organization if monies are pooled together (co-mingled) for convenience or investment purposes.

The money for the Building Fund might be in a separate checking or savings account (which would be an Asset) listed by the name of the Bank where the money is located, but no other monies should be included in this account except monies to be used for the Building Fund purposes. However, usually, the Bank monies are pooled with one another so there are fewer Accounts and the Treasurer and the Session can make better decisions about Investing excess monies.

If the monies are pooled, the distinction of the different Funds would be listed as a Liabilities under an appropriate name to define how much money is currently available for the Building Fund or the Youth Fund, etc. If any of the Funds need further clarification as to the original amount, the date given, the date any restriction would be removed and how the funds or proceeds should be used, you can list this information in the Notes at the end of the Balance Sheet. See The Balance Sheet in Chapter 3 Financial Reporting and the Restricted Gift Information Sheet in the Appendix.

So your simple Balance Sheet would look similar to this:

Statement of Financial Position

Assets	
Local Town Bank	$ 5,350.00
National Bank	12,700.00
Savings and Loan	23,850.00
Savings and Loan CD	10,150.00
Total Assets	$ 52,050.00
Liabilities	
Funds with donor Restrictions	
Building Fund	$ 6,150.00
Organ Fund	4,000.00
Funds without Restrictions	
Youth Fund	3,250.00
Vacation Bible School Fund	1,750.00
Operating Funds	36,900.00
Total Liabilities	$ 52,050.00

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

Many churches want to keep listing the money based on where it came from; i.e. who gave it and what it is for. The difficulty with the old method is this; what if you desire to take out a CD at the bank because you don't expect to use the money for two years and you want to capture the higher interest rate, (I know, you want to ask me where you can go to get a "higher interest rate." Ha-ha, very funny.) Let's say in the example above you won't be using the Building Fund or the Organ Fund for at least two years. So you took the $ 10,150.00 in these two funds and put them in the Savings and Loan in the

form of a single CD. If you keep the two Assets separated, which you can do, you would have two lines instead of one on the Balance Sheet under Assets that say Savings and Loan CD and you would have to add some information to clarify which one was Building and which Organ. But you might not want to do this because you can get the higher rate of interest on an over $10,000.00 CD than you can on a lower amount. Thus you pool the money in the Asset Accounts and you separate the Funds under the Liabilities.

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

Gift Acceptance Policy

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

The Policy allows the Session to define some guidelines before people give money so that future misunderstandings can be minimized. Back in the 1900s people did not care as much about "transparency" as they do today in the 2010s. People today are very concerned that the money they give is handled with integrity and used for the purpose they give it. If they don't like the way the church handles money they will find some other institution for their gift.

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

A sidelight for a moment. We all know that when someone gives money to the church they are giving it to God and they should step back and let God do what He wants to do with it. Even the IRS questions the tax deductibility of any gift given to the church with Restrictions or strings attached because it might not truly be "given" to the church. However, those days of trusting the Session to do the work of God are long gone in most churches. More and more the Session is scrutinized about almost every penny that gets spent and whether they are doing something "good" with the money; where the definition of "good" is whatever the donor feels is right.

So, what goes into a Gift Acceptance Policy? Statements about what methods someone can use to give, what kinds of gifts a church is willing to receive, what is included in the Operating Fund expenses, what special Funds the church has already set up in case someone wants to "designate" or Restrict the use of their gift to a particular cause, what a person can do if they want to make a gift to the church for a particular cause the Session has not yet designated, what the church will do with gifts given "in memory of a loved one," how the Session has the right to refuse any gift that places undo restrictions on it and the like. It will also state what kinds of non-cash gifts the church is equipped to accept, why the Session might refuse a gift and what recourse a giver has to give the gift and get their wishes done.

While most gifts to the church are given in the offering without any Restrictions, many gifts come with some statement by the giver as to how they would like it to be used or how they definitely don't want it to be used. The reason this is so big of a concern these days is that all gifts with Restrictions ***that the Session accepts*** must be accounted for into the future and only used for the Restricted purpose. This has been the law for years but has not been a well enforced law. That is changing and some non-profits are beginning to lose their exempt status because of misappropriation of funds.

Churches should also be quite careful with solicited monies where a particular cause is mentioned and the money is given and the Session decides not to do the project or to use the left over money for something else. But the Session should never redirect these monies for a different purpose without consulting with the original givers. Which is good reason for the Policy so that it can be stated up front that the Session will redirect the gift after a certain number of years if the project is no longer feasible for the congregation. Like money given in the 1960s for a new organ and the church would rather spend it on new drums and guitars for the praise band. Should not be done.

The Gift Acceptance Policy can also specify things about the church's definition of use of the original amount given, how it interprets "income" if the fund is to be Invested and only some part of it should be used and the like. An example is this; some donors will designate that only the "income" can be used but the "capital" must not be spent. A special Policy will help the Session clarify with the donors what is meant by "income" (i.e. interest only, dividends, capital gains, growth in value, etc.) and what is meant by "capital" (i.e. the original amount contributed, possibly with a slight growth in value over time, etc.) Guidelines for a Gift Acceptance Policy as well as a Sample Policy can be found in the Appendix.

Other donors will want the whole amount to be spent for a specified work; placing a Restriction on the Session as to how they can use the money, i.e. for the youth program of the church until the funds are all used up. The Session should always have the freedom to say to the donor that they will not accept the gift with Restrictions that will be too difficult for them to manage. Before they completely reject the gift, they should talk with the giver and see if they can work with the donor and adjust the conditions and uses before the gift becomes a burden to the Session rather than a joy for all.

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

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

Funds without Restrictions (including Board designations)
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Gifts without Restrictions include any gift given to the Church where there is no accompanying restriction placed on the purpose or time or duration of the use of the gift, other than that it be used for purposes consistent with the tax exempt purposes of the church. Whether the gift comes directly from a living individual or through an estate settlement the Session can decide how these gifts will be used. Since they have no Restriction the Session will make a decision about the funds; if they should just go into the Operating Fund Bank Account and be used, or deposited into some other Account or Investment. These monies will be accounted for in the Funds without Restrictions section of the Balance Sheet and can be used by the Session for any reason they choose consistent with the exempt purposes of the church. The Session has the opportunity to "designate" some of the Operating Funds for specific purposes and the Treasurer will set these amounts aside in a Liability Fund with an appropriate name, but the money is still classified as Funds without Restrictions because the Session can change the designation at any time so the Funds are truly not Restricted.

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

Most churches include Missions as a part of the Budget of the Operating Funds and these monies are expended on a monthly or quarterly basis for local mission projects as well as the Basic Mission Support (Shared and Directed Giving) of our denomination. Amounts raised for missions outside the Budget, like OGHS offerings, will be considered Funds with Restrictions and should be separated from the Operating Funds and sent to the Receiving Site as soon as you can after the monies are collected. See more about the Receiving Site in Chapter 2. Please use the proper Remittance Forms and send to the appropriate addresses so that the gifts your church remits will be properly recorded and disbursed.

Reserve Funds and Investments

Most churches do not think about Reserves but it would be important for your church to begin to put some money in a separate Bank, Savings, or Investment Account where the money could be quickly retrieved if the need arises. A good rule of thumb would be between three (3) and six (6) months' worth of Operating Expenses. These monies should be available within three days if they end up being needed. There is no way to plan for every crisis that will come along for a church, but having a Reserve Account or Fund that the church can fall back on in their time of need would be very comforting for the Session as they go about their daily work. The Reserve Fund would be a Fund without Restrictions because it would be money "designated" by the Session for this purpose.

Funds with Donor Restrictions

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These Funds have often been called "designated" Funds because they are set aside by someone for a specific purpose or program. Under the new rules laid out by FASB the word "designated" applies mainly to the excess Funds-without-Restrictions that the Session chooses to set aside for a specific purpose and they would still be classified under the category of Funds without Restrictions because the Session could change their designation. If the Session opens these Funds up to donations or solicitations from the members, the Funds become Restricted, since donors now have given the money with implied Restrictions because they responded to the appeal.

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

Be careful how you accept money and solicit for it. You solve some of these problems by having a Gift Acceptance Policy that helps your members understand the way the Session will handle gifts to the church. You might also think of soliciting for a cause and stating up front what you plan to do with any money that comes in for the project after the project is fully funded. Then you have an alternative use for the money which can easily be the Operating Fund if you so advertise at the time of the solicitation.

The Session always has the freedom to turn down a gift when the Restriction seems beyond the Session's ability or interest to oversee. For example, a person might give the church "seed money" for a house to care for

the homeless; if the church does the rest of the money needed to buy, renovate, or operate such a house, will the Session want to track this money for 20 years until they might get around to working on this project. And what will they do with the money in 20 years if there is not enough money to carry out this project?

Temporary and Permanent Restrictions

Gifts, with Restrictions, to the church can come in the form of Temporary or Permanent Restrictions. The difference is obvious by the title. Temporary Restrictions last only for a period of time; a date in the future, a condition that needs to be met, the funds are used completely for the Restricted purpose, etc. Permanent Restrictions mean that the Fund will be a part of the church's financial makeup forever, or at least as long as there is a church.

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

Endowment Funds

Many churches are used to the terminology of Endowment. Endowment usually means money set aside for use as an income generator and only the proceeds will be used for specified causes which may include the Operating budget of the church.

In actuality, an Endowment is just another name for a Restricted Fund or and board designated Unrestricted Fund that the church chooses to put in an investment and only use the proceeds for a specified cause. The terms Restricted and Unrestricted seem to be the best way to classify Funds because it gives the true labeling of the ability of the church to use the money.

Further clarification on Funds is then needed as to whether the Fund is a Permanently Restricted Fund or just Temporarily Restricted and the Treasurer can know this by the Restricted Gift Information Sheet and can keep track of these Restrictions in the Notes on the reports at least annually.

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

Notes related to Restricted Funds

I have mentioned this before but it is worth repeating that the Statement of Financial Position that lists the Funds of the church should also include Notes that interpret the information on the Statement. The "Note" for each Fund should list the donor (either a single person, a larger group, or the Session)

who made the Restriction, the date of the Restriction, what portion of the Fund can be used (i.e. the principal and income, just the income, or some other specific instruction), the purpose of the Fund (how it can be used), the date or circumstance when the Restrictions will be lifted for some reason, and what the Session can do with the remaining money at the time the Restrictions are lifted. If the church uses a Restricted Gift Information Form along with their Gift Acceptance Policy, the Treasurer can find easily find the information needed to make up the content of these notes in addition to any current information the Treasurer has available.

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

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

How can I include the Church in My Will or Trust?
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At this point in the Manual it would be a good time to encourage the church to have a regular emphasis on Planned Giving on the part of its members. Planned Giving is an opportunity for members of the church continue to support of the church beyond their lifetime. The church has made such a difference to them over the years and they have continued to contribute to the well-being of the church during their life, now as they plan for the end of their life, they have an opportunity to make a gift to the church from their estate; often a gift much greater than they could have done while they were still living.

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

If you have a member of your congregation or just a local person who has an interest in including the church in their Estate Planning, I have a form that you can have them fill out and take to their Attorney. The form would include

some information you, as a Treasurer, would need to fill out, but it would make sure they have the correct spelling of the church's name and address for their legal team to include in the appropriate documents. You can find this form in the Appendix at Include the Church in My Will or Trust.

Investments

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Beyond the regular operating funds of the church, often churches have additional monies they will not be spending in the current year. These monies, which come from a variety of sources, Restricted or Unrestricted, might be pooled into a favorable Investment until they will be used. Whether the church's definition of "Invest" is as simple as placing the money in a bank savings account or a more risk taking endeavor in stocks and bonds, the church should have a Session approved Investment Policy by which the Treasurer or Finance Committee carries out the wishes of the Session.

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

The Session has the responsibility to act as a fiduciary for the church's Assets and as such, has an obligation to balance the protection of the principal and the production of the greatest return. Some churches out of deep fear of losing money lean to the side of protection with minimal return. Some could lean toward the side of greed and seek the riskiest and highest possible return. The balance is in between. The Session should be willing to seek outside help in these financial matters so they can find a fair balance of protecting the principal with some annual growth and producing a return that allows the church to benefit from the investment. Please don't err on the extremes but seek a wise place in your investing and never be afraid of spending a little on good sound financial advice.

Permanent records should be kept of all monies that become Restricted when received by the Session. The receipt of the gift should be included in the Session minutes. The details of each Restricted Fund should be kept in a safe deposit box or an appropriate fire proof cabinet at the church. The best way to acquire the needed information is to ask the donor to fill out a copy of the church's Restricted Gift Information Sheet any time someone wishes to give a Restricted gift to the church and then keep this form on file. You can include this Sheet in your Gift Acceptance Policy so people have copies of it or you can fill out a Sheet for the donor if they are not able or if the gift is coming by way of an Estate.

The details should include the donor (either a single person, a larger group, or the Session) who made the Restriction, the date of the Restriction, what portion of the Fund can be used (i.e. the principal and income, just the income, or some other specific instruction), the purpose of the Fund (how it can be used), the date or circumstance when the Restrictions will be lifted for some reason, and what the Session can do with the remaining money at the time the Restrictions are lifted. The following form can be used for the keeping of these records and it can be attached to any documents used to raise the money or letters arriving with the money that help to clarify the future handling of the funds.

Restricted Gift Information Sheet
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Fund Name (the name you will use to remember the givers)
Date Created _____ Original Value _____
Date Restrictions will end _____
Instructions for use following Restrictions _____
_____
Given by Whom _____
Contact Person, member of the Family _____
Address _____
Phone Number _____
Restrictions:
(is this fund Restricted or Unrestricted?

List the specific Restrictions: _____
_____

What is the Nature of the gift: (i.e. stock, bequest, cash, real property, other?)
_____

Special Instructions: (can the principal be spent, under what conditions? what can the interest / gain be used for? what exceptions exist?
_____
_____

History: Why was this given, who for, what were their special interests. What information do you have to help honor the givers? If given with a designation, quote the designation from the letter or from the will or trust or attach the letter to the file.

Include a Copy of the gift letter sent to the giver.

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

Every church should maintain a reserve fund equivalent to 3 months of their annual budget. If the annual budget is $120,000, then the church should have $40,000 set aside in the checking or a simple savings account that is readily available, what the money people call "liquid" investments. A CD is not liquid because the money is not readily available without paying a penalty on withdrawal.

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

Simple investments include bank savings accounts, CD's, and other similar investments. Investments with a bit more risk would include Corporate Bonds, Mutual Funds and Stocks. This is discussed in the next section on having an Investment Policy. The Session of the church should take its time in developing an Investment Policy before any investing is done.

Whether the money is excess cash, or the pooled monies of Funds without Restrictions, the monies should be invested as would a good fiduciary who seeks to preserve principal but also seeks a reasonable return within the current economic climate. Sticking the money under the proverbial "mattress" is not an acceptable Investment Policy for a non-profit organization like a church. On the other hand, taking high risk by investing in individual stocks or exploring options and other high risk investments would not be prudent either. Finding the balance is the goal.

Often gifts that come to the church with Restrictions on the use of the money have implied Restrictions on how the "interest" will be used. Before the Session receives the money from the donor or the heirs, a clarification should be made as to how the money will be invested and how the proceeds will be used. If the money is coming from a Will or Trust, the Session determine as best they can, what are the definitions that will be used.

Using a simple formula can help to clarify for the givers and the church just how the Return on Investment will actually work. When people suggest you use only the "Interest," they may or may not be thinking about the whole of the Return of an investment. Investments can generate Interest, they can produce Dividends, some even have Long and Short Term Capital Gains, and in the area of most stocks and bonds you will also see a Change in the Value of the original Investment. If you add all of these "returns" together, you will have the Return on Investment.

To look at the Change in Value of an Investment you should take an annual date (any date will do) and measure any gain or loss on that anniversary. A good rule of thumb, assuming at least one-half of the total Investment money is in stocks of some kind (or stock mutual funds) is to never pull more than 4% of the value of the Investments on an annual basis for use

in the ministry of the church or for the intended use. This should leave enough "Principal" in the investments to allow for next year's 4% to be a bit larger amount than it was this year.

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

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

With all of these factors, the Session should define their plans and expectations clearly in the Investment Policy and publicize it regularly so that the congregation, the givers and even future elders will oversee the Investments with consistency.

Investment Policy

General Thoughts on an Investment Policy

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An investment policy for a church should include a Statement of Philosophy that governs the individual church's investments, the specific Policy by which investments can be made and the Guidelines to help the individual or committee authorized by the Session/trustees to have access to the investments with any changes that will be made. Make sure the Session has to sign all applications for new funds or accounts as a check and balance to the investment program of the church. **ALWAYS** insist on having at least two persons to withdraw funds from any account for any reason.

Any church considering an investment account can gain insight into what other churches have done by contacting the Presbytery office, the Presbytery's Finance Committee and/or the Presbyterian Foundation or other similar organization. A list of some options for help is located in the Resource section at the end of this Manual.

Investment of the funds may be (1) entrusted to a sub-committee of the Session/trustees which reports regularly to the full board, i.e. the Finance

Committee: (2) may be entrusted to money managers or mutual fund managers; or (3) the Session may entrust this job to an individual who has expertise in this field, i.e. an educated member, a local broker, etc. If the later, be sure the Investment Policy has plenty of safe guards around that individual to protect him/her from accusations when the market adjusts downward and to protect the church from any mismanagement choices the individual might make. The clearer you can make the guidelines in the Policy the better. Always have an individual on a tighter leash and more frequently supervised by the Session or the Finance Committee.

Before the Session seeks to invest any money, even in bank CDs, a clear statement of investment purpose and goals should be adopted by the Session/trustees (see Sample Investment Policy) to keep the church from having a mismatch set of investments that the Session might have to live with for a few years before they can unravel the Investments in order to have a more orderly program laid out.

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

Example #1 All resources shall be handled with gratitude to God in the spirit of Christian Stewardship; with appreciation to those who made the funds available and in accordance with their wishes to the extent specified by them; with concern for those for 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 people's lives.

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

Specific Policy on Investing stated in the Investment Policy.
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In this part of the Investment Policy the church should list things like who can do the investing, some protection against conflict of interest, maximum and minimum percentages of stocks and fixed income investments,

restrictions on options, derivatives, etc. and the specific types of investment vehicles which can be used.

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

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

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

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

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

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

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

Make sure you fully understand the penalties for early withdrawal and the market risk of any investment vehicles you allow in the church's portfolio. Please, don't Invest the church's money in vehicles that have been recommended by members of the church without plenty of good research. (see Sample Investment Policy).

Guidelines for Specific Investment Policies
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1. Include a statement of basic objective the church has for investing.
2. All funds available for investment shall be invested as promptly as possible. The church should not get into the business of market timing, waiting to catch the low in the market before entering. If you have a large sum of money to invest, you could choose to invest a tenth of the money every month over a ten-month period, or something like that, called "dollar cost averaging," thus catching the ups and downs of the market. If you choose to do this, be systematic, invest equal amounts

on the same day of the month, each month until all of the money is invested.

3. Full advantage should be taken of the tax exempt status of the church. I.e. since the church, at this moment, does not have to pay taxes on the interest or capital gains of an investment, the investors should be looking at the pre-tax return when evaluating a vehicle. Note: Individual investors often have to choose between the interest rate of Municipal Bonds and Corporate Bonds since one is taxed different than the other, yet the church can choose the Bond with the greater rate of return since taxes, at this time, do not impact the return for the church.
4. Funds shall be invested in issues generally of larger corporations, higher rated quality commercial paper, corporate bonds and government obligations and good quality common and preferred stock.
5. Never have more than 5% of the portfolio in any one company's stock or bond. It is okay to have more than 5% in a mutual fund since it has a variety of stocks within its fund. But concentrating investments in one company or one particular sector, i.e. technology, is too risky for the individual church even if one of the members is convinced the stock is going to skyrocket next week. And even if it does go up in value, the church is better off in the more conservative position than a high risk play like an individual stock. (the exception to this statement is if the church has a portfolio of 20 different stocks spread out through the 8 different major sectors of the S&P 500 average. This portfolio could be considered as diverse as an index fund using the same benchmark.
6. Ratio of equities to fixed income securities shall be maintained consistent with the guidelines of the Sample Investment Policy. As a rule of thumb, when the percent of Stock changes three to five percent (3-5%) higher or lower, the church should consider rebalancing the portfolio back to the original plan levels. This might happen often during the year but does produce an increase in return over time. (i.e. if you own a mutual fund or ETF type index and the value goes up 5% and you sell 10% of the portfolio and reinvest the proceeds when the market corrects downward, you will end up with more shares at an overall lower cost basis.
7. Funds shall not be invested in corporations inconsistent with the stand of the church on products harmful to persons or the social environment. The PCUSA has guidelines for socially responsible investing and if the church so chooses, these guidelines could be placed within the Investment Policy.
8. Statements of Investment Philosophy, Policy and Guidelines shall be reviewed annually to make sure the Policy continues to reflect the changing nature of the church and the Session. (see Sample Investment Policy).

Stock Gifts to the Church: In the case of stock gifts to the church, the Session should have a predetermined policy for handling gifts of stock and

other non-cash gifts. In most cases the church should see itself as a receiver of stock but not a holder of stock. When individual shares of stock are received it is often more prudent to sell the stock as soon as possible and if the church chooses to leave the money in the investment portfolio, reinvest it according to the church's Investment Policy. The exception to this policy would have to do with a gift to the church who has a well planned Investment Policy and the stocks being given to the church are in line with the existing policy. There is no reason to sell the stock and then buy it back again; keep it if it fits in the plan.

If the church does not have its own brokerage account, the Treasurer should check with the Presbytery to see if they can pass the gift through the Presbytery account. Otherwise, the church should open an account at a brokerage firm where the Session chooses and communicate with the congregation that stock gifts are willingly accepted and who to contact if a member so chooses to give stock.

Remember the receipt: The church does not have a responsibility to value the stock gift; that is a task for the donor to verify the closing price on the date of the gift and have the appropriate documentation needed for the IRS. The church, however, should send the donor a Contribution Receipt stating the number of shares given, the name of the stock company, and the date it was given to the church with the appropriate added information required to make the receipt IRS acceptable.

Thoughts on Allocating the Investment Portfolio

1. Allocating the Investment Portfolio.
    a. There is a fiduciary responsibility to preserve the capital and at the same time produce a reasonable gain on the portfolio. Finding a balance in that endeavor means understanding the delicate balance between the risk you are willing to take and the reward that will come from that.
    b. Risk ranges from "extremely conservative," i.e. the church wants to maintain principal at all costs, even if that means a lower rate of return and "extremely aggressive," i.e. the church is willing to lose large amounts of principal with the hopes of gaining high rates of return.
    c. Reward refers to the amount of gain a fiduciary could reasonably expect from the investments. The rule of thumb suggests a portfolio should be able to deliver 4% per year in withdrawals while maintaining a growth in the principal that will keep up with inflation. This concept is called "buying power," i.e. the 4% withdrawn next year will equal the 4% drawn this year plus at a minimum the added percentage of inflation.
    d. The role of a fiduciary is to take enough risk to maintain the buying power of the portfolio without risking too much of the principal.

e. Most Investment Advisors see a reasonable allocation for fiduciaries ranges somewhere between 35% stock and 70% stock.

f. An Example for a $1,000,000 portfolio:

	Stocks	Bonds	Annual Return Anticipated	Loss of Principal in 10% mkt downturn
Assumed Gain/Loss	10%	3%		
Conservative Allocation A	35%	70%	$ 56,000	$ 35,000
Aggressive Allocation B	70%	30%	$ 79,000	$ 70,000
4% withdrawal			$ 40,000	
4% next year at 2% inflation			$ 40,800	

2. Investing in Stocks,
   a. Stock is the term used to talk about an investor purchasing ownership in a particular company and receiving the residual benefits of ownership, like voting rights and dividends (sharing in the profits).
   b. Risk increases as you decrease the number of stocks you invest in, with the highest risk being having your portfolio in only one stock (not mutual fund, since a mutual fund will have a diverse selection of stocks).
   c. Investing in individual stocks increases the risk unless you have a large number of individual stocks (i.e. at least 20 stocks). However, the more stocks you own the more effort you will need to manage the stock portfolio.
   d. Many people choose to let someone else manage the stock portfolio for them, either by hiring a broker, a money manager, or investing in a Mutual Fund or an Exchange Traded Fund (ETF).
   e. Stock Brokers work for larger firms and manage your portfolio as they believe is necessary by contacting you and discussing individual trades with you.
   f. Money Managers are like owning a private Mutual Fund where the manager buys and sells stocks for you when the manager decides the time is right. These managers usually work with people who have large amounts of money to invest, i.e. one million dollars or more in their stock portfolio.
   g. A Mutual Fund is a publically traded investment vehicle where an investment company hires a manager to pool people's money together and buy and sell stock according to a predetermined discipline, i.e. all

growth stocks, all value stocks, all technology stocks, etc. Mutual Funds are "priced" and purchased or sold at the end of the trading day only. The only say in the management of the Mutual Fund is to decide to no longer invest in its shares and move your money elsewhere.

h. An Exchange Traded Fund is similar to a mutual fund yet it is traded on the New York or other exchanges as if it were a stock and can be bought and sold at any time during the trading day.
i. An Index Fund, either a Mutual Fund or an ETF, is a fund where the manager attempts to mimic the stock selection and performance of some index like the S and P 500 or the Dow Jones Industrials.
j. Most fiduciaries who do not want to be deeply involved in the day to day management of the portfolio will choose an index Mutual Fund or ETF.
k. The cost of a Mutual Fund is an ongoing annual percentage of the value of the Fund. The cost of an ETF is a one-time commission or fee. Depending upon how long you expect to hold the Fund one cost might be less expensive than the other over the long haul.
l. Stocks as well as Mutual Funds and ETFs fluctuate in value based upon the principal of supply and demand. While the price of an individual stock will have some relationship to the productivity and profitability of the underlying company, the actual price of the stock will be based upon the willingness of a person to pay the price the seller is asking at any given time.

3. Investing in Bonds,
    a. Bond is the term used for the vehicle by which an investor can loan money to a company for a set period of time at a set interest rate.
    b. There are two ways to think of buying Bonds, either buying them individually through a broker or buying a Mutual Fund filled with individual bonds.
    c. Since the management of individual Bonds requires some ongoing involvement many fiduciaries choose to invest in Bond Funds, i.e. Mutual Funds that invest in Bonds.
    d. The trade-off between individual Bonds and Bond Funds comes in the form of your principal value.
        i. When you purchase an individual bond you have a "guarantee" that you will receive your investment back when the Bond matures (the date is known at the time of purchase) plus you will receive the interest gained along the way.
        ii. When you purchase a Bond Fund you will receive interest payouts along the way, but since the Bond Fund does not have a maturity date, only the Bonds inside the Fund have those, you have no guarantee you will ever receive your full principal back when you choose to sell.

e. The Interest Rate of Bonds depends on a number of different factors like the markets assurance or concern about the Company's ability to pay the Bond, i.e. loan, back, or how much the general market places value on this particular Bond because of its remaining duration and its perceived value to investors.
f. Bonds can be bought when the company first issues the Bond to the public or can be purchased in the general market because someone who owns a bond determines a need to sell the Bond to another person.
    i. When a Bond is sold at first issue the cost is $1,000 per Bond or what is called Par.
    ii. When a Bond is sold in the "after-market" the cost will be determined by the supply and demand in the market system. There might be opportunities to purchase Bonds below par, i.e. less than $ 1,000 or a need to purchase them over par, i.e. more than $ 1,000.
    iii. The gain a person can anticipate over the life of the Bond has to do with the amount spent for the Bond, and the interest paid out over the life of the Bond. The actual amount of the return is called the Rate to Maturity, which might be lower than the interest rate if the Bond was purchased over par, or higher than the rate of the Bond if purchased below par.

4. Effectively using Mutual Funds,
    a. A Mutual Fund allows the investor to own a wide variety of Stock without buying the individual Stocks or having to manage the portfolio when Stocks need to be bought and sold. An investor's money is pooled with other investors and a manager decides which Stocks to buy and sell. The manager has limitations on what to buy and sell since he must only invest according to the strategy defined in the prospectus of the Fund; i.e. Large Cap Growth or only Medical Stocks.
    b. Two types of Mutual Funds interest me for a particular reason; a Growth Fund and an Income Fund. While I prefer using ETFs and actual Bonds, smaller portfolios or people wanting less hands on management can do well with these two types of Funds.
    c. There are many Growth Funds available on the market and if you choose to work with Mutual Funds you should choose according to these two guidelines:
        1. First, look for a large Growth Fund, meaning one with a very large amount of Assets. You can find these by searching for Growth Funds on any brokerage account. You want something that has a good track record over at least 10 years compared to the S and P 500 Index. (You can also just buy an S and P Index Fund.)

2. Then make sure the Family of Funds has an Income Fund as well. You want to be able to switch money from one fund to the next without having to pay additional fees.

d. With these two Funds you can then invest according to your planned allocation between Stock and Bonds (Income). You will also be able to take advantage of the Rebalancing talked about later. See item number 8 Rebalancing.

5. Laddering the cash exposure.
   a. If you prefer to have a portion of your Investment Portfolio in "Cash," i.e. CDs and Treasury Bonds. I suggest you use a technique called "Laddering." This allows you to invest at the highest possible interest rate while always having cash available to you.
   b. I recommend investors have at least the equivalent of three months operating expenses in some form of accessible money, called a Reserve Fund, so you do not have to sell Stock or Bonds at an inappropriate time because you need cash.
   c. This Reserve Fund is just for emergencies and therefore should be invested at the highest possible interest rate for CDs.
   d. You will want to find a Brokerage Company which will allow you to purchase CDs from various banks around the country. In this way you will have access to the best rates and when you have a large enough portfolio of Laddered CDs you will still be able to keep it FDIC insured since although you will have all of your money in one Brokerage Account you will have your actual money in a variety of Banks.
   e. If you chose to put $ 100,000 in a ladder you might put 25,000 in a 6-month CD, 25,000 in a 1-year CD, 25,000 in a 1½-year CD and 25,000 in a 2-year CD. Then after 6 months, the first 25,000 matures and you can reinvest it for 2 years at the higher rate, or spend it if needed. Likewise, each time a CD matures you can invest it again at the higher rate until you have only 2 year CDs maturing every 6 months in case you have a need for the cash. NOTE: if you have enough Cash in a Ladder you can always stretch this portfolio out to three or four years if the interest rates for the higher years warrants that. Sometimes the interest rate difference between 2 year CDs and 3 year CDs is so small that it is not worth tying the money up that much longer.

6. Brokerage accounts,
   a. Having money with a trusted Broker can have its benefits even if your cost is a bit higher. When you pay the Broker a set fee based upon a prearranged percent of the overall portfolio, you can then trade Commission Free. That means the individual Stock, the Bonds, and the Options can be purchased and sold without having to pay a Commission for each transaction.

b. Paying the fee actually allows the purchase price of Bonds to be lower and the actual interest rate to maturity to be higher. Often that difference is enough to pay for the fees.
c. There are times when the value of the Bond increases in the minds of the market and it is appropriate to sell the Bond for a profit and purchase another bond with a similar interest rate at a cost closer to par.
d. Fee based also allows for a no commission use of the Covered Call Options as talked about in 7 below.
e. There are different costs to different brokerage houses; however, there might also be some hidden costs in the lower cost brokerage houses. Find out what all of the charges will be before you open a brokerage account.

7. Using Options for additional gains.
   a. Options are a vehicle in the Stock Market where you can buy or sell the "option" to acquire stock at a certain price. This is not a vehicle that I encourage most churches to use, however, if the church has people aware of this vehicle and they have the time to monitor things regularly, it could be beneficial to the overall return of the church's portfolio. Covered Calls is the safest form of options trading and actually seen as a good use of the market for additional gain by a fiduciary. A Covered Call allows you to sell someone the right to purchase the underlying stock from you at a fixed price on a particular date.
   b. Strategic use of Covered Calls on a portion of the portfolio from time to time can add to the gains of the portfolio.
      1. When the value of stocks gets higher than the allocation and you might have to sell stock anyway, use the Covered Call strategy on some of the portfolio.
      2. When the market reaches "unsustainable heights" you can use Covered Calls, expecting the market to correct at some point in the next three months when you can buy the options back or buy back the stock when the options expire.

8. Rebalancing the Portfolio Often.
   a. Whenever the stock portion of the portfolio becomes 3-5% greater than the set allocation for stocks, there will be an opportunity to sell some of the stock (i.e. maybe 10%) and then use the proceeds to buy the stock back when the price drops back down to below the original price.
   b. Then the transaction will be reversed when the market corrects and the portfolio allocation comes back in line with our plans.

10. Withdrawal. Using the gains.

a. We use a figure of 4% as a guideline for withdrawals from the investments. Most feel that 4% is a standard number that will allow your portfolio, if appropriately invested, to grow with inflation and continue to pay out an increasing amount annually.

11. Understanding Return.
    a. As mentioned earlier in the Manual, the total return of your portfolio is made up of Interest, Dividends, Capital Gains, gain/loss of value minus the cost of investing. Avoid looking just at the dividends and interest paid out. When the value rises from 1,000,000 to 1,200,000, plus the interest and dividends, you have an additional 200,000 of useable monies to help with the 4% withdrawal. You might have to sell stock to realize the cash needed but it is gain none the less. Most churches should set a minimum goal for the growth of the portfolio, investment each year (i.e. 3%) so that the principal at the end of this year will be at least 4% higher than it was last year, even after you paid out the 4% value.

Chapter 6 AUDIT OR FINANCIAL REVIEW

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All congregations should have the financial records and accounts of the congregation and all related organizations reviewed at least once every 12 months. The results of that review should be recorded in the minutes of the Session so the findings will be on record. This audit or financial review may be internal or external.

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

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. Reviewers 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.

Financial Review.

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A review consists principally of applying an analytical procedure to the financial data of the church. It is substantially less in scope than an official "Audit." In accounting terms, ***the objective of an Audit*** is to have an accounting specialist, CPA or equivalent, reviewing the churches financial documents and expressing an opinion about the financial condition of the church and the accuracy of their financial records. ***A financial review*** does not express an opinion but reviews the financial picture of the church and comments on items that seem to need attention. A financial review is not usually as extensive as a full Audit and likewise, not as costly if you have to hire someone to do it.

The requirements of the Book of Order ask the church to conduct a financial review annually. Most churches think this must be an Audit by a CPA firm. There is no reason a church cannot have a CPA firm conduct an Audit but ***the church is not required to have an external firm*** or person conduct the review nor do they need to pay someone to render an opinion about their financial status.

The church is free to have an internal review done by a committee of people who have some knowledge of accounting procedures. The only qualification on a person being on this committee is they should not be the Treasurer of the church or related to the Treasurer in any way.

The goal of the annual financial review is to look for proper accounting, guard against incidences of fraud, and other procedural errors that need to be corrected in a timely fashion.

If the church chooses to use a local internal committee to conduct the annual financial review, the committee might choose to use the Financial Review Committee Checklist available in the Appendix at the end of this Manual.

External Audit or Review.

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An external audit or review is done by an independent auditor or an accounting firm. If you need assistance in finding a good C.P.A., please call your Presbytery office for a suggestion or ask people in your congregation. It is important to use someone well versed in church and clergy tax laws and church finances. The issues presented by the church and other non-profits are significantly different from for-profit businesses. Accounting firms not familiar with non-profits might overlook some of these important differences.

Internal Review.

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An internal review is normally conducted by a committee of members versed in accounting procedures (as long as they are not related to the Treasurer.) Some churches have partnered with other Presbyterian churches in their area and "traded" review committees to get the job done inexpensively.

Sessions can establish a review committee in conformity with the requirements of the Book or Order, the by-laws of the church and the laws of the state. This review committee could function on an ongoing basis to do reviews of the financial system a little at a time by using different parts of the Financial Review Committee Checklist at different times during the year or even stretch some of the work out over a few years.

In most situations, particularly the medium or small size congregation, the review will be internally done by volunteers due to the cost of an external Audit or review. Nonetheless, this should be done in a systematic manner by the best qualified individuals available within or to the congregation.

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

Which to Choose?

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Before deciding whether the church will use external or internal processes to do a review or an Audit, it should be understood that neither the compensated auditor nor the volunteer team is able to guarantee the accuracy of the financial records. Those who perform this service are only able to review the financial data supplied to them and then state that the balance sheet and

profit and loss statements of the church represent the financial conditions of the congregation and its related organizations.

The Treasurer of the church or the Treasurer of any of the related organizations should not serve on the review committee but should be available for consultation during the review process. The size of the congregation, and the number of organizations that maintain their own accounts, would determine the number of people necessary to serve on the committee so there are enough people to accomplish the large task without any one person being overburdened.

Basic Work of the Review Committee

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

- of the bank accounts, statements, and the "books" of the church to see that accounts are reconciled regularly and accounts are in order.
- of handling of offerings and donations; including the depositing of monies into the bank.
- of the check writing and cash flow.
- of all financial reports distributed throughout the year.
- of records keeping and safeguarding of valuable papers, including tax filings, property deeds, mortgage and insurance paperwork, etc.
- of payroll files and processes.
- at this time, it would also be appropriate to review all leases, if any, the church might have with outside parties using the church facilities, whether they are paying rent or any payment by another name; i.e. reimbursement for utilities, donation, etc.

The annual financial review does not imply that someone has or might be doing something wrong but is a way to have the church stay current in their good financial practices. During the course of the review, the committee might find a need for the church to have a standardized way of doing some procedure or a policy written in certain areas, or to have an existing policy revised or followed more closely.

Review by Committee.

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The committee might choose to look over the Financial Review Committee Checklist and divide the items on the list into three or four groups and tackle the complete review over a three-to-four-year period rather than attempting everything on the checklist every year.

Another way to shrink the amount of work needed and still produce an adequate review, the committee might choose to assign different tasks to different members of the committee. Then, after the committee members have completed their various assigned tasks, the committee should meet as a whole and go over the work of each member. The final report to the Session/trustees can be prepared by a single individual and reviewed by the remainder of the committee; prepared by a subcommittee of 2 or 3 members and then reviewed by the whole committee or prepared by the committee as a whole.

The report to the Session/trustees should include any recommendations that would enable the Session and future review committees to better understand the financial condition of the church. During the review the committee might come across some procedures which should be changed or some procedures that should be added to the church's policies. These should be included in the report as recommended action items.

When the report of the review 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 review committee, not only in the Session minutes, but in any newsletter which might go to each member of the church. 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.

Review committees may also review general financial management procedures and look over the 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 7 INSURANCE AND BONDING

Book of Order Direction

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

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

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

Master Policies

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The role of the church is changing and with it the need for 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 of 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 today has increased liability over the church of 50 years ago. The task of adequately insuring the church against these various situations becomes complicated. Recognizing the responsibility of managing all of these risks, the Session should appoint a committee to review

and secure the adequate insurance coverage needed for your church's particular program.

This committee should look for a company committed to serving churches and related activities which can help provide the stability, continuity and counsel that may be lost due to turnover on the church boards from year to year. The insurance company which the church chooses should be one which can provide the highly specialized coverage needed by churches today.

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 insurance the marketplace has to offer at competitive rates.

Check with your Presbytery Office for information on Insurance Companies that write insurance for churches in your area. Some names are listed in the Insurance Carriers section as well.

Quote Requirements

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

A. A listing of all real properties owned by the church including: church property, meeting hall, manse and any other church-owned properties such as nursing homes, camp grounds, athletic facilities, investment properties, food stands, building sites, etc. You will need to specify square footage, the type of structural materials used, etc. Often this is done as an on-sight review by the insurance agent with a representative from the church present.
B. An inventory of all items within those properties, even those that are not the property of the church such as the minister's personal library.
    a. This is best done with a video camera, walking around the church property filming all of the closets, walls, furniture, back rooms, etc. Even items that are no longer used, the insurance company will reimburse you for them if they are lost in a fire or other loss.
    b. Remember to keep the videos, lists, and photos off site because they will usually be needed after the building is lost.
C. An inventory of all church-owned vehicles, including recreational vehicles and buses.
    a. Again, use video or photos to document what you own.
    b. Remember to keep the videos, lists, and photos off site because they will usually be needed after the building is lost.
D. A list of all employees, both full-time and part-time, with approximate annual salary and primary function.
E. A list of all church activities throughout the year, including functions of all church affiliates such as women's and men's groups, youth and school organizations, older adult groups.

Once the insurance representative has this list and accompanying documents and makes a thorough evaluation of your property and program, you will receive a proposal of coverage and a premium quotation.

The valuation of your building and contents is critical. It is important that building coverage be adequate to **cover replacement costs** in case of total loss by fire, windstorm, or other insured perils. **HAVING REPLACEMENT COST INSURANCE IS VITAL TO THE FINANCIAL HEALTH OF A CHURCH.** Contents also should be insured adequately to allow the church to replace any item that has been lost or destroyed.

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

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

What are the different kinds of coverage needed?
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It depends on your specific needs, but below is a list of the types of insurance available:

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

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

1. Off-Premise Insurance which covers church property in transit, during storage or while out for repair or on Church trips and programs.
2. Sprinkler Leakage.
3. Money and Securities, Broad Form – All Risk.

4. Construction, Newly Acquired Property – Ideal for churches with rapid growth or redevelopment patterns, or which receive property from estates.
5. Personal Injury Liability – Protection in cases such as libel, slander, false arrest suits, or invasion of privacy suits.
6. Non-Owned Automobile Insurance.
7. Recreational Vehicle Insurance.
8. Teachers Liability Endorsement.
9. Flood Insurance.
10. Earthquake Insurance, if appropriate.

Transportation Issues

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Transportation for church events poses a safety concern for the church, for the drivers as well as the passengers. Just because a member of the church has a large vehicle and offers to loan it to the youth group or drive to some event, does not mean that vehicle is covered adequately by the individual's insurance or the church's policy. Always check with your insurance company if you have any questions about the insurance protection for any church event.

Please be sure that you are up to date on Federal and Local Bus Regulations and any warnings issued by the National Highway Traffic Safety Administration (NHTSA) such as the "Rollover Risk of 15 passenger vans."

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

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

Leasing Your Church Property

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This information is covered in other places but it does not hurt to emphasize the concern again. Requiring groups who use your church to sign a lease and provide you with their insurance information is vital. Please read Policy Statement for Leasing Church Property and check with your insurance

company for any additional concerns they have about people using your property.

Chapter 8 PERSONNEL

Handling Financial Info for Employees

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Most employers are affected by the Civil Right Act of 1964 (Title VII), as amended, which bans discrimination based on race, color, religion, sex or national origin in employment. There are other laws prohibiting discrimination against 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.* (See Resources for ordering information).

The Session has the responsibility to manage the church wisely and this includes the employment of non-ordained staff, with concern for equal opportunity employment, fair employment practices, personnel policies, and the annual review of the adequacy of compensation for all staff and employees. The employment process is usually handled by a Session authorized Personnel Committee. (See Resources under personnel resources for *Session Personnel Committee Guidelines*)

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

Developing a Personnel Policy Manual

Adapted from the Treasurer's Manual (Disciples of Christ)

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As an employer, a congregation, should develop and approve written personnel policies. While the policies may suit the unique needs of the congregation, it is important that such policies be in writing and communicated to all employees and other concerned persons.

Personnel policies should include such topics as:

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

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

Checklist for Hiring Employees.
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- Maintain files, on each employee, which include information on background checks, references, time cards, sick days, vacation time, name and phone number of person to call in case of emergency.
- Include in this file the hiring date, starting wages, exemptions (federal, state and local), copy of current W-4 (annual update), employment status (exempt or non-exempt, part-time or full-time) and any other information necessary for each employee.
- Note: Stationary companies often carry special folders preprinted with the information needed for each employee and all you need to do is fill out the information and gather the appropriate forms, (I-8, W-4, W-9, etc.) Then as time goes on you can add paperwork and update information as needed.
- Federal law requires all employers to verify the identity and employment eligibility of all persons hired to work in the United States. The Form I-9 should be used for all employees and it requires two forms of identification on file…copy of driver's license or government issued identification card, and either a copy of birth certificate or social security card. This can now be filled out and filed online through E-Verify. **E-Verify** is an Internet-based system that allows businesses to determine the eligibility of their employees to work in the United States. E-Verify is fast, free and easy to use – and it's the best way employers can ensure a legal workforce. E-Verify is a product of the USCIS and available at www.uscis.gov/e-verify.
- Have each employee complete a W-4 indicating wage and tax information at time of hiring and every successive December for the following year.
- Notify payroll service, if you use one, or set up the new employee on your accounting system.
- Notify appropriate agencies about a new employee hire (state, federal).
- Give employee all necessary forms to complete for benefits - insurance, pension, retirement savings, etc. (See Board of Pensions publications or website for BOP health insurance coverage, pension, retirement savings and all forms for both clergy and lay employees. Website:

www.Pensions.org.) If insurance is handled by a company other than the BOP, have that information available to the employee.

- Give employee a copy of the Personnel Policy Manual.
- Annually, for all ordained staff, fill out and return to the Board of Pensions the Member Change Form available on the website, www.Pensions.org.
- Complete all forms and notify insurance carrier if employee needs to be added to insurance for vehicles, liability, sexual misconduct, workers' compensation.
- If church has a Section 125 Flexible Spending Plan or Health Reimbursement Plan be sure to give her/him the appropriate forms when hired and annually in December for update. Include a copy of the plan for your files and a copy to the employee.
- Explain payroll procedures and dates. If a time sheet is used, be sure the employee understands how to complete and when it is 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. Be very clear about what the employee can use the credit card for and what limits the church has placed on the amounts of expenditures without additional approval.
- If the employee is to have signature privileges on bank accounts, CD's etc., fill out the appropriate forms and give to the bank or other places where the signature needs to be on file. (Be sure to make copies of all forms and place in the employee file as well as church filing system.)
- Give appropriate employees a supply of reimbursement and travel vouchers, along with a copy of the Session approved Accountable Reimbursement Plan.

Termination of employees.

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Be familiar with your state and local laws related to employees so that you cross your Ts and dot your Is in this area.

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

When a Minister or Commissioned Lay Pastor is Hired.

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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. The cost of this insurance is set by the BOP each year and beginning in 2015 the church can defer some of the Healthcare cost to the minister if they so choose. Consult the BOP website, www.pensions.org, for current information.

In addition to the basic coverage required for installed ordained Presbyterian Pastors, there are some optional forms of insurance available; dental, optional death/disability coverage, etc. from BOP and may be paid by the member or negotiated in the terms of call. (Check with BOP for complete information, www.pensions.org.)

2. Submit completed Member Change Form to the Board of Pensions at the time of hire and each December until the minister no longer works for the church.

3. Ministers are considered "Self-Employed" for Social Security Purposes and are considered an "Employee" for Federal Tax Purposes. The church does not withhold taxes, either Social Security, Medicare, or Income, from the ordained minister's wages unless the minister asks the church to take "additional" taxes out of each paycheck as estimated taxes. The minister would indicate this on a completed W-4 form on file with the payroll department/company and with a copy placed in the minister's employee file.

This means that a minister is personally 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-ordained employees. The minister is responsible for paying self-employment taxes at the time he/she files his/her form 1040 with the IRS.

However, the ordained minister is treated as an employee when it comes to paperwork. The Treasurer or the payroll company will send/give to the minister before January 31st a form W-2 to report wages for the previous year. On the W-2 form the church will report all wages, salary, un-receipted allowances, Social Security Offset, etc. given to the pastor in Box 1 and report any housing allowance separately in Box 14.

For more information on this, both the minister and Treasurer are strongly encouraged to consult Internal Revenue Service Publication 517-Social Security and Other Information for Members of the Clergy and Religious Workers available on the IRS website, www.irs.gov.

The Board of Pensions also updates a helpful publication, annually, entitled, "Tax Guide for Ministers" and makes it available for download at www.pensions.org. Treasurers can benefit from reading this publication from time to time.

Minister's Compensation Package

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1. **Compensation Categories:** According to Dan Busby, "Minister's Tax and Financial Guide," the Pastor's Compensation Package fits into four major categories; Salary, Housing, Expense Reimbursements, and Fringe Benefits. Note: There are two ways a Presbyterian Church Treasurer must look at the Pastor's Compensation; one is for IRS tax purposes, the other for Presbyterian Pension Dues calculations.

2. **Salary**
   a. The Salary portion of Compensation will be treated as taxable income, subject to the SECA taxes (Self Employment taxes). (For Presbyterian Pastors, Salary will also be viewed as part of the Total Effective Salary on which Pension Dues are paid except for part iii. below.)
      i. Salary paid.
      ii. Tax deferred salary reduction payments to 403(b) plans (TSA, 401(k), IRA, etc.).
      iii. Social Security reimbursement (up to 50% of SECA). (this is not considered a part of Total Effective Salary for Presbyterian Pension Dues calculations but is a part of wages for W-2 purposes.)
      iv. Social Security Reimbursement (in excess of 50% of SECA). I.E. more than what the employer would pay for Social Security and Medicare tax if the pastor were an employee.
      v. Cash Bonuses, and other income. (Includes Christmas Bonuses, Love gifts, Work Incentive Bonuses, Tuition Reduction for Pastor's children at church owned school, Computers, Child Care, Clothing, etc.)
      vi. Any monies paid to the pastor under "Non-Accountable" Allowances. (see Expense Reimbursements below for definitions.)
      vii. Cost of employer paid life insurance for the employee for any insurance over the $ 50,000 benefit limit.
      viii. NOTE: all of this will show up in Box 1 of the W-2 form for the pastor at the end of the year.

3. **Housing Allowance**
   a. The Housing portion of Compensation is a portion of the salary of a pastor that the IRS considers income exempt from Federal Taxes as long as the amount can be justified as actually being spent on "housing related" expenses. This portion of Compensation will be treated as non-taxable income, but will be subject to the SECA taxes when the minister files a Form 1040 tax return. (For Presbyterian Pastors, Housing and Utility Allowances will be viewed as part of the Total Effective Salary on which Pension Dues are paid.)
      i. The amount of the Housing Allowance and the Utility Allowance ***must be set by the Session at the beginning of the year (i.e. before the first pay check of the year) and can be adjusted as***

needed during the year however it can never be set retroactive. If during the year the pastor determines that he or she will spend more money on housing and utilities than the current allowances will cover, can ask the Session to reconsider the amount of the allowances moving forward to compensate for the current expenses.

ii. Fair rental value of a manse will be used by a pastor who lives in a manse or church owned property for no cost as part of his or her compensation. The church should be aware the pastor must pay 15.3% of this amount as SECA taxes when filing the annual tax return.

iii. The amount of the Housing Allowance designation should be based upon the amount of the acceptable housing expenses allowed by the IRS plus a little. Any amount the minister cannot justify as housing expenses will be added back into their wages at the time of filing their annual taxes with the IRS. The following items can be included in the pastor's justification to claim the maximum amount of the housing allowance:

1. Down payment of a home purchase and closing costs associated with the purchase.
2. Real estate commission on new purchase.
3. Principal and Interest payments on a mortgage, including any additional principal payments.
4. Rent paid for housing.
5. Payments on Home Equity Loans where the loan was used on valid housing expenses.
6. Utilities cost for the house; gas, elec., water, sewer, garbage, fuel oil, other heating sources, i.e. solar, wood, pellets, etc.
7. Local Telephone expenses, base rate of home phone.
8. Property Taxes.
9. Decoration and redecoration, renovation and repair; including wall coverings, paintings, curtains, furniture, carpeting, etc.
10. Cleaning services and supplies.
11. Landscaping, gardening, pool maintenance and pest control.
12. Furnishings and appliances; purchase, repair, and replacement.
13. Insurance on property and personal property, including renter's insurance and earthquake insurance.
14. Liability Insurance and excess liability or umbrella policies.
15. Homeowners association dues.
16. Mobile Home Space Rental.

iv. Note: All of the Housing payments (not Fair rental value) will show up in Box 14 of the W-2 listed as "housing allowance" with the amount and /or "utility allowance" with the amount.

v. The fair rental value is defined in Revenue Ruling 71-280 as the amount of rent that an unrelated party would pay for the home, including furnishing and related structures such as garages, plus

utility costs. (More information on Housing Allowance is found in the Board of Pensions publications, see Resources.)

4. **Expense Reimbursements.**
   - **a.** The Expense Reimbursements portion of Compensation is made up of allowances which the church pays to the pastor under Fully Accountable Reimbursement Plan Policy (Non-accountable allowances should be included in the Salary portion of Compensation, see below in item "6. Other information" for clarification on accountable and non-accountable). The accountable portion of Compensation will be treated as non-taxable income, it is not subject to the SECA taxes and consequently will not be reflected on the pastor's W-2; it is considered employer paid benefits. (For Presbyterian Pastors, Expense Reimbursements also will not be viewed as part of the Total Effective Salary on which Pension Dues are paid.)
   - b. Auto Allowance paid with mileage justified in a timely manner or reimbursed based upon miles driven or receipts turned in.
   - c. Travel Allowance paid to reimburse receipts from church related travel.
   - d. Study Leave Allowance paid to reimburse the cost of study, travel, meals, etc.
   - e. Book and Professional Expense Allowances paid to reimburse receipts for supplies.
   - f. Other Allowances.

5. **Fringe Benefits.**
   - a. The Fringe Benefits portion of Compensation is made up of expenses that can be legally sheltered as a tax-free benefit. This portion of Compensation will be treated as non-taxable income, and not subject to the SECA taxes. (For Presbyterian pastors, Fringe Benefits will not be viewed as part of the Total Effective Salary on which Pension Dues are paid.)
   - b. Board of Pensions Payments, i.e. Dues, this includes Medical, Disability, and Retirement.
   - c. HRA or HSA plans if the church qualifies and institutes these plans for all employees.
   - d. Insurance Premiums paid by the church for life (up to $50,000), costs of long-term care, dental, vision, Professional liability or Malpractice, (For Presbyterian Pastors these are included to some extent in the offerings of the Board of Pensions as Medical or optional insurance plans.)
   - e. Other Fringe Benefits.
6. **Other Information.**
   - a. Non-Accountable and Accountable Allowances and Reimbursements.

i. "Non-accountable" Allowance is money paid to the employee without the church requiring receipts or accountability for expenses. These allowances are considered taxable income and should be included in the total Salary figure placed in Box 1 of the W-2 form. (For Presbyterian pastors "non-accountable" allowances should be included in calculations for the Total Effective Salary on which Pension Dues are paid.)
ii. Accountable Allowance is money paid to the pastor where the church requires receipts or accountability for expenses. A Fully Accountable Reimbursement Plan should be adopted by the Session for all employees, including the pastor, and require receipts or other documentation to justify that the money was spent for appropriate expenses acceptable to the IRS. The receipts need to be turned-in to the appropriate church financial person within a "timely period," often determined by the IRS to be no later than two or three months after the expense was made or the allowance was paid out or if the church so chooses, "timely period" could mean before reimbursement will be made.

b. Social Security and the Pastor's Compensation.
i. In general, the employee's Social Security rate is 6.2% of income with certain limits and the Medicare tax is 1.45% of income with no limits.
ii. In general, the employer pays the same rates based upon the employee's income.
iii. Pastor's, however, are considered Self-Employed by the IRS for purposes of Social Security and Medicare payments, so the church does not pay the pastor what are called "Social Security wages" but the pastor is subject to Self-Employment Payments towards their Social Security and Medicare at the time of filing their tax return. At that time, they will pay 15.3% tax on all Self Employed income which will include their Salary and Housing Allowance.
iv. Note: when the church fills out the W-2 form for pastors, box 3,4,5,6 should all be left blank. If the pastor requested additional taxes taken out and the church withheld taxes from the pastor and submitted those to the IRS, then that amount should be included in Box 2. In other words, the pastor does not receive Social Security or Medicare wages and the church should not withhold money from the pastor's paycheck to pay these taxes.
v. If the church would like to help with the "employer's share" of these taxes they could give the pastor an additional 7.65 percent as a Social Security allowance. This would be taxable income and should be included in the total Wages listed in Box 1 of the W-2. (For Presbyterian Pastors this amount would constitute the 50% of Social Security which is NOT part of the Total Effective Salary on which the church pays Pension Dues.)

7. **Pension Dues** – The Board of Pensions (BOP)sets the annual charge to the churches for the Pension Dues. The dues are made up of three components; Medical Dues, Pension Dues, Death/Disability Insurance Dues plus any additional options the pastor chooses and the church accepts payment for. For details of current year and future year figures see the BOP website, www.pensions.org.

   For your benefit the Board of Pensions has a Dues Calculator on their website so you can enter in the appropriate information of the Pastor's call or employee's salary and it will calculate for you the amount of the expected dues. Go to www.pensions.org and look for the tab labeled "calculators."

   For additional questions about the Pastor's Compensation you can see the various Resources in back of this manual.

Commissioned Lay Pastors

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Commissioned Lay Pastors (CLPs) must pass the test of whether they are defined as "ministers" under the law in order to qualify for the special tax treatment outlined by the IRS Code. According to the IRS Code the definition of a minister is one who:

1) Administers sacraments.
2) Conducts religious worship.
3) Has management responsibility in a local church or religious denomination.
4) Is ordained, commissioned, or licensed, and,
5) Is considered to be a religious leader by his or her church or denomination.

The most important factor is number 4. However, it will be up to your presbytery and its Committee on Ministry to ascertain whether a person is a Commissioned Lay Pastor and meets the test for "minister". If so decided that a Commissioned Lay Pastor is a "minister", then he/she is entitled to all the special tax treatments afforded an ordained minister of the PC (USA) including Housing Allowance, treatment of Self-employment and Federal Income Taxes.

Be sure to consult your Presbytery for guidance in the area of taxes and the Commissioned Lay Pastor. (Please use the Resources at the end of this Manual for additional help.),

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

Chapter 9 STEWARDSHIP AND BUDGETING

According to the *Book of Order, G3.0201,* **the Session has the responsibility to encourage the graces of generosity and faithful stewardship of personal and financial resources.**

Stewardship

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"…stewardship is the responsive practice of Christians making proper use of the gifts God has given them for the sake of God's work in the world…" Stewardship Theology 2001, 213th General Assembly approved statement of stewardship theology.

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

Other stewardship education Resources are listed at the end of this Manual and should be shared with the Session appointed stewardship committee.

Developing a Budget

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The Treasurer may assist in the preparation of the church budget. While showing the source of monies the budget also lists out the way the church plans to spend that money on ministry. It must be both realistic and attempt to anticipate the unexpected. You could see the budget as an expression of the goals of a congregation translated into dollars and aligned in some kind of priority. Since the expected income often is unknown at the time of the budget process, it is prudent to encourage close scrutiny of both new and on-going programs. When the budget is properly developed, continually updated, and effectively used, many beneficial results are realized such as:

1. Reduced emotional spending.
2. Improved impact of mission dollars.
3. Avoidance of unintentional diversion of dollars to 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 adhered to.

Steps for a Healthy Budget Process.

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1. Have the Session form a committee of congregational leaders. This team could have Session members and other congregational leaders who have a deep concern for the health of the congregation and the ministry in which the members engage.
2. Program planning will be an ongoing process which will project both short and long-range goals (Suggestion of 1-year, 3-year and 5-year goals). These goals are for 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.
3. It is important that the recipients of mission dollars (ministry programs conducted by those outside the congregation) be evaluated for the continuing or increased need for funds.
    a. Mission giving can be an excellent form of mission education for the congregation and may encourage increased participation from the members of the congregation.
    b. The committee responsible for recommending the mission budget should have a firm conviction of what the goals of mission giving should be for the congregation and by what steps they feel that these goals can be reached.
    c. It is important for the Mission Committee to study 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.
    d. 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. See Mission Funding.
4. Goals are recommended to committees for action. Committees make budget requests to the Budget Committee.

5. The Budget Committee will project the income for the New Year based on current giving, membership, and other sources of income such as investment income and rental income.
6. The annual stewardship drive is held and pledges are made. NOTE: Stewardship programs abound in the general church marketplace and the Resources at the end of this Manual include a large number of Stewardship Resources for your church.
7. The Session Personnel Committee holds annual reviews and recommends salary packages for all personnel to the Budget Committee.
8. Using the goals that were set, committee requests, personnel recommendations along with the budget projections and pledges, the Budget Committee forms a proposed budget.
9. The proposed budget goes to the Session for approval for all items except the clergy terms of call (salary packages). The Session along with the help of the Personnel Committee can set salaries and benefits for all employees except ordained pastors; terms of call for ordained ministers can be recommended but must be approved by the congregation.
10. The congregation approves the terms of call at a called Congregational Meeting, usually the annual meeting.
11. Once the budget and terms of call are approved, the budget is set for the New Year.
12. It is advisable for the Session to continue monitoring the budget throughout the year as they review the regular financial reports from the Treasurer.
13. 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. Each of these presentations offer the congregation a different emphasis so all personalities can understand not so much the numbers of the budget but the vision of the church portrayed by the numbers.

The Narrative Budget

Adapted from the Handbook for Treasurers of the Christian Church (Disciples of Christ)

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Clearly communicating the budget can become essential in helping congregations understand the vision for ministry of the church and just what their offerings accomplish.

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

Narrative budgets effectively represent the witness of your congregation by providing a clearer picture of the mission and ministry realized through your church's offerings. It is an invaluable educational tool.

For example, the line-item budget for your congregation may show very little funding for worship. But is that accurate? A narrative budget takes all the costs for all aspects of anything related to worship and shows the real amount of money directed toward worship. The percentage of the minister's time that is spent in preparation and leadership of worship, the cost of utilities for worship, the cost of paper for worship bulletins, the cost of musicians as well as music directors, and music for the choir and custodial time are all a part of the real cost for Christian worship in a congregation.

The narrative budget often results in an increase in giving. People know how their money is being used to help others. They want to be a part of the vision of mission the congregation has set. When members of your congregation see that their budget addresses real needs in the lives of people, and that their involvement and contributions are of significant value in supporting such mission, they are more likely to be generous in their giving.

To develop a Narrative Budget for your congregation, use the following guidelines:

1. Brainstorm five major ministries your church is involved in. i.e. worship, education, fellowship, outreach, world missions.
2. Assign each of your five categories a positive name that describes what happens when the church engages in that activity. i.e. Glorify God, Make Disciples, Become the Family of God, Share Christ's Love with Others, Go into the World with the Message of Hope.
3. Then take each of the budget lines and divide the expenses between these five categories. I.e. Money spend on worship would be all in the first category. Money spend on a custodian's salary would be spread through many of the categories depending on how much of the building the groups use. Insurance splits about as much as a custodian, but the money for education all goes in the second category.
4. Once you have split every line item into its respective five categories, zeros are okay, then total each category and find out how much money you spend on each of the five categories.
5. Then find one great story of how your church has fulfilled the mission in each category; a personal quote or testimony would be great.
6. Then make a one page, front and back, threefold pamphlet that describes your church; panel one, Name and address and general mission/vision, panel two, explain and give the story for how you encourage people to glorify God, then place your four or five ministry areas with stories onto panels three, four, five and six. On each panel place the amount it costs

to accomplish that ministry. Round the numbers to the nearest thousands. Put the total amount on the first panel with the name and the vision.

7. Distribute the pamphlet widely to your congregation so they can catch the vision of what you accomplish by being a church in your neighborhood and in this world. We've a story to tell to the nations.

RESOURCES

General Resources.

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- **Book of Order,** Part II Constitution of the Presbyterian Church (U.S.A.).
- **Office of Legal / Risk Management** of the General Assembly.
  - ***Legal Resource Manual*** *for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches,* (to download a copy go to www.pcusa.org and search for Legal Resource Manual)
    - "As always, you are welcome to use this as a resource for information on a number of legal issues. However, since laws in each state may be different and interpretations of laws by courts may vary both state-by-state and in state and federal courts, it is always advisable to seek guidance and advice from your local attorney."
- **The Board of Pensions** of the Presbyterian Church (U.S.A.).
  - www.pensions.org resources:
  - Look under "Members and Employers" and then "Treasurers and Administrators" for some **general information.**
  - ***Tax Guide for Ministers***, updated annually.
  - ***Understanding Effective Salary***, how effective salary is determined.
  - ***Frequent Tax Questions and Answers*** for Treasurers, Administrators, etc.
  - ***Housing Allowance Letter***.
  - ***Dues Calculator*** for determining the amount of dues the church will owe based upon the Pastor's terms of call or the employee's salary.
- **The Presbyterian Foundation.**
  - www.presbyterianfoundation.org.
  - Resources/**Ministry Toolbox.**
  - Resources/**Stewardship Resource Center.**
- **The Texas Presbyterian Foundation.**
  - www.tpf.org.
  - Resources**/ Resource Library.**
- **Internal Revenue Service Publications**, www.irs.gov.
  - Employer's Tax Guide, **Circular E.**
  - **Charitable Contributions**.
  - Determining the **Value of Donated Property.**
  - **Social Security** for Members of Clergy and Religious Workers.
  - **Tax Guide for Churches** and Other Religious Organizations.
  - **Taxable and Non-Taxable Income.**
  - **Travel, Entertainment and Gift Expenses.**
- **Church Law and Tax, Richard Hammar, J.D.,**

    - www.churchlawandtax.com.
    - Variety of resources on **all phases of Church Law and Tax Law** and Employment Law.
- **Articles on church finances and tax law**.
    - http://www.wkpz.com/nonprofit_articles.php
    - Written by Frank Sommerville, non-profit attorney
- **Kaleidoscope Conference –** Each Spring.
    - www.stewardshipkaleidoscope.org
- **The Church Guide to Employment Law**, by Julie L. Bloss, J.D., available on Amazon.com.

Insurance Carriers,
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Each of these companies have additional resources on their sites for help with Risk Management and Safety Concerns including Sexual Abuse training for your church volunteers.

- GuideOne Insurance – www.guideone.com.
- Insurance Board – www.insuranceboard.org.
- Church Mutual Insurance – www.churchmutual.com.

Personnel Resources.
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- **Church Law and Tax**, Church and Clergy Tax Guide, by Richard Hammar. www.churchlawandtax.com.
- **Legal Resource Manual** for Presbyterian Church (U.S.A.) for Middle Governing Bodies and Churches, General Assembly Council Office of Legal/Risk Management Services.
- **Session Personnel Committee Guidelines**, available for download on the pcusa.org website.
- **Social Security and Other Information** for Members of the Clergy and Religious Workers, Internal Revenue Service Publication 517.
- **Understanding Effective Salary**, Board of Pensions Publication.

Stewardship Resources.
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- **Stewardship Manual: A Guide to Year-round** Financial Stewardship Planning available on the website of the Presbyterian Foundation/Resources, www.presbyterianfoundation.org.
- **Stewardship Resources,** available on the website of the Presbyterian Foundation www.presbyterianfoundation.org.

- The resources of the annual **Stewardship Kaleidoscope Conference** put on by a variety of Presbyteries of the PC USA are available at www.StewardshipKaleidoscope.org.
- The Ecumenical Stewardship Center has a variety of resources, www.stewardshipresources.org.
- **Employee or Independent Contractor** – Published by Office of Risk Management PC(USA), A twenty (20) factor checklist to determine if a person should be treated as an employee or independent contractor.
- **Financial Review Guide** – An Annual Financial Review Committee Checklist, PDS#70-450-01-504.
- **Guidelines for Session Personnel Committees**, PDS#7221099001.
- **Presbyterian Church (U.S.A.) Employee Handbook**, Human Resources Office.
- **Stewardship Manual: A Guide to Year-Round Stewardship Planning**, PDS#72530-94-001

APPENDIX

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Audits or Financial Reviews

- Annual Church Financial Reviews
- Financial Review Committee Checklist

Job Descriptions

- Job Description, Treasurer
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- Conflict of Interest Policy (Sample)
- Counting Offerings Plan (Sample)
- Electronic Funds Transfer/Credit Cards
- Endowment and Gifts Plan
  - Restricted Gift Information Sheet
  - Include the Church in My Will or Trust?
- Ethics Policy (Sample)
- Fully Accountable Reimbursement Plan Policy (Sample)
- Gift Acceptance Policy Guidelines
- Gift Acceptance Policy (sample)
- Investment Policy (Guidelines see Chapter 4)
- Investment Policy (Sample)
- Suggested Records Retention

Leasing Church Property

- Policy Statement for Leasing Church Property
- Lease Agreement, Long Term Lease
- Lease Agreement, Short Term Lease
- Amendment for the Lease
- Amendment for the Lease at Termination

Mission Funding

- Mission Funding –
  - Shared Mission
  - Directed Mission
  - Extra Commitment Opportunities
  - Special Offerings

ANNUAL CHURCH FINANCIAL REVIEWS.

Adapted from the work of the Presbytery of San Jose

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The Book of Order requires the local church to carry out a full financial review of all books and records relating to finances once a year. This should be recorded in the minutes of the Session as having been done. This has often been referred to as an "audit" and that term scares people or makes them think they have to spend a lot of money. But all you need is a "financial review."

A Financial Review does not have to be done by a CPA. The annual financial review can be done by a committee of members versed in accounting procedures (as long as they are not related to the Treasurer.) Some churches have partnered with other Presbyterian churches in their area and "traded" review committees to get the job done inexpensively.

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

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

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

For a complete review by a committee of members, there is a sixteen-page guideline available entitled "AUDIT, what's included in a full review," that can be obtained by email from edd@breeden.us. Also see the Financial Review Committee Checklist later in this Manual. These guidelines will lead you through many areas of review that you may or may not need to do annually, but will help you know the kinds of things which ought to be looked at often enough to avoid problems with the church's finances.

If you have any further questions, please feel free to contact the Treasurer of the Presbytery of San Jose, Edd Breeden, by email at edd@breeden.us.

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

1. Do you know where the church By-Laws are located? Have they been updated in the last 5 years? Is there a copy on file at the Presbytery office?
2. Have the bank accounts been reconciled to the computer program?
3. Are the signature cards current at the bank?
4. Are the IDs and Passwords available somewhere at the church office for the online banking, computer program, bill pay process, etc.? (i.e. knowing the codes helps if and when someone gets ill, dies, leaves, or gets disgruntled)
5. Do you know where the Deposit Box keys are and who can access it?
6. Do you have more than one unrelated Counters for the offering?
7. Do you have separate people "receiving/depositing monies" and "writing checks?"
8. Do you have a recording system to keep track of individual giving throughout the year, with date of gift, purpose of gift, etc.? Do you send annual statements with name of the church, the giver, and the required IRS disclaimer?
9. How do you know that all money reported to a giving member was actually given, deposited and properly receipted? Are all monies deposited immediately upon receipt or if received during the week, included in the next Sunday's offering?
10. Are there any missing check numbers, i.e. voided, lost, etc.?
11. Do all of the recipients of checks seem appropriate?
12. Do you require a PO system at your church and is it followed? If so, are invoices matched to the bank statement, computer, checks, etc.? If not, how do you determine who has the authority to purchase on behalf of the church and do you need a policy for this?
13. Are restricted funds and designated funds handled appropriately?
14. If you have a petty cash system are the monies accounted for with receipts and entries in the computer? Likewise, if your church uses church owned or allows staff to use personal credit cards, are these statements reconciled regularly?
15. Does the Session receive a monthly financial report?
16. Does your church have a policy for memorial gifts, i.e. do they go to the general fund or to a special fund? Does the congregation know the policy?
17. Does your church have a donation policy? Do you accept all designations by donors and are they honored?
18. Does the budget have places that consistently run over budget? Why?
19. Does someone review the adequacy of Insurance annually?
20. Do you have a locked fireproof file cabinet for past records, like employee files, bank records, important papers, Session minutes, etc.?
21. Do you update employee files on each employee? Are all forms filed annually; W2, 1099, 941, 990 if needed, etc.?
22. Does the payroll reflect appropriate policy, including overtime and legal breaks?

NOTE: A 16-page Review Checklist is available by contacting Edd Breeden at edd@breeden.us and asking for the PDF Checklist he has available.

FINANCIAL REVIEW COMMITTEE CHECKLIST.

Adapted from the Handbook for Treasurers of the Christian Church (Disciples of Christ)

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1. 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.
2. Cash Disbursements: Copies of the budget adopted by the Session for the period being audited should be made available to the committee along with any adjustments that were made during the period. With this basic document the committee can then determine if disbursements, either by cash or by check, have been properly charged to the budget category. If there have been disbursements not related to a budget item, then the Session's authority for the disbursement should be obtained from the minutes of the Session.
3. 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.
4. Verification of Bank Statements: Verification of bank statements should be done by the audit committee so that the statement can be reconciled with the cash receipts and disbursements.
5. 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.
6. 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.

7. 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.
8. Membership Contribution Records: The final statement for the year should be sent by the audit committee and/or the committee may send a letter advising the individual donor that any discrepancies should be reported to the audit committee. Spot testing should also be done to determine that the entries have been properly recorded.
9. 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 6 on Insurance and Risk Management for complete information.

JOB DESCRIPTION, TREASURER

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You will need to adjust the wording of this Job Description depending on your church's expectations of the role of the Treasurer and the Finance Committee. i.e. does the responsibility rest on the Treasurer who is helped by the Finance Committee or vice versa. This Job Description assumes the first scenario.

Church _____
Name of Person _____

Position Description

Job Title: Church Treasurer

Reports to: Session

Position Status: One-year term.

Purpose: The Church Treasurer works with the Finance Committee to help implement the policies of the church's finances.

Authority: The Church Treasurer, as needed, shall have access to all income and expense reporting, payroll data, and other pertinent financial data and records of the church to help carry out their purpose.

Accountability:

- Accountable to the members of the congregation for ensuring that God's gifts are managed with sound and Generally Accepted Accounting Procedures.
- Accountable to the Session and the Finance Committee for providing reports and recommendations in a timely manner.
- Maintain strict privacy of financial data to protect the integrity of the Church and the privacy of the Congregation.

Qualifications: The Church Treasurer should have experience with Church Budgets, Non-Profit laws, GAAP, Financial Software, and a basic understanding of the church's operations.

Job Responsibilities and Duties: The primary responsibilities include oversight of:

1. All of the Financial Record Keeping of the church, including day to day finances, personal records, permanent records and other vital information.

2. The Bookkeeper, if the church has one, who will often do the majority of 3,4, & 5 below.
3. Receipt and disbursement of all funds contributed to the local church budget, keeping accurate records of how funds are spent.
    a. Work with the Church Financial Secretary in any way needed to help with the accurate recording of individual gifts and other contributions.
    b. Check all invoices for accuracy and appropriateness before paying.
    c. Keep responsible persons appraised of their budget-to-date numbers.
4. Monthly reconcile the bank account(s) as appropriate.
5. Prepare accurate monthly financial reports indicating the financial well-being of the congregation.
6. Work according to the policies and procedures established by the Session.
7. Serve as a member and report regularly to the Finance Committee and when needed the Session and/or at the Congregational Meetings.
8. Provide all needed information to the Finance Committee as they prepare the draft and final Budget for the approval of the Session.
9. Assist the Financial Committee with resources to educate the congregation in the areas of Christian Stewardship.
10. Ensure there are adequate records documenting the assets of the church for insurance and other purposes.
11. Make recommendation for the investment of excess funds (if any).
12. Ensure that all church property is appropriately covered by insurance for casualty and liability losses.
13. Ensure that all governmental taxes, reporting forms, and regulations are met on a timely basis.
14. Maintain confidentiality of all financial information pertaining to giving and givers.

I have read and received a copy of my job description. I understand this overrides anything I have been given or told in the past. I further understand that I am expected to follow my job as outlined above, and that if I have any questions concerning what is expected of me, I will speak with my immediate supervisor.

Signature _____ **Date** _____

JOB DESCRIPTION, FINANCE COMMITTEE.

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You will need to adjust the wording of this Job Description depending on your church's expectations of the role of the Treasurer and the Finance Committee. i.e. does the responsibility rest on the Treasurer who is helped by the Finance Committee or vice versa. This Job Description assumes the first scenario.

Church _____
Name of Person _____

Position Description

Job Title: Finance Committee.

Reports to: Treasurer and Session.

Position Status: One-year term.

Organization: The Finance Committee shall consist of least three persons, plus the Treasurer who will act as the Chairperson. Ex-officio members would include Session liaison, and possibly the Financial Secretary(ies).
This Committee will meet at least quarterly or as necessary to fulfill the statement of purpose.

Purpose: The Finance Committee will help the Treasurer carry out the oversight for the finances of the congregation. This shall include developing and monitoring a church budget, financial recording and reporting, disbursement of monies, investment planning, auditing, and record keeping. This includes the development and implementation of sound financial practices and procedures.

Authority: Committee members, if needed, shall have access to all income and expense reporting, payroll data, and other pertinent financial data of the church to help them carry out their purpose.

Accountability:

- Accountable to the Church for ensuring that God's gifts are managed with sound and generally-accepted financial accounting policies and procedures.
- Accountable to the Session for providing reports and recommendations in a timely manner.
- Accountable to the Treasurer for integrity and open communication.
- Maintain strict privacy of financial data to protect the integrity of the Church and the privacy of the Congregation.

Qualifications: The member of the Finance Committee should have minimal experience with Church Budgets, reading of Financial Reports, and a basic understanding of the church's operations.

Job Responsibilities and Duties: The primary responsibilities include oversight of:

1. Receipt and disbursement of all funds.
    a. Weekly offerings, Designated monies, Deposits. Etc.
    b. Developing a policy for verifying expenses, writing checks, keeping records.
    c. Adequately manage the Payroll needs of the church.
        i. Payroll company and benefits packages.
        ii. Policies for expense accounts and allowances.
2. Monthly report to the Session of the financial condition of the church and other critical information from the Finance Committee.
3. Financial recording and reporting of member giving.
    a. Recruit, train and schedule offering Counters.
    b. Provide quarterly and annual financial statements.
    c. Provide individual gift receipts for larger gifts. (i.e. over $250.00)
4. Regular evaluation of the church's financial picture and report to Session.
    a. Evaluate giving patterns and seek ways to increase giving.
    b. Evaluate expenses by budget category and seek ways to decrease unnecessary spending.
    c. Make projections in July as to the possible outcome of the budget by December and report to Session for their awareness and action.
    d. Identify potential problems and report to Session and implement corrective actions as appropriate.
5. Annual Budget preparation and submission to the Session for approval.
6. Audit, Review committee – recruit members and ensure audit is completed in a timely manner.
    a. The audit committee will consist of 3 members with financial knowledge not related to anyone officially or ex-officially on the Finance Committee.
7. Financial records will be audited/reviewed at least every three years or more often if deemed necessary by this committee or the Session.
8. Investment of church funds with checking, savings, and investment accounts as seems beneficial to the church.
9. Insurance – review and maintain policies and be the point of contact for insurance representatives.
10. Annually evaluate the work of this committee and its job description and suggest/make necessary changes.
11. Provide for professional growth of members as needed through conferences, conventions, and continuing education.

12. Provide regular financial updates to the congregational meetings and an annual report to the congregation.
13. Develop an ongoing Stewardship Training program in the church so the members have the tools necessary for healthy giving.

I have read and received a copy of my job description. I understand this overrides anything I have been given or told in the past. I further understand that I am expected to follow my job as outlined above, and that if I have any questions concerning what is expected of me, I will speak with my immediate supervisor.

Signature _____ Date _____

JOB DESCRIPTION, FINANCIAL SECRETARY.

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Church _____ **Name of Person** _____

Position Description

Job Title: Financial Secretary

Reports to: Church Treasurer

Position Status: As Needed, *thre*e-year term.

Purpose: The Financial Secretary is to receive and deposit all funds taken into the church treasury and forward the detailed information to the Church Treasurer for use in the support of the mission and ministry of the congregation.

Authority: The Financial Secretary shall have access to the portion of the accounting software that allows for data entry for contributions, printing of individual statements, and other portions as seems necessary to help carry out their purpose.

Accountability:

- Accountable to the members of the congregation for ensuring that God's gifts are managed with sound and generally-accepted financial accounting policies and procedures.
- Accountable to the Church Treasurer and the Finance Committee for providing reports and recommendations in a timely manner.
- Maintain strict privacy of financial data to protect the integrity of the Church and the privacy of the Congregation.

Qualifications: The Financial Secretary should have experience with Church Budgets, Non-Profit laws, GAAP, Financial Software, and a basic understanding of the church operations.

Job Responsibilities and Duties: The primary responsibilities include oversight of:

1. Work according to the policies and procedures established by the Session and administered by the Finance Committee.
2. Receive, record and receipt funds from all sources and report them to the Church Treasurer.

3. Collect offerings weekly and count, ensuring more than one person is involved collecting and counting at any given time.
4. Ensure funds are deposited in a bank as soon as possible after they are received. Deposits should be made within three days of receipt.
5. Establish a procedure to collect and record funds received other than through regular offerings, including funds received by mail or electronically.
6. Produce individual charitable gift report summaries of all donations received during a calendar year and mail within two weeks of the end of that year. (Quarterly reports may be made as deemed appropriate.)
7. Maintain confidentially of all financial information pertaining to receiving, recording and depositing of funds.

Signature _____ Date _____

BENEVOLENCE OR DEACON'S FUND POLICY

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This Policy was adopted by the Session of _____ Presbyterian Church to layout the receiving and dispersing of funds for helping those in our community who have various needs.

Funding

All monies contributed to the Benevolence Fund (Fund) will be used for the needs of individuals in our church and community who meet the Fund's guidelines set forth later in this Policy.

Monies will be received from the congregation and the community in any form the church normally receives contributions, except these will have some designation by the donor that the money should be used for the Fund. The church may from time to time solicit monies to be contributed to this Fund as well.

Administration

The Fund will be administered by the Session or by a committee appointed by the Session. This appointment should be reviewed annually.

All requests for distribution of funds will be decided by the appointed committee, or in their absence by the Session based upon the guidelines set forth later in this Policy.

The committee, or when appropriate, the Session has the authority to award distributions based on the guidelines in the amount determined to be necessary. Each award should be documented by the committee or the Session using the attached form and this should be given to the Treasurer for funding and filing.

Guidelines

- The recipient of the distributions should be connected to the greater community in some way.
- There should be a real need for the distribution and the need should be documented.
- There should be a determination that the recipient cannot pay for this need themselves by some means that they possess.

- The amount distributed should not be the total amount the recipient needs at the time.
- The amount distributed should be less than the total value of the Fund at the time.
- In most cases, the distribution should not be cash or check to the recipient but should be in the form of a gift card, voucher, or check written to the utility, landlord, or other appropriate person or organization to help with the recipient's need.
- The Fund should limit as much as possible the number of distributions given to any one individual.

Amendments

This Policy can be amended by a vote of the Session according to its regularly stated processes as stated in the ByLaws of the church.

See next page for the Voucher for Benevolence Disbursements

Voucher for Benevolence Disbursements

For Treasurer: Ck# _____ Date Check Written _____
Initial _____
Some justification of the need: _____
_____
(Please attach appropriate documentation if available.)

What you did to determine that the recipient could not resolve this need on their own.
_____
_____

Who is requesting the distribution: _____
When was the last time this person requested a distribution:
_____

Pay to the Order of: _____
Address: _____
(or where to send check)

Authorizing Signature: _____
(a member of the Committee or the Session)
Provide a brief description of the need: _____
_____

Please attach receipts, invoices, or other appropriate documentation with paper clips, DO NOT STAPLE, Thank You

CASH DISBURSEMENTS POLICY AND PROCEDURES (sample)

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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.
   a. Session should annually approve a list of person's who can authorize payments.
   b. Treasurer should annually prepare and give to authorizers a list of accounts and account numbers for ease of preparing vouchers.
3. The church shall obtain taxpayer ID numbers from unincorporated vendors. Payments of $600 or more to unincorporated vendors in any year will be reported on a Form 1099.
4. Checks will be written and payments disbursed at least every two weeks, please plan carefully around those dates.
5. Checks will be signed by _____. Checks over $ _____ require two signatures. Current bank resolutions and signature cards are on file at the bank and copies are held with other backup information in the safe or file at the church office.
6. Petty Cash – Purchases under $20 may be paid from petty cash. All receipts shall be maintained for all petty cash disbursements. Petty cash should be reconciled on a monthly basis. Petty Cash will be kept in a secure location designated as _____.
7. Church credit cards will be obtained for the use of _____. Receipts for credit purchases will be turned in with detailed information regarding the purchase. The Treasurer will match receipts with bills 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.
11. Other items unique to your church…

A Sample Voucher Form would look as follows:

For Treasurer: Ck# _____ Date Check Written _____ Initial _____
Please attach a copy of the invoice, receipt, or other document.
Applicant: Fill out this section and get an authorizing signature. Leave the completed form _____ .

Pay to the Order of: _____
Address: _____

Account(s) _____ Amount _____
Account(s) _____ Amount _____
Account(s) _____ Amount _____
Account(s) _____ Amount _____
Account(s) _____ Amount _____ Total _____

Reason for expenditure: _____

Submitted by: _____ Date: _____
Authorized by: _____ Date: _____

Please attach receipts, invoices, or other appropriate documentation with paper clips, DO NOT STAPLE, Thank You

CONFLICT OF INTEREST POLICY (sample)

Adapted from the Handbook for Treasurers of the Christian Church (Disciples of Christ)

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I. Introduction.

The _____ Presbyterian Church (Church) exists legally as a nonprofit, church-related corporation. This means that we are required by law to operate for the benefit of the church and its ministries rather than to serve private interests. In an effort to achieve the highest organizational integrity and ethical standards possible and ensure that investor and donor interests take precedence over any private interests, the Church has developed this Conflict of Interest Policy (the "Policy") with which all officers, directors and employees with policy-making roles must comply. Cooperation with and support of this Policy are essential to its success. Questions or comments about the Policy should be addressed to the _____ *(*Session Moderator*).*

II. Definitions.

1. Interested Person. Any officer, director, or employee with a policymaking role who has a direct personal interest, as defined below.
2. Family. Your spouse, children, parents, or any other persons included in your household.
3. The Church. The _____ Presbyterian Church.
4. Personal Interest. A person has a Personal Interest if the person has:
   a. directly or indirectly, through business, investment or family – an ownership or investment interest in any entity with which the Church has a transaction or arrangement,
   b. or a compensation arrangement with the Church or with any entity or individual with which the Church has a transaction or arrangement,
   c. or a potential ownership interest, investment interest, or compensation arrangement with any individual or entity with which the Church is negotiating a transaction or arrangement.
5. Compensation. Compensation includes direct and indirect remuneration, both current and deferred, as well as gifts or favors, which you in good faith believe to have a value greater than $100.

III. Avoidance of Conflicts.

Church officers, directors and covered employees may, on occasion, find that they have Personal Interests that have the potential to conflict with the best interests of the Church. Where such conflicts exist (as an example: serving on the board of or being employed by another ministry of the Church) the conflict should be acknowledged as early as practicable when matters being discussed and/or decisions being taken might be affected by the actual or perceived conflicting roles.

The board may determine which employees (in addition to employees with policy-making roles) are covered by this policy and may determine that other persons shall be subject to this policy, such as substantial contributors and others who may, under certain facts and circumstances, have the ability to apply substantial influence on any material decision of the Church.

IV. Disclosure of Conflicts.

The Church celebrates the active involvement of our board members and staff in a multitude of the ministries of the Church. Your commitment and involvement with other manifestations of the Church provide opportunities to enhance your ministry with and service to the Church.

There are occasions when other relationships within the Church and/or other Personal Interests may create an actual or perceived conflict with the best interests of the Foundation. When conflicting interests are present, they must be disclosed and properly handled so as to minimize any possible actual or perceived harm to the interests of the Church. All Church officers, directors and covered employees must complete the Policy's written disclosure form, attached hereto as Exhibit A, at least annually. In addition, they will be asked to update this form whenever any new interests or changes in previously reported interests develop. In some situations, an officer, director or covered employee may not have or recognize an interest potentially in conflict to the Church's interest until faced directly with a particular issue. In those situations, the person has a duty to make a prompt oral disclosure of the interest as well as a more formal written disclosure as soon as possible thereafter. When disclosure is required, the covered person shall disclose all facts material to the subject conflict of interest. Disclosure shall be made to Session.

V. Procedures for Handling of Conflicts (Personal Interest other than as donor or member/employee of a church affiliate)

The Church's minister may appoint a disinterested person or a committee of the board consisting of disinterested persons to assess the fairness or reasonableness of the terms of the proposed transaction or arrangement or to investigate alternatives to a proposed transaction or arrangement and to report to the full Session.

No transaction or arrangement between the Church and a covered person that involves a material conflict of interest requiring disclosure under this Policy and no arrangement under which the Church shall pay compensation to a covered person for services shall be approved or authorized by or on behalf of the Church unless such authorization is provided by the Board or a duly empowered committee of the Board observing the following procedures:

a. **Disinterested Approval.** If a personal interest potentially in conflict with a particular issue or transaction is to be discussed and/or voted on at the Session or committee meeting, the interested person shall be given the opportunity to disclose material information to the board or committee and to respond to any questions from others. Following such presentation and response to questions, the interested person

shall leave the relevant meeting while the issue or transaction is discussed and/or voted on. When the interested person is a director, the interested person shall not be included in any count of persons for the purpose of establishing a quorum of the Board or any Board committee acting on the issue or transaction.

b. **Records of Proceedings.** The minutes of any meeting from which a person is excluded for all or part of a meeting due to an actual or potential conflict of interest shall reflect the following: the nature of the conflict, the absence of the conflicted individual during the pertinent portions of the meeting, the names of the persons who are present for discussion and voting on the issue or transaction in question, the content of the discussion, and a record of any vote. Minutes or other records of the Session or such committee may also include any documentation deemed pertinent by the directors to the determination of whether the compensation authorized is reasonable or as to the value received, and provided, by the Church, in the pertinent transaction or arrangement.

c. **Approval May Be Withheld.** The Church shall not approve any transaction, relationship, or compensatory arrangement if it appears to the Session or committee considering such matter that the interested person has, directly or indirectly, received or will receive economic benefit from the Church that exceeds the value (not the cost) of the benefit provided the Church. No compensation arrangement for an employee shall be approved if it appears to the Session or committee considering such matter that the employee has received or will receive greater than a reasonable amount of compensation.

d. **Inadvertent Errors.** Inadvertent errors in complying with these procedures shall not invalidate any decision on an issue or any transaction, provided that prompt corrective measures (to the extent possible) are taken after such errors are discovered and brought to the attention of the Session.

VI. Procedures for Handling Conflicts (Personal Interest as donor or Elder or member/employee of a Church affiliate)

The ministry and mission of the Church is enhanced through meaningful representation by persons who are donors and/or members, employees, or other stakeholders. It is expected therefore, that interested persons who have a Personal Interest will exercise their assigned responsibilities faithfully in the best interests of the Church and those who are served by the Church.

a. Except as otherwise provided in this Policy, interested persons will have voice and vote on Church policies, programs and services to the extent their general responsibilities dictate, provided that any conflict of interest or potential conflict of interest has been disclosed prior to any vote.

b. Elders, committee members, or officers with a potential conflict of interest shall abstain from a vote on all matters affecting a substantial personal interest.
c. An elder, committee member, or officer may request that disinterested Session or committee members determine by a majority vote whether a matter of substantial personal interest exists. A determination of substantial personal interest would require the interested elder, committee member or officer to abstain from voting on matters for which the determination was requested.
d. Inadvertent Errors. Inadvertent errors in complying with these procedures shall not invalidate any decision on an issue or any transaction, provided that prompt corrective measures (to the extent possible) are taken after such errors are discovered and brought to the attention of the Session.

VII. Violations of Policy

If the Session has reasonable cause to believe that an officer, elder, or covered employee has failed to disclose an actual or potential conflict of interest, it shall inform the person of the basis for such belief and afford the person the opportunity to explain the alleged failure to disclose. If, after hearing the response of the person and making such further investigation as may be warranted under the circumstances, the Session determines that the person has in fact failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and/or corrective action. Such action may include suspension or termination of the person's service for the Church, either as elder, officer, or covered employee.

CONFLICT OF INTEREST POLICY (sample) Exhibit A
Adapted from the Handbook for Treasurers of the Christian Church (Disciples of Christ)

Disclosure Form

Pursuant to the purposes and intent of the Church's Conflict of Interest Policy (the "Policy"), a copy of which has been furnished to me, I hereby state that I and/or members of my immediate Family have the following affiliations or Personal Interests, or have taken part or, to the best of my knowledge, may be expected to take part in transactions or activities which, when considered in conjunction with my position in relation to the Church, might constitute an actual or perceived conflict of interest. (Check NONE if applicable, or report interest in the space provided, attaching additional pages if necessary.)

1. Investments and relationships: List and describe, with respect to yourself or your immediate Family or household, all Personal Interests in outside entities (the "Conflict Entities") from or with which the Church does or may be expected to: purchase goods or services, invest funds, transact business, or compete for donated funds. *Describe/Explain or check :* ____NONE

2. Proprietary Information: List and describe any situations in which you may use or disclose any information gained through your affiliation with or service to the Church which could result in personal profit or advantage to you or members of your Family. *Describe/Explain or check :* ____NONE

3. Gifts, Gratuities, and Entertainment: List and describe any instances within the past twelve months in which you or members of your Family have accepted gifts, gratuities, favors, free services, special discounts, bargain purchases, entertainment, travel, education, or training from a conflict entity which you in good faith believe to have a value greater than $100. *Describe/Explain or check :* ____NONE

4. Other: List and describe any other direct or indirect interest that you or members of your Family have that could appear to constitute a conflict of interest or appear to influence your judgment, advice or decisions on behalf of the Church in any way. *Describe/Explain or check :* ____NONE

I agree that I have the continuing, affirmative duty to report immediately and completely any new interests, as well as any changes in previously reported interests, which may appear to constitute a conflict of interest under the current policy or which might appear to affect my ability to exercise impartial, ethical judgment on behalf of the Church.

_____
Signature

_____
Printed Name

_____
Position

_____
Date

PROCEDURES FOR COUNTING OFFERINGS (sample plan)

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1. The people who will be the Counters at the church should be approved by either the Session or the Congregation. These people, along with the Treasurer have access to financial data of individual church members and for the purpose of confidentiality, they should be people who have the confidence of the membership of the church.
2. Two people should always process the offering to avoid any possible mishandling of monies. We don't expect to have our friends mishandle the church's money, however, studies have shown that 85% of all fraud is done by trusted individuals. Having an extra person helps everyone avoid temptation and have the confidence that things are done properly.
3. Your church might choose to have only one counting team, however many churches have four teams and each are responsible for one Sunday (week) per month, spreading out the responsibility. This also allows some people to be gone for a Sunday or two, during vacation or other commitments.
4. All offerings taken during the week shall be the responsibility of the counting team designated for the following Sunday.
5. The Counters assigned to the counting teams are responsible for securing their replacements should they be unable to serve on their designated Sunday of the month. No one should be allowed to be on a counting team except by approval of the Session.
6. Counters who are from the same family should not serve on the same counting team at the same time unless an emergency situation arises.
7. The confidentiality in handling members' gifts and contributions shall be respected at all time.
8. No records shall be retained by the Counting team but shall be passed on to the Financial Secretary and the Treasurer for posting to the church's records and documentation to support each member's gifts and contributions received.
9. The Financial Secretary will provide a set of written instructions for the Counting team so that the counting of cash receipts from offerings and the preparation of the bank deposit will be done in a uniform and consistent manner to assure accuracy of the cash count. There is no right way to count the money but a systematic approach assures that each week the process is handled the same.
10. The Sunday offering should not be taken to a counter's home for making the cash count.
11. The insurance coverage of the church on the officers or those persons designated by the Session to have access to the assets of the church

requires that the cash be kept on the church premises until deposited in a financial institution designated by the Session.

12. The Financial Secretary will be responsible to reconcile the amount shown on the counter's sheet as the total of the offering received with the bank deposit slip validated by the bank and the amount credited on the bank statement. The Counters will assist in resolving any discrepancies that appear.

ELECTRONIC FUNDS TRANSFER AND CREDIT CARDS

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A variety of companies now provide for churches to take credit card payments and contributions. This process requires you to have an agreement with a credit card processing company and a way to transfer that money to your bank accounts. The method of payment can range from smart-phone access to a "button" on your web page where credit cards are processed to have a device connected to your offering plate so someone in the congregation can connect to their phone and swipe their credit card to your account.

This program should be explored in depth before you sign up with a particular company so you know the costs you will incur and how you will retrieve your money and the information about who gave, how much was given and any special designations the giver planned for the money.

Programs for the processing of credit cards can be found at:

The Presbyterian Foundation: www.presbyterianfoundation.org. Look under Resources to find the link to Online Giving.

Hubbard Press: http://hubbardpress.pcusa.org. On the home page look for Electronic Funds Transfer. Donors and congregations both benefit from a system of regular support that reduces paperwork and avoids "catch-up" periods for members.

Many other companies: Look on a Google search for "online giving."

GIFT ACCEPTANCE POLICY GUIDELINES

Introductions

In the beginning of the Policy statement it is appropriate to include some statement of purpose for your policy. A few examples are listed here:

Christian stewardship involves the faithful management of all the gifts God has given us - time, talents, the created world, even our money. For many people, the stewardship of money means current income and its use. Stewardship is concerned equally, however, with accumulated, inherited and appreciated resources.

Those who came before us have provided a meaningful heritage of religious experiences and physical facilities. We have been entrusted with the continuing duty of the benevolent, educational and mission work of the Christian Church. It is also our obligation to provide for the continued care and upkeep of the structures erected and paid for by our predecessors. These buildings that serve us today are a tribute to their vision, faith and sacrifice.

To aid in expanding our work and mission as Christians to our community and world, to provide perpetual care and upkeep for the physical facilities of the _____ Presbyterian Church, and to seek and receive gifts, bequests, memorials and other contributions for these purposes, we therefore create, adopt and establish an endowment and gifts plan.

This plan is to be administered in such a way that it does not diminish responsible continued support and involvement of church members.

General Information

A. The Date of the beginning of the Policy should be mentioned.
B. The object or purpose of the Policy should be mentioned.
C. The definition of Special Funds, i.e. Restrictions that the Session chooses; Operating Funds, Reserve Funds, Mission Fund, Endowment Fund, Building Fund, etc.
D. The Group of people who will manage the Restricted Funds should be identified and their responsibilities and limitations should be listed.
E. How the Session chooses to disburse Funds given without Restrictions.
F. What the plan of the Session is for non-cash gifts given to the church; i.e. to liquidate as soon as possible and deposit the generated cash in an appropriate Fund of the church.
G. How the pooled Funds will be Invested.
H. How the Policy can be amended if any one chooses to change things.
I. And what happens to the Funds if the church dissolves.

Definitions which might be helpful

A. *RESTRICTED GIFT*, i.e. Fund with Restrictions, is any gift which a donor gives to the church with a "Restriction" placed on the future use of the monies given or the monies gained from the sale and or investment of the gift. This can include verbal instructions, but the preference would be to have the donor write out their wishes on a Restricted Gift Information

Form so the Session can decide whether they will accept the gift to the church with the Restrictions or whether they would like to talk further with the donor before accepting or rejecting the gift. Direct the giver to the Restricted Gift Information Form.

B. *DESIGNATED FUNDS* are specific designations that the Session will determine as they are needed. Any Designated Fund, when created, will clearly state the uses of the Fund, as well as the length of time the Fund will be in existence. When that time has passed the Session may either extend the time period or transfer any remaining Funds to the Operating Fund or some other place that they have determined is a better fit.
C. *A FUND WITHOUT RESTRICTIONS* is any gift which a donor gives without a "Restriction" placed on the future use of the monies given or the monies gained from the sale and/ or investment of the gift. This is often called an "undesignated gift." Any gift given to the church without Restrictions can be used by the Session in whatever manner they choose. The first use is often the Operating Fund, then when enough cash flow exists in the Operating Fund the Session should consider setting up a Reserve Fund of at least three months' worth of operations. With the Reserve Fund in place the Session can then begin to set monies aside for specific causes and general investments. Even when the Session sets up a Designated Fund for a particular cause, the Fund is a Fund without Restrictions because the Session can change the Designation at any time; unlike a Restriction which cannot be changed by the Session just because they want to do something different.
D. *AN ENDOWMENT FUND*, more appropriately called a Fund with Permanent Restrictions may be set up by the Session at some time they so determine and the Endowment Fund will be money set aside for the purpose of preserving the principal and only spending a portion of the growth and interest according to this Policy.
E. *MEMORIAL GIFT* is any gift given by a donor in memory of another person. Memorial gifts will be acknowledged to both the donor and the family of the deceased and will be placed in the General Fund and the money used for such purposes as the Session deems necessary. If the gift comes with a Restriction attached, the gift will be handled according to this Policy and if accepted will be allocated along with other Funds with Restrictions.

Policy

A. All monies given to the Church will be used for the benefit of the Church at the discretion of the Session unless the Session accepts a gift with Restrictions. If the Session identifies from time to time Designated Funds to which donors can contribute and the Session will use the Designated Funds for this defined Restricted use. The Fund becomes a Fund with Restrictions. The Session will make these Designated Funds known to the donors. A note in the memo line of the check or a written notice to

the Session will direct the Session to use the money for the Restricted purpose.

B. If a donor would like to contribute to a project where the Session does not have a Designated Fund, the donor may request, in writing, the Session consider a new Restricted Fund to be used for the purposes the donor wishes. The Session shall consider this request in accordance with this Gift Acceptance Policy and notify the donor of their decision before accepting the gift.
C. The Church shall at all times reserve the right to refuse a gift from an individual or from an estate when it is not in the best interest of the Church or does not seek to follow the guidelines of the church's exemption causes. When the gift comes from a will or trust, the Session shall review any Restrictions upon the gift, any possible conflicts the gift might pose, or if the gift might create an undue financial burden upon the Church or asks the Church to use the gift for purposes not consistent with their exempt status, they reserve the right to refuse the gift or contact the family and discuss possible other uses for the gift.
D. The Session will regularly publish the following notice to the potential donor base:
E. "All donations to the Church are subject to the Church's Gift Acceptance Policy. The Church will treat the donor's preferred Restrictions as suggestions unless the Session has approved the donor's Restrictions before receiving the gift. Copies of the Policy are available in the Church Office."
F. "All Solicited Contributions are solicited with the understanding that the Church will use the contributions as much as possible for the purpose in the stated solicitation. The Session might choose to change their plans without seeking the approval of the membership."
G. Any "Gifts without Restrictions" given to the Church will be used by the Session in the highest and best use at the time according to the church's needs and their exempt purposes.
H. When the Session sets up a special Fund, i.e. by designation or because of the acceptance of a donor Restriction, the Session should consider setting an ending date on the Restriction and if the money is not used by that date, the remaining funds will be moved to the Operating Fund or some other Restricted or Designated use.
I. Some statement of the church's definition of income from investments. As mentioned elsewhere in the Manual, the total return of your portfolio is made up of Interest, Dividends, Capital Gains, gain/loss of value minus the cost of investing. Avoid looking just at the dividends and interest paid out. When the value rises from 1,000,000 to 1,200,000, plus the interest and dividends, you have an additional 200,000 of useable monies to help with the 4% withdrawal. You might have to sell stock to realize the cash needed but it is gain none the less. Most churches should set a minimum goal for the growth of the portfolio, investment each year (i.e. 3%) so that the principal at the end of this year

will be at least 4% higher than it was last year, even after you paid out the 4% value.

Types of Gifts

A. Cash Gifts, either cash or check, will be accepted. Checks should be made payable to the _____ Presbyterian Church.
B. Publicly Traded Securities will be accepted, however, the donor needs to know that the Church may immediately sell such securities and convert them to cash,
C. Any security not publicly traded will be accepted only if the Session determines there is a readily available market for their disposition and the security does not present any ongoing cost or liability to the Church.
D. Real Property will be accepted provided the property is not encumbered by a mortgage and the donor has a current appraisal of the property for the Church. Usually, residential property within the State of _____ will be accepted. However, the Church has the right to refuse any Real Property which has environmental, historic, or other inhibiting strings attached.
E. Tangible Personal Property such as jewelry, artwork, collections, and other personal property will usually not be accepted by the Church unless the value is greater than $1,000 for each piece and there exists a market for the property.
F. Other Property of any description including mortgages, notes, copyrights, royalties, easements, whether real or personal, shall only be accepted by further action of the Session.

Deferred Gifts

A. Bequests in the Will and Living Trust of the donors should be welcomed and encouraged by the church.
B. The donors of the Church are encouraged to name the Church as a partial or full beneficiary of any Life Insurance Policy.

Publicizing for Contributions

A. Here is a list of possible paragraphs to publicize so donations can be received without restrictions.
B. “Contributions are solicited with the understanding that [Church/Ministry] has complete discretion and control over the use of all donated funds. [Church/Ministry] will attempt to honor gift preferences to support particular workers, but the final decision on the use of all funds rests with the organization.” – sample provided by Evangelical Council of Financial Accountability
C. “Contributions are solicited and received with the understanding that the Board of Directors has complete and final discretion and control over the use of all donated funds.”

D. “The Elder Board reserves the right to redirect funds to the area of ministry most needed. Designations are considered suggestions.”
E. “All offerings are tax deductible according to IRS regulations. The board of elders reserves the right to direct funds to the area most needed. We sincerely appreciate your financial support.”
F. “Donations to ABC Church are tax deductible in accordance with the provisions of the Internal Revenue Service. Donations are solicited with the understanding that ABC Church has complete discretion and control over all donated funds. In practice, ABC Church implements donor instructions whenever possible. In case a gift cannot be used as indicated by the donor, it will be applied to other important functions of ABC Church.”
G. “The Leadership of ABC Church reserves the right to direct all freewill offerings/gifts to the area of greatest need within the ministry. All offerings/gifts to ABC Church are completely Tax Deductible. Thank you for your financial support to this ministry.”

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GIFT ACCEPTANCE POLICY (sample)

Sample provided by the Presbytery of San Jose.

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_____ Presbyterian Church
(Approved by Session _____ on _____)

INTRODUCTION

Christian stewardship involves the faithful management of all the gifts God has given us - time, talents, the created world, even our money. For many people, the stewardship of money means current income and its use. Stewardship is concerned equally, however, with accumulated, inherited and appreciated resources.

Those who came before us have provided a meaningful heritage of religious experiences and physical facilities. We have been entrusted with the continuing duty of the benevolent, educational and mission work of the Christian Church. It is also our obligation to provide for the continued care and upkeep of the structures erected and paid for by our predecessors. These buildings that serve us today are a tribute to their vision, faith and sacrifice.

To aid in expanding our work and mission as Christians to our community and world, to provide perpetual care and upkeep for the physical facilities of the _____ Presbyterian Church, and to seek and receive gifts, bequests, memorials and other contributions for these purposes, we therefore create, adopt and establish an endowment and gifts plan.

This plan is to be administered in such a way that it does not diminish responsible continued support and involvement of church members.

ARTICLE I ESTABLISHMENT OF PLAN

Because Presbyterians are called to be stewards of all the gifts of God, an Endowment and Gifts Plan for the _____ Presbyterian Church (the "Church") is hereby established effective _____(DATE).

ARTICLE II OBJECTIVE OF PLAN

The objective of the Plan is to encourage gifts, bequests, and other planned giving to St. Andrew Presbyterian Church and to provide a mechanism for the use of such gifts to further the mission of the Church and the work of Jesus Christ.

ARTICLE III CREATION OF FUNDS

The Church hereby creates three separate Funds, as described below. These Funds shall be used by the Session for needs beyond the normal operating budget of the Church and shall be held separate from all other Church funds. The Funds are not intended to exist and be maintained in competition with the normal stewardship programs of the Church, and it is not contemplated that the assets of the Funds will be used in discharging current

budgeted operating expenses of the Church. Separate accounts may also be established within each Fund for a specific purpose(s).

3.1 **Facilities Reserve Fund**. The principal and income from the Facilities Reserve Fund shall be used to provide perpetual care and upkeep for the physical facilities of the Church. The expenses related to routine maintenance and normal housekeeping are not intended to be the subject of Fund disbursement since these items should be included in the normal annual operating budget. In addition, the annual Church budget may make a contribution to the Facilities Reserve Fund. The Facilities Reserve Fund should be used only for major repair or capital improvements. The Operations Committees shall make recommendations to the Session for the use of these funds. The Session shall, in its sole and absolute discretion, determine and direct the use of this Fund in accordance with this paragraph.

3.2 **Mission Fund**. The principal and income from the Mission Fund shall be used by the Session for the Church's extended mission work and outreach of a special, nonrecurring, or occasional nature. These funds, including the initial tithe, can be used as initial salaries for personnel not to exceed three years. Other potential uses might include but are not limited to: Christian education; special outreach programs to youth, elderly, disadvantaged or homeless people in the community; mission-oriented and evangelistic projects; ecumenical projects; and causes of St. Andrew Presbyterian Church. The Outreach or Enrichment Committees shall make recommendations to the Session for the use of these funds. The Session, shall in its sole and absolute discretion, determine and direct the use of this Fund in accordance with this paragraph.

3.3 **Endowment Fund**. The principal of the Endowment Fund shall be invested in perpetuity for growth and income. 4% of the ending value of the Endowment Fund will be equally divided between the two funds at the end of the calendar year to the extent that 4% does not erode the principal. We will take a three-year average and may spend 4% of the average or of the current fund balance whichever is lower. The Session can redirect funds as they deem necessary. The purpose of the Endowment Fund is to expand and enrich the mission of the Church, not to support the annual budget.

3.3.1 Contingency Clause. In the event of a crisis, the Session may access the Endowment Funds for the use of the Church. This will require a 75% vote of Session at two consecutive regularly scheduled Session meetings and a majority vote of the congregation present, at a duly called meeting. Funds can either be borrowed with set interest and timeframe of repayment or accessed and used.

ARTICLE IV ENDOWMENT COMMITTEE

An Endowment Committee (Committee) shall be established to advise the Session on the management and investment of the three Funds.

4.1 Additional Responsibilities. The Committee shall also have the following responsibilities:

4.1.1 To acquaint Church members and friends with the

opportunity of making gifts and bequests to these Funds.

4.1.2 To annually present to the Session for its approval, a current financial report, on the status of the Funds for the previous fiscal year.

4.1.3 To report quarterly to the Operations Committee on the status of the Funds and their uses for the previous quarter.

4.1.4 To regularly review the allocation of the investment of the Funds to assure appropriate growth and income objectives that are commensurate with the long term mission of the Church and advise the Session of any problems or significant changes to any of the Funds.

4.1.5 To consult with a financial advisor regarding the performance and allocation of resources, assuring the safekeeping, management, investment and transfer of all funds and properties comprising the Funds.

4.1.6 To review gifts of unusual nature or ones that may impose a liability to the Church and make recommendations to the Session on whether to accept or refuse such gifts.

4.1.7 To discharge other responsibilities related to the Funds as may be assigned to the Committee by the Session.

4.2 Membership. The Endowment Committee shall consist of three active members of the Church. The Committee will include at least one member of Session, and at least one member at large, preferably the Treasurer. Each will serve a three-year term and may serve no more than two consecutive terms. Persons elected to serve on the Committee should have a genuine interest in the present and future ministries of the Church. Church members with investment, legal, tax and financial expertise may be prime candidates for this Committee. Vacancies on the Committee shall be filled by special election or appointment, whichever is appropriate, as provided above. The Committee shall elect its own chair and other officers as it determines appropriate.

4.3 Meetings. Endowment Committee meetings involving election of officers, decisions on financial investments, and recommendations to the Session shall have a quorum present. A quorum is two people.

4.4 Liability. No member of the Endowment Committee shall be liable hereunder for any matter or action, except for his or her own bad faith, gross negligence, or willful misconduct.

ARTICLE V ASSIGNMENT OF GIFTS RECEIVED

Although prospective donors should be encouraged to place as little restriction as possible on the gift in order that long-range goals set forth in the Plan may be achieved, gifts to the Plan may be either undesignated or designated.

5.1 For Undesignated gifts of more than $20,000 it is suggested that monies be allocated to the three established funds including tithing.

50% to Endowment
30% to Missions (including a 10% tithe)
20% to Facilities

This is a default system, but Session has the right to direct the funds as they deem necessary. At the beginning of each year, the Endowment Committee shall evaluate the need to continue this division of undesignated gifts between these Funds. Changes to this system will be reported to congregation.

5.1.1 If an undesignated gift less than $20,000 in value is received by the Church, the financial needs of the Church shall be evaluated by the Endowment Committee as to whether the provisions of Paragraph 5.1 are appropriate for this gift, and make a recommendation for use of this gift to the Session. If the Session determines that the provisions of Paragraph 5.1 are not appropriate for the gift, the Session shall, at its discretion, use the gift as it deems most appropriate, possibly including current operating budget.

5.2. For Designated gifts. A donor may designate bequests or gifts into one or all of the three Funds or into any other Special Funds.

5.2.1 A donor may request a restriction on the use of the gift. The Church will make every reasonable attempt to comply with the donor's restrictions, and may establish a Special Projects Account, if appropriate, subject to the Church's existing policies. Special Project Accounts are generally intended to be short term in nature, and should, whenever possible, last no longer than three (3) years.

5.2.2 The Endowment Committee may counsel with any donor who has indicated an intention to make a designated gift, if the donor's restrictions, conditions, form, or uses do not appear to be consistent with the Church's existing policies or missions. The Session has the power to decline a gift if the restrictions, conditions, form, or uses are deemed inappropriate or create additional liability to the Church.

5.2.3 If a donor has designated a gift for a particular purpose, and if that purpose is or becomes contrary to the policies or missions of the Church, or if the amount of the gift is substantially greater than the need of the Church for that particular purpose, the Church shall attempt to use the gift, or the amount in excess of the need of the Church, for a purpose as close as possible to that designated by the donor. If no such use can in good faith be found (within 3 years), the principal, the balance, and the income from the gift shall be reviewed by the Endowment Committee to be placed in one of the three funds. Similarly, if the unused balance of the designated gift is reduced to a level that limits the gift's effectiveness, this balance shall be placed in the Endowment Fund. If reasonably possible, the donor's approval will be requested and obtained prior to movement of these monies.

5.3 Disposition of Gifts Other Than Cash. The Endowment Committee shall recommend to the Session a plan for the disposition of gifts such as real estate, stocks, and bonds in a timely manner.

ARTICLE VI INVESTMENT OF THE FUNDS

The Committee shall work with an investment advisor to determine the financial goals for these Funds.

6.1 Fiscal Year. The fiscal year of each Fund shall coincide with the Church's operating budget fiscal year.

6.2 Investments. The investments shall be a combination of publically traded stocks and investment grade corporate bonds or government treasuries and various interest bearing cash accounts. All investments shall be of a liquid nature with the assets being available within three business days of sale. The allocation balance of the investments should range between a minimum of 35% stock to 70% stock. At no time will more than 5% of the portfolio be invested in any one company, i.e. if the church should buy shares of GE it should also look at the holdings of their mutual funds to see if they own GE and limit their share purchase so the overall investment in GE is less than 5%.

6.3 Accrual of Income. The income, defined as interest and dividends and capital gains, from the Endowment Fund will be reinvested unless money is to be spend from the Fund within the next quarter.

6.4 Inter-Fund Transfers. The Session may approve the transfer of all or any portion of the Facilities Reserve Fund or the Mission Fund, or both, exclusive of principal and income of designated gifts to those Funds, between each Fund or to the Endowment Fund. The principal of the Endowment Fund, however, cannot be transferred except as stipulated in 3.3.1.

ARTICLE VII AMENDMENTS

The provisions of this Plan may be amended only at a regularly scheduled monthly Session meeting at which 75% of the Session members are present and only by an affirmative vote of two-thirds of those present.

Amendments shall be effected by such vote only after readings of the proposed amendment(s) at the preceding two consecutive regularly scheduled monthly Session meetings. Amendment action by the Session is to be preceded by notice to the congregation, in the newsletter and by posting on the bulletin board, of the text of any proposed amendment(s) and the rationale therefore; such notice is to be provided concurrently with the readings called for above.

ARTICLE VIII CHURCH CONSOLIDATION, MERGER, OR DISSOLUTION

If at any time the Church shall be lawfully merged or consolidated with any other church, all of the provisions with respect to the Endowment, Facilities and Mission Funds Policy shall be deemed to have been made for and on behalf of such merged or consolidated church which shall be entitled to receive all the benefits of said funds and shall be obligated to administer the same in all respects in accordance with the terms hereof.

In the event of the dissolution of the Church, the Session shall have the responsibility for the final disposition of all assets of the Endowment and Support Funds Program in consultation with The Presbytery of _____ and in keeping with all rules, policies and guidelines of the Presbyterian Church (U.S.A.)

RESTRICTED GIFT INFORMATION SHEET

(Return to Table of Contents)

Fund Name (the name you will use to remember the givers)
Date Created _____ Original Value _____
Date Restrictions will end _____
Instructions for use following Restrictions _____
_____
Given by Whom _____
Contact Person, member of the Family _____
Address _____
Phone Number _____
Restrictions:
(is this fund Restricted or Unrestricted?

List the specific Restrictions: _____
_____

What is the Nature of the gift: (i.e. stock, bequest, cash, real property, other?)
_____

Special Instructions: (can the principal be spent, under what conditions? what can the interest / gain be used for? what exceptions exist?
_____
_____

History: Why was this given, who for, what were their special interests. What information do you have to help honor the givers? If given with a designation, quote the designation from the letter or from the will or trust or attach the letter to the file.

Include a Copy of the gift letter sent to the giver.

INCLUDE THE CHURCH IN MY WILL OR TRUST?

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I, _____, request my attorney to include the following distributions in my/our trust at the time of my / our death.

Upon the death of the Grantor, and after the payment of the Grantor's just debts, funeral expenses, and expenses of last illness, the following distributions shall be made:

Specific Distributions. The following specific distributions shall be made from the assets of the Trust.

$ _____ (amount or %) shall be distributed to _____. If this church does not survive the Grantor, this bequest shall be distributed

____ to the Presbytery of _____ or _____ with the residuary assets of the Trust.

Name, address, phone number and contact person of church _____

Name, address, phone number and contact person of Presbytery _____

Other designated distributions (include name, address, phone number and contact person):

1. _____, _____
2. _____, _____
3. _____, _____

ETHICS POLICY (sample)

Adapted from the Handbook for Treasurers of the Christian Church (Disciples of Christ)

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It is the policy of _____ Presbyterian Church that its employees and board members uphold the highest standards of ethical, professional behavior. To that end, these employees and board members shall dedicate themselves to carrying out the mission of this organization and shall:

1. Hold paramount the safety, health and welfare of the public in the performance of professional duties.
2. Act in such a manner as to uphold and enhance personal and professional honor, integrity and the dignity of the profession.
3. Treat with respect and consideration all persons, regardless of race, religion, gender, maternity, marital or family status, disability, age or national origin.
4. Engage in carrying out Church's mission in a professional manner.
5. Collaborate with and support other professionals in carrying out the Church's mission.
6. Build professional reputations on the merit of services and refrain from competing unfairly with others.
7. Recognize that the chief function of the Church at all times is to serve the best interests Christ our Lord.
8. Accept as a personal duty the responsibility to keep up to date on emerging issues and to conduct themselves with professional competence, fairness, impartiality, efficiency, and effectiveness.
9. Respect the structure and responsibilities of the Session, provide them with facts and advice as a basis for their making policy decisions, and uphold and implement policies adopted by the Session.
10. Keep the community informed about issues affecting it.
11. Conduct organizational and operational duties with positive leadership exemplified by open communication, creativity, dedication, and compassion.
12. Exercise whatever discretionary authority they have under the law to carry out the mission of the Church.
13. Serve with respect, concern, courtesy, and responsiveness in carrying out the Church's mission.
14. Demonstrate the highest standards of personal integrity, truthfulness, honesty, and fortitude in all activities in order to inspire confidence and trust in such activities.
15. Avoid any interest or activity that is in conflict with the conduct of their official duties.
16. Respect and protect privileged information to which they have access in the course of their official duties.

17. Strive for personal and professional excellence and encourage the professional developments of others.

FULLY ACCOUNTABLE EXPENSE REIMBUSEMENT PLAN (sample)

(Return to Table of Contents)

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

The _____ Presbyterian Church, adopted this policy at a regularly scheduled meeting of the Session on ___Day_____, ___Month_____ ____Year_____ with a quorum present.

This constitutes a fully accountable expense reimbursement plan for its ministers, employees and volunteers, in accordance with the rules and regulations of the Internal Revenue Service. These regulations provide that an employee "need not report on his/her tax return" expenses paid or incurred by the employee solely for the benefit of the church for which such employee is required to and does account to the church and which are charged directly or indirectly to the church.

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

1. Reimbursements shall be paid out of church funds and not by reducing pay checks by the amount of business expense reimbursements.
2. The church shall not include in an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy.
3. Any excess reimbursement paid out to employee and not properly accounted for must be reimbursed to the church within 120 days.
4. All mileage expenses will be reimbursed at the current year IRS rate. Documentation must accompany the request that lists the time and place, odometer readings, identification of business and statement of business purpose. Note: No job commuting miles will be reimbursed.
5. Receipts are required for any reimbursement of expenses.
6. Requests for reimbursement for meals or entertainment must include the business relationship among the parties to sufficiently explain the business purpose and why the expense was incurred on behalf of the church. Guidelines for determining reasonable meal expenses shall not exceed $_____/breakfast, $_____/lunch and $_____/for dinner.
7. When necessary, the church will provide cash advances for allowable and appropriate business expenses. By accepting an advance, the minister, employee, or volunteer agrees to comply with the requirements of the plan and will document the expenses and return excess payments within 5 business days.
8. Requests for reimbursement or cash advances will be made on an expense report, signed by the payee, approved in the same manner

required for all checks and submitted for payment. Reimbursement requests should be approved by someone other than the payee.

9. Expenses will be charged to a particular program area that is associated with the reason for the expense. Professional development expenses will be charged to an appropriate personnel account.
10. Requests for reimbursement must be made within 30 days of the expense.
11. Original receipts and documentation of the request for reimbursement will be retained by the church to substantiate the expense.

Acknowledgement.

I have received a copy of the Church's Fully Accountable Reimbursement Plan and understand that it provides guidelines and summary information about the church's reimbursement policy, procedures and rules of conduct. I understand that it is my responsibility to maintain adequate and accurate records and forward all supporting expense reports, receipts and documentation to the church.

Name: _____ Date: _____

.

INVESTMENT POLICY (sample)

Adapted from a Sample Policy used by the Presbytery of San Jose.

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FOR _____ PRESBYTERIAN CHURCH

PURPOSE

The Finance Committee (Committee) of _____ Church (Church) adopts the following Investment Guidelines Statement (IGS) to be implemented by the Committee to describe the objectives and strategies for investing the monies entrusted to the Church.

RESPONSIBILITY

First and foremost, the Committee acknowledges our belief that Christian stewardship is an awareness that everything we have is a gift from God. We are absolute owners of nothing; rather, we are stewards of all we receive and we must use such resources responsibly in our life-long work of service in the Kingdom of God.

The Session of the Church (Session) will have the responsibility of approving and amending this IGS.

The Committee will be responsible for implementing this IGS including enlisting the help of investment advisors and brokers, opening and closing accounts, and changing specific investments as needed to carry out the objectives stated in this IGS.

CONFLICT OF INTEREST

To avoid any conflict of interest in the investment process, any person listed on our investment accounts and authorized to trade on our behalf must have prior approval from the Session before purchasing any specific investment vehicle, pursuing any new strategy of investment, or agreeing to any fee structure on accounts. Thus the Session will approve all firms with which the Committee invests, all investment tools, all investment strategies, and all fee structures.

Anyone authorized to trade will make trades within these guidelines, including those mentioned below and will have the online account IDs and passwords available to at least one other person at the Church.

INVESTMENT OBJECTIVES

The Committee will act as good fiduciaries, making every attempt to preserve capital and yet provide a prudent total return over a 5 – 7-year time horizon as compared with the well accepted benchmarks of the financial markets.

INVESTMENT STRATEGIES

The Committee will maintain a diversified portfolio of high quality securities and fixed income vehicles that have a history of providing a competitive stream of returns consistent with the objectives.

INVESTMENT RISK

Risk Profile: The Church's risk level is Conservative to Moderate: meaning comfortable with fluctuations in the portfolio value, and the possibility of larger declines in value, in order to seek to grow the portfolio over time to meet the needs of both capital growth and needed distributions.

ASSET ALLOCATION

The actual average asset allocation over a three to five-year period should be within the following minimum and maximum levels for each category:

Asset Category	Range of Exposure	Initial Target
Cash	5.00 to 15.00%	10%
Fixed Income	20.00 to 60.00%	50%
Equity Assets	30.00 to 70.00%	40%

CASH ASSETS

These can range from bank accounts, savings accounts, money market accounts and other such instruments. These accounts can be located in local banks, brokerage houses, or online accounts.

FIXED INCOME ASSETS

These will include investing in CD's, B+ rated or better Investment Grade Corporate Bonds, US Government securities, etc.

EQUITY ASSETS

The equity investments should be limited for the most part to broad range investments rather than individual company stock, i.e. mutual funds, ETF's, money managers, etc. At all times these investments should be maintained as investments in liquid assets that are tradable on the open market.

At no time does the Committee wish to engage in the investments commonly known as "derivatives" (i.e. futures, forwards, swaps, etc.) nor in most of the "derivatives" known as options. As appropriate, "covered calls" on a limited number of securities can be used to increase income and rebalance the portfolio.

The hope would be to maintain a diverse portfolio among sector categories, market capitalization, and domestic & international markets, as seems appropriate to the Committee at any given time.

At no time will more than 5% of the portfolio be invested in any one company, i.e. if the church should buy shares of GE it should also look at the holdings of their mutual funds to see if they own GE and limit their share purchase so the overall investment in GE is less than 5%.

SPENDING POLICY

Under most circumstances the spending of the portfolio assets will be limited to 4% of the rolling average value of the portfolio of the three preceding year end numbers. Larger distributions for major projects of the Church may be authorized by the recommendation of the Committee and a vote of the Session.

AMENDMENT OF THESE GUIDELINES

Amendment of these guidelines is possible after advance written notice of any proposed amendment is given to all Committee members, prior to the meeting of the Committee. A vote by a majority of Committee members present at the meeting to concur with the amendment will be seen as a recommendation to the Session for approval. Only after the Committee has voted and the Session has approved, will a change in investment tools, strategies, or fee structures be acceptable.

SUGGESTIONS FOR RECORDS RETENTION.

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- Accident reports and claims. 7 years.
- Accounts payable ledgers/schedules. 7 years.
- Accounts receivable ledgers/schedules. 7 years.
- Articles of Incorporation Permanently
- Internal reports (miscellaneous). 3 years.
- Audit report of accountants. Permanently.
- Bank deposit slips. 3 years.
- Bank reconciliation. 1 year.
- Bank statements (not including canceled checks). Permanently.
- Brokerage statements (annual). Permanently.
- Budgets. 3 years.
- Capital stock and bond records: ledgers, transfer registers, stubs showing issues, record of interest coupons, options, etc. Permanently.
- Cash books. Permanently.
- Checks (canceled but see exception below). 7 years.
- Checks, canceled for important payments, i.e., taxes, purchases of property, special contracts, etc. (Checks should be filed with the papers pertaining to the underlying transaction). Permanently.
- Contracts, mortgages, notes & leases (expired). 7 years.
- Contracts, mortgages, notes & leases (still in effect). Permanently.
- Copyright registration. Permanently.
- Correspondence (routine) with customers/vendors. 1 year.
- Correspondence (general). 3 years.
- Correspondence (legal and important matters only). Permanently.
- Deeds, mortgages, and bills of sale. Permanently.
- Depreciation schedules. Permanently.
- Duplicate deposit slips. 3 years.
- Employee expense reports. 3 years.
- Employee payroll records (W-2, W-4, annual earnings records, etc.). 7 years.
- Employee personnel records (after termination). 7 years.
- Employment applications. 3 years.
- Expense analyses and expense distribution schedules. 7 years.
- Financial statements (end of year, other months optional). Permanently.
- Freight bills. 3 years.
- Garnishments. 7 years.
- General & private ledgers (and end of year trial balances). Permanently.
- Insurance Policies (expired). 7 years.
- Insurance records, current accident reports, claims, policies, etc. Permanently.

- Internal audit reports (in some situations, longer retention periods may be desirable). 3 years.
- Inventories of materials and supplies. 7 years.
- Invoices to customers. 7 years.
- Invoices from vendors. 7 years.
- Journals. Permanently.
- Magnetic tape and tab cards. 1 year.
- Minute books for director and stockholders, including bylaws and charter. Permanently.
- Notes receivable ledgers and schedules. 7 years.
- Payroll records and summaries, including payments to pensioners. 7 years.
- Petty cash vouchers. 3 years.
- Property appraisals by outside appraisers. Permanently.
- Property records: including costs and depreciation reserves. Permanently.
- Purchase orders. 7 years.
- Retirement and pension records. Permanently.
- Savings bond registration-records of employees. 3 years.
- Stenographer's notebook. 1 year.
- Stock and bond certificates. Permanently.
- Subsidiary ledgers. 7 years.
- Tax returns and worksheets, revenue agent's reports and other documents relating to determination of income tax liability. Permanently.
- Telephone logs/message books. 7 years.
- Time cards. 7 years.
- Trade mark registrations. Permanently.
- Training manuals. Permanently.
- Voucher register and schedules. 7 years
- Voucher for payments to vendors, employees, etc. (Includes allowances and reimbursements of employees, officers, etc. for travel and professional expenses). 7 years.
- Withholding tax statements. 7 years.

POLICY STATEMENT FOR LEASING CHURCH PROPERTY.

Borrowed from the Presbytery of San Jose.

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POLICY PAPER
Regarding churches within the Presbytery of San Jose allowing outside groups to use their facilities

The Lease forms should be filled out and sent electronically to the Financial Affairs Committee of the Presbytery at least one month ***before*** *the church enters into an agreement with an outside group. (Meaning: send complete proposed lease to Financial Affairs Com. of Presbytery for their review, they will send it back to the church with approval or suggested changes, then the church will have the tenants sign and the church will sign and* ***then mail the signed lease back to the Presbytery for signatures.)***

Send to _____ at the Presbytery of _____ who will forward to the Financial Affairs Committee of Presbytery for their review. (add appropriate email address _____)

Also: remember that any organization that leases your facility on a long lease needs to be mentioned on the church's Welfare Exemption Form (CA requirement) filed with the County annually and any organization leasing your facility that is not a 501c(3) qualified organization might increase the church's property tax liability and may incur Unreimbursed Business Income that could require the church to file Form 990 and pay appropriate income taxes.

Why the church needs a Lease Agreement with all Tenants?

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

Annually, the Session of the church should review all contracts and leases in effect as well as revisit any groups which the church has adopted as adjunct mission programs for the purpose of liability insurance coverage.

Who is a third party?

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

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

Should we use the Short Term Form or the Long Term Form of the Standard Lease Agreement?

As a rule of thumb, the Financial Affairs Committee of the Presbytery suggests:

Use the Long Term Form whenever the use will last longer than a weekend or is a recurring use.

Use the Short Term Form for all uses of a weekend's length or less.

A form is not needed when the user includes a member of the church and they are engaged in normal church related activities; such as weddings, memorial services, parties, etc.

However, it would still be a good practice if the church would acknowledge these events in their Session Meeting either by the adoption of the future calendar or on an individual basis in the consent docket.

Weddings and Funerals

A wedding or funeral for a church member or their family and/or the service will be performed by one of the pastors of the church does not need to be formalized with a Standard Lease Agreement. However, if the facility is being rented out to non-members for a wedding or funeral with a guest pastor, they should be asked to sign the short form.

Be sure to include in the description of the use of facilities and time of use all time related to decorating, caterer coming early to set up, rehearsal, etc. They will not be using the facility for just the wedding.

Remember that weddings often include outside service providers such as florists, photographers, caterers, etc. These providers should have their own liability insurance, worker's compensation insurance.

Adopting an outside group as a mission project of the church?

Any use out of the Normal should be listed in the Session Minutes and approved. What the Session is doing when they allow a group to use the church facilities without having their own insurance is accepting liability for whatever happens. As long as the Session has reviewed the situation and accepted this liability, they can adopt this use as a mission project of the church, and the insurance of the church should cover all liability.

Each church should verify this with their own insurance company before they proceed to use this as policy.

The kinds of groups you might adopt under your own insurance liability would include AA meetings, mission organizations, community groups, neighborhood groups, parties, other churches, Bible Study Fellowship, Community Bible Study, etc.

"Any time a third party comes onto the church property it is important for the church to think through the following:

1) do we have a written agreement that protects the church from negligence caused or created by this third party,

2) has the church been named as an additional insured on the third party's liability workers compensation, or auto liability policies, and

3) does the church have certificates of insurance from the third party?

Understandably, churches will be faced with situations where one or more of these controls cannot be obtained from a third part. At that point, the church leadership needs to carefully weigh the risks of the situation and make a wise decision as to whether or not that third party will be allowed to use or provide services within the church. All three of these controls should be sought out and obtained with few, if any exceptions."

From an informational bulletin by Zurich Services Corporation

STANDARD LEASE (Long Form)

Cover Page

The following is a Standard Lease Agreement

*This form should be filled out and sent electronically at least one month **before** the church enters into an agreement with an outside group. (Meaning: send complete proposed lease to Presbytery, after they have reviewed the lease they will send back to the church with approval or suggested changes, then the church will have the tenants sign and the church will sign and send to the Presbytery for signatures.) Send to _____ at the Presbytery of _____ who will forward to the Financial Affairs Committee of Presbytery for their review*

Note: IF THIS IS A RENEWAL OF AN EXISTING LEASE, HIGHLIGHT THE CHANGES OR SEND THE FINANCIAL AFFAIRS COMMITTEE A SUMMARY OF THE CHANGES. THANK YOU. You may be eligible to use the AMMENDMENT To The LEASE form, please read it first to determine if you need to use the full lease on renewing.

Please send in digital format to the Financial Affairs Committee at email address .

STANDARD LEASE AGREEMENT (Long Form)

This Lease Agreement (the "Lease") is made and entered into effective as of _____, 20__, by and between the Presbytery of _____, a non-profit _____ corporation (the "Presbytery"), and _____ Presbyterian Church, a non-profit _____ corporation (the "Church") (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and _____ (the "Tenant").

WHEREAS, the Presbytery is the owner of certain real property hereinafter described;

WHEREAS, the Church has certain interests and rights to such property and the use

thereof by virtue of its relationship to the Presbytery; and

WHEREAS, Tenant desires to lease such real property.

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

PART I

SUMMARY OF BASIC LEASE INFORMATION

The basic terms of this Lease are:

1. **Date of Lease:**
   _____
2. **Landlord:**
   _____
   a. **Address:**
      _____
3. **Tenant:**

_____

a. Tenant has Tax Exempt Status: ___yes ____ no;

b. Is it ___501c(3); ___other: _____

c. Insurance Coverage: _____ Yes;
_____ No.

d. Certificate of Insurance Provided to Landlord:
_____date.

4. **Premises** (Part 2, Item 1):

a. Address:
_____

b. See specifics spelled out in Exhibit A page 4 of 8.

5. **Lease Term** (Part 2, Item 5):

a. Duration:
_____

b. Commencement Date: _____ Expiration Date:
_____

6. **Monthly Lease Payments** (Part 2, Item 6):

a. $_____USD Monthly with a _____% annual increase.

b. Late Payments (Part 2, Item 7): $_____.____ or _____% of monthly payment.

7. **Security Deposit** (Part 2, Item 8): $
_____

8. **Use of Premises**:

a. **Permitted Use** (Part 2, Item 10):
_____
_____
____
_____
____

b. **Days and Times** (Part 2, Item 10):
_____
_____

____

9. **Compliance with Use Policies:** _____ Adjustments Indicated in Part 2, Item 21.
10. **Keys** (Part 2, Item 27): Landlord will provide Tenant with _____ sets of keys.
11. **Addresses of Notices** (Part2, Item 30):
    a. Landlord:
    _____
    b. Tenant:
    _____
12. **Attachments** (Part2, Item 37) (attach following Exhibit A page 4 of 8):
    a. Exhibit A
    _____
    b. _____
    _____
    c.
    d.
13. **List all Exceptions or Adjustments to this lease here or on a separate page:**
    a. _____
    b. _____
    c. _____
    d. _____

In the event of a conflict between a provision in this Summary and a provision in the balance of the Lease, the latter shall control.

EXHIBIT A

Description Of Space To Be Leased To Tenant

[to be completed]

PART 2

MAIN BODY OF THE LEASE

1. **Premises**. Landlord, in consideration of the lease payments provided in this Lease, leases to Tenant the space specified in Exhibit A attached hereto (the "Premises") located at address shown in Part 1 of this lease.

2. **Tenant Status**. Tenant represents that it is organized as a nonprofit or governmental entity and that it has provided written evidence of such status to Landlord upon or prior to execution of this Lease. Tenant agrees that within fifteen (15) days of demand by Landlord, it will supply Landlord with such further evidence of such nonprofit or governmental status as Landlord shall reasonably require, in the absence of which Tenant shall be in default under this Lease.

3. **Parking**. Tenant shall be entitled to parking privileges in Landlord's parking lot adjoining the Premises at such times that Tenant is entitled to use the Premises, subject to Landlord's ongoing needs for use of the parking lot.

4. **Storage**. Tenant may store items of personal property (subject to the restriction on "Dangerous Materials" contained in this Lease) in the location(s) listed on Exhibit A. All items shall be stored at Tenant's sole risk, and Landlord shall not be liable for any loss of or damage to any stored items.

5. **Lease Term**. The lease term shall commence and shall terminate as specified in Part 1.

6. **Monthly Lease Payments**. Tenant shall pay to Landlord monthly lease payments as specified in Part 1, payable in advance, on the first day of the term of this Lease and on the same day of each month thereafter. Such payments shall be made to Landlord's office or at such other place as may be designated from time to time by Landlord. All payments by Tenant under this Lease shall be made payable to the Church.

7. **Late Payments**. Monthly payments not paid within ten (10) days of when due shall give rise to a late fee which is specified in Part 1 of this lease.

8. **Security Deposit.** Upon execution of this Lease, Tenant shall pay to Landlord a security deposit as specified in Part 1 to be held by Landlord throughout the term of the Lease as security for Tenant's performance under the Lease. If Tenant is in default under this Lease (including but not limited to the failure to pay rent), Landlord may use, apply, or retain all or any part of the security deposit to cure the default or to compensate Landlord for all damage sustained by Landlord as a result of the default, without prejudice to any other remedy. Upon any application of all or any part of the security deposit resulting from Tenant's default, Tenant shall immediately on demand pay to Landlord the sum necessary to restore the security deposit to the original amount provided above. Landlord shall return the security deposit to Tenant (less any amounts retained by Landlord as permitted herein) within thirty (30) days after the expiration of the term of this Lease and return of possession of the Premises to Landlord if, at such time, Tenant has performed all terms, covenants, and conditions of this Lease. Landlord may commingle the security deposit with its general and other funds. Tenant shall not be entitled to any interest on the security deposit.

9. **Possession**. Tenant shall be entitled to possession on the first day of the term of this Lease, and shall yield possession to Landlord on the last day of the term of this Lease, unless otherwise agreed by both parties in writing.

10. **Use of Premises**. Tenant may use the Premises only for the purposes specified in Part 1 of this lease. And the Tenant may use the Premises only on the days and during the hours specified in Part 1. Tenant may not use the Premises for any other purpose or at any other time without the prior written consent of Landlord. In addition, Tenant may not use any other portion of Landlord's facility at any time without the prior written consent of Landlord. Tenant shall not perform any acts or carry on any practices that may injure the Premises, or be a waste, or a nuisance. Tenant shall not make any alterations to the Premises without the prior written consent of Landlord.

11. **Condition of Property**. Tenant has inspected the Premises and hereby accepts the Premises "AS IS," in the condition existing as of the date hereof. Tenant acknowledges that neither Landlord nor any other person has made any representation or warranty with respect to the Premises or

any other portion of the facilities, including but not limited to the suitability of the Premises or any other portion of the facilities for the conduct of Tenant's activities. Tenant agrees and acknowledges that Landlord has no obligation, as a condition to this Lease, to renovate or remodel or to otherwise construct any tenant improvements or alterations in the Premises.

12. **Common Area**. The term “common area” means the various areas designed for common use or benefit within the building or buildings in which the Premises are located and the adjacent grounds, including, but not by way of limiting, walks, corridors, entrance areas, facilities such as washrooms, drinking fountain, toilets, stairs and specific additional areas. The common area shall at all times be subject to the exclusive control and management of Landlord. Subject to reasonable rules and regulations that may be promulgated by Landlord from time to time, the common area is made available to Tenant for its reasonable nonexclusive use in common with Landlord or other tenants.

13. **Maintenance**. Except as otherwise provided in this Lease, Landlord shall have the obligation to maintain the Premises in good operating condition during the term of the Lease. The above notwithstanding, Tenant shall be responsible for cleaning the Premises after each use and restoring the Premises to their condition prior to use. Landlord shall have thirty (30) days after notice from Tenant to commence to perform its maintenance obligations under this paragraph, except that Landlord shall perform such obligations immediately if the nature of the problem presents a hazard or emergency. If Landlord does not perform its obligations within the time limitations in this paragraph, Tenant’s sole remedy shall be to institute suit against Landlord, and Tenant shall not have the right to withhold from rent any sums expended by Tenant. Tenant waives the provisions of Sections 1941 and 1942 of the California Civil Code with respect to Landlord’s obligations for tenantability of the Premises and Tenant’s right to make repairs and deduct the expenses of such repairs from rent.

14. **Damage to Premises**. Tenant will be liable for any damage to the facilities and/or furnishings in or about the Premises resulting from the acts or omissions of Tenant or Tenant's guests. Tenant shall immediately report any such damage to Landlord. In the event of such damage, the repairs will be carried out by Landlord and paid for by Tenant.

15. **Access by Landlord to Premises**. Landlord shall have the right to enter and use the demised Premises for the purposes and activities of the Landlord at times other than those specifically granted herein to the Tenant subject to the terms and conditions of this Lease. In addition, Landlord shall have the right to enter the Premises to make inspections, provide necessary services, or show the facilities to prospective buyers, mortgagees, tenants, or workmen. Landlord will endeavor to give reasonable notice to Tenant before entering the Premises during Tenant's times of use. As provided by law, in the case of an emergency, Landlord may enter the Premises without Tenant's consent.

16. **Utilities and Services**. Landlord shall be responsible for all utilities and services in connection with the Premises.

17. **Property Insurance**. Landlord and Tenant shall each be responsible to maintain appropriate insurance for their respective interests in the Premises and property located on the Premises.

18. **Liability Insurance**. Tenant shall maintain during the term of the Lease at Tenant's expense, in companies and through brokers approved by Landlord, public liability insurance with personal injury limits of at least $1,000,000 for injury to one person, and $1,000,000 for any one accident, and a limit of at least $1,000,000 for damage to property. Landlord shall be named as an additional insured on such insurance policy. Tenant shall deliver to Landlord a certificate of the insurance carrier to the issuance of such policy. The insurance policy shall provide that such policy will not be terminated by the insurance carrier on less than thirty (30) days written notice to Landlord. Tenant shall promptly advise, and have the insurance carrier advise, Landlord of any change in, additions to, or termination of any such policy; and upon any termination of such policy, Tenant will forthwith provide a new policy upon the terms and conditions set forth above.

19. **Indemnity Regarding Tenant's Use and Activities.** Tenant assumes responsibility and liability for and agrees to indemnify, hold harmless, and defend Landlord from and against any and all claims, losses, liabilities, injuries (including death), obligations, damages, and expenses, including reasonable attorney's fees, if any, which Landlord may suffer or incur that are occasioned wholly or in part by or result from any acts or omissions by Tenant or Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, or that for any cause or reason whatsoever arise out of or relate to Tenant's use of the Premises or Tenant's activities, including without limitation claims of sexual

misconduct, harassment, abuse, or molestation. Tenant shall forthwith notify Landlord in writing with a full description of the facts; the place, circumstances, nature and results; and the names and addresses of involved parties with regard to any occurrences on the Premises which involve any injury to person or property. Tenant will provide Landlord promptly with copies of any claims for damages of any sort, including complaints in any court actions involving such claims.

20. **Compliance with Laws**. Tenant shall, at its sole cost and expense, comply with all requirements of all municipal, state, and federal authorities now or hereafter in force pertaining to its use of the Premises. The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether the Presbytery or the Church be a party thereto or not, that Tenant has violated any such legal requirement shall be conclusive of that fact as between Landlord and Tenant.

21. Compliance with Use Policies. (to be negotiated between landlord and tenant)

In the case of shared use tenants must leave all rooms used just as they were found.

- _____ All garbage must be in proper receptacles.
- _____ Vacuum/sweep/mop as necessary (unless custodian has been hired).
- _____ Items left behind will be placed in our Lost & Found and discarded after two weeks.
- _____ If any furniture is moved, it must be returned to its place.
- _____ All tables/chairs set up must be put back away & wiped clean.
- _____ Bulletin boards and displays are not to be moved, taken down or altered, unless previous arrangements have been made.
- _____ Nothing is to be taped, stapled, or nailed to church walls or other property.
- _____ All windows and doors must be locked after event.
- _____ All lights, heating or appliances must be turned off after event.
- _____ Outside doors may be propped open for loading and unloading purposes ONLY.

- _____ Doors may NOT be propped open as people arrive, or during an event.
- _____ Doors may be unlocked before and during an event, only if there is a greeter stationed at the door at all times.
- _____ For use of the nursery, at least one church-approved baby sitter must be employed.
- _____ Use of kitchen facilities does not include use of appliances, dishes, or utensils.
- _____ Alcohol consumption is not permitted anywhere on church property.
- _____ Smoking is not permitted anywhere on church property.
- _____ Neither food nor beverages are permitted in the Sanctuary.
- _____ No usage of organ or piano is permitted in the Sanctuary without advance written consent of the Landlord.
- _____ Usage of audio equipment in the Sanctuary is permitted only after training and certification by one of Landlord's sound technicians.
- _____ Amplified music or other forms of loud noise are not permitted after 10 PM.

22. **Dangerous Materials**. Tenant shall not keep or have on the Premises any article or thing of a dangerous, inflammable, or explosive character that might substantially increase the danger of fire on the Premises, or that might be considered hazardous by a responsible insurance company, unless the prior written consent of Landlord is obtained and proof of adequate insurance protection is provided by Tenant to Landlord.

23. Taxes. Taxes attributable to the Premises or the use of the Premises shall be allocated as follows:

a. Real Estate Taxes. Tenant shall pay all real estate taxes and assessment resulting from or attributable to Tenant's use of the Premises.

b. Personal Property Taxes. Tenant shall pay all personal property taxes, and any other charges levied against the Premises, which are attributable to Tenant's use of the premises.

Tenant shall pay any taxes that are payable by Tenant under this Lease as provided above no later than fifteen (15) days before the delinquency

date. Landlord shall provide Tenant with a copy of any tax bill for such taxes received by Landlord promptly after receipt of the tax bill by Landlord. Tenant shall provide Landlord with written evidence of payment promptly after payment.

24. **Mechanics Liens**. Neither the Tenant nor anyone claiming through the Tenant shall have the right to file mechanics liens or any other kind of lien on the Premises, and the filing of this Lease constitutes notice that such liens are invalid. Further, Tenant agrees to give actual advance notice to any contractors, subcontractors, or suppliers of goods, labor, or services that such liens will not be valid.

25. **Defaults**. Tenant shall be in default of this Lease, if Tenant fails to fulfill any Lease obligation or term by which Tenant is bound. Subject to any governing provisions of law to the contrary, if Tenant fails to cure any financial obligation within fifteen (15) days (or any other obligation within ten (10) days) after written notice of such default is provided by Landlord to Tenant, Landlord at its option may take possession of the Premises without further notice and remove Tenant and its effects, and Tenant shall then quit and surrender the Premises to Landlord, but without prejudicing Landlord's rights to damages. In the alternative, Landlord may elect to cure any default and the cost of such action shall be added to Tenant's financial obligations under this Lease. Tenant shall pay all costs, damages, and expenses suffered by Landlord by reason of Tenant's defaults. Landlord's rights under this Lease are cumulative, and shall not be construed as exclusive unless otherwise required by law.

26. **Holdover**. If Tenant, with Landlord's consent, remains in possession of the Premises after expiration or termination of the Lease, then such holding over shall be construed as a tenancy from month to month, subject to all conditions, provisions, and obligations of this Lease insofar as the same are applicable to a month-to-month tenancy.

27. **Keys**. Landlord will assign appropriate keys to Tenant. Tenant will not copy any keys provided by Landlord and will carefully supervise the use of keys provided to maintain security of the Premises.

28. **Assignability/Subletting**. Tenant may not assign or sublease any interest in the Premises without the prior written consent of Landlord, which shall not be unreasonably held. Landlord's consent to one assignment or subletting shall not be deemed to be a consent to any subsequent assignment or subletting. Landlord's consent to an assignment

or sublease shall not relieve Tenant of its obligations under this Lease. Any transfer of this Lease from Tenant by merger, consolidation, or liquidation shall constitute an assignment for purposes of this Lease.

29. **Termination Upon Sale of Premises**. Notwithstanding any other provision of this Lease, Landlord may terminate this Lease upon 60 days' written notice to Tenant that the Premises have been sold.

30. **Notices**. Notices under this Lease shall not be deemed valid unless in writing and served either by personal delivery or certified mail, postage prepaid, addressed to addresses found in Part 1 for both Landlord and Tenant. Either party may change such address from time to time by providing notice as set forth above.

31. **Waiver**. One or more waivers by Landlord of a breach of any covenant or condition shall not be construed as a waiver of a subsequent breach of the same or any other covenants or conditions. Landlord's consent to or approval of any act by Tenant requiring Landlord's approval, shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar act by Tenant.

32. **Entire Agreement/Amendment**. This Lease, Part 1 and Part 2 plus Attachments, contains the entire agreement of the parties and there are no other promises or conditions in any other agreement whether oral or written. This Lease may be modified or amended only by a writing signed by all parties to this Lease.

33. **Binding Effect**. This Lease shall be binding upon the successors and assigns of the respective parties hereto.

34. **Severability**. If any portion of this Lease shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Lease is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

35. **Subordination of Lease**. This Lease is subordinate to any mortgage that now exists, or may be given later by Landlord, with respect to the Premises.

36. **Safe Environment**. Tenant agrees that it will comply with the following statement, as required by the Safe Church Standards:

> "Organizations using the facilities of the Church shall provide a safe and nurturing environment for children, youth and vulnerable adults and those who work with them. They must abide by the current Safe Church Policy of the Church or provide proof that their organization has a similar policy in place."

37. **Attachments.** All attachments noted in Part 1, and located before Part 2 begins, constitute a part of this Lease:

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LANDLORD

Presbytery of _____

By _____

Name: _____

Title: _____

_____ **Presbyterian Church**

By _____

Name: _____

Title: _____

TENANT

_____

By _____

Name: _____

Title: _____

STANDARD LEASE AGREEMENT (Short Term Form)

(For outside groups seeking a One Time Use, Maximum of Three Days, all others should use the Long Form Lease which needs to be reviewed by the Financial Affairs Committee before entering into a signed final agreement.)

This Lease Agreement (the "Lease") is made and entered into effective as of _____, 20__, under an agreement with the Presbytery of San Jose, a non-profit California corporation (the "Presbytery"), between _____ Presbyterian Church, a non-profit California corporation (the "Church") (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and _____ (the "Tenant" – could also be a vendor or contractor).

For good and valuable consideration, the parties agree as follows:

38. **Premises**. Landlord, in consideration of the lease payments provided in this Lease, leases to Tenant the following space in the church facilities:

_____
_

_____
_____

For the following purposes:

_____
_____

_____
_____

39. **Term**. The lease term shall commence on _____, 20__ and shall terminate on _____, 20__.

40. **Lease Payments**. Tenant shall pay to Landlord a sum of _____ Dollars ($_____) including a non-refundable/refundable (cross out the appropriate choice) security deposit of _____ Dollars ($_____).

41. **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

a. _____ c. _____

b. _____ d. _____

42. **Condition of Property**. Tenant has inspected the Premises and hereby accepts the Premises "AS IS," in the condition existing as of the date hereof.

43. **Damage to Premises**. Tenant will be liable for any damage to the facilities and/or furnishings in or about the Premises resulting from the acts or omissions of Tenant, Tenant's guests or Tenant's third party vendors and service providers. Tenant shall immediately report any such damage to Landlord. In the event of such damage, the repairs will be carried out by Landlord and paid for by Tenant.

44. **Liability Insurance**. Tenant shall obtain for the term of the Lease at Tenant's expense, in companies and through brokers approved by Landlord, public liability insurance with personal injury limits of at least $1,000,000 for injury to one person, and $1,000,000 for any one accident, and a limit of at least $1,000,000 for damage to property. ***Landlord shall be named as an additional insured on such insurance policy.*** Tenant shall deliver to Landlord a certificate of the insurance carrier to the issuance of such policy before the beginning date of the term of this lease.

a. Tenants that hire service providers, individuals or subcontractors will also provide evidence of their current liability insurance, current Worker's Compensation insurance, appropriate auto liability coverage and evidence that the church has been named as an additional insured for the time of the Lease Agreement.

45. **Indemnity Regarding Tenant's Use and Activities.** Tenant assumes responsibility and liability for and agrees to indemnify, hold harmless, and defend Landlord from and against any and all claims, losses, liabilities, injuries (including death), obligations, damages, and expenses, including reasonable attorney's fees, if any, which Landlord may suffer or incur that are occasioned wholly or in part by or result from any acts or omissions by Tenant or Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, or that for any cause or reason whatsoever arise out of or relate to Tenant's use of the Premises or Tenant's activities, including without limitation claims of sexual misconduct, harassment, abuse, or molestation. Tenant shall forthwith notify Landlord in writing with a full description of the facts; the place, circumstances, nature and results; and the names and addresses of involved parties with

regard to any occurrences on the Premises which involve any injury to person or property. Tenant will provide Landlord promptly with copies of any claims for damages of any sort, including complaints in any court actions involving such claims.

46. **Compliance with Laws**. Tenant shall, at its sole cost and expense, comply with all requirements of all municipal, state, and federal authorities now or hereafter in force pertaining to its use of the Premises. The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether the Presbytery or the Church be a party thereto or not, that Tenant has violated any such legal requirement shall be conclusive of that fact as between Landlord and Tenant.

47. **Dangerous Materials**. Tenant shall not keep or have on the Premises any article or thing of a dangerous, inflammable, or explosive character that might substantially increase the danger of fire on the Premises, or that might be considered hazardous by a responsible insurance company, unless the prior written consent of Landlord is obtained and proof of adequate insurance protection is provided by Tenant to Landlord.

48. **Keys**. Landlord will assign appropriate keys to Tenant. Tenant will not copy any keys provided by Landlord and will carefully supervise the use of keys provided to maintain security of the Premises.

49. **Safe Environment**. Tenant agrees that it will comply with the following statement, as required by the Safe Church Task Force of the Presbytery:

"Organizations using the facilities of the Church shall provide a safe and nurturing environment for children, youth and vulnerable adults and those who work with them. They must abide by the current Safe Church Policy of the Church or provide proof that their organization has a similar policy in place."

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LANDLORD **TENANT**

_____ **Presbyterian Church**

_____

_____

By _____ By

_____

Name: _____ Name:

_____

Title: _____ Title:

_____

Phone: _____ Phone:

_____

Church Use Only

_____ The Session of the Church on _____ (date) adopted this Tenant as a mission program of the church and waives item #6.

This agreement was reviewed by the following two people before approval was granted.

_____ _____

AMENDMENT TO THE LEASE

*This form should be filled out and sent electronically at least one month **before** the church enters into an agreement with an outside group. (Meaning: send complete proposed lease to Presbytery, after they have reviewed the lease they will send back to the church with approval or suggested changes, then the church will have the tenants sign and the church will sign and send to the Presbytery for signatures.) Send to _____ at the Presbytery of _____ who will forward to the Financial Affairs Committee of Presbytery for their review. (email address)*

Effective Date of Amendment: _____

This Amendment to The Lease (the "Amendment") is made and entered into on the Effective Date above, by and between the Presbytery of San Jose, a California non-profit corporation (the "Presbytery"), and _____ Presbyterian Church, a California non-profit corporation (the "Church") (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and

_____ (the "Tenant").

RECITALS

A. Landlord and Tenant have previously entered into that certain Standard Lease Agreement, dated _____ (the "Lease") for use of specific property at the Church location.

B. Landlord and Tenant now desire to amend the Lease as set forth below. In the event of any inconsistency between the Lease, Previous Amendments and this Amendment, the terms and conditions of this Amendment shall supersede and control.

C. All terms not defined in this Amendment shall have the same meaning as set forth in the Lease.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Term. The Term of the Lease is hereby extended to (date) _____.

2. Lease Payments. As of the Effective Date of this Amendment the Monthly Lease Payment shall be $ _____.

3. Other Terms. All other terms and conditions of the existing Lease will remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment to The Lease as of the Effective Date.

LANDLORD TENANT SIGNATURES:

By (Church): _____ Print name: _____

By (Presbytery): _____ Print name: _____

By (Tenant): _____ Print name: _____

AMENDMENT TO THE LEASE FOR TERMINATION

This form should be filled out and sent electronically _____ at the Presbytery of _____ who will forward to the Financial Affairs Committee of Presbytery for their review. (email address)

Effective Date of Termination of the Lease: _____

This Amendment to The Lease (the "Amendment") is made and entered into on the Effective Date above, by and between the Presbytery of San Jose, a California non-profit corporation (the "Presbytery"), and _____ Presbyterian Church, a California non-profit corporation (the "Church") (the Presbytery and the Church hereinafter collectively referred to as the "Landlord"), and

_____ (the "Tenant").

RECITALS

D. Landlord and Tenant have previously entered into that certain Standard Lease Agreement, dated _____ (the "Lease") for use of specific property at the Church location.

E. Landlord and Tenant now desire to amend the Lease to terminate this Lease as set forth below. In the event of any inconsistency between the Lease, Previous Amendments and this Amendment, the terms and conditions of this Amendment shall supersede and control.

F. All terms not defined in this Amendment shall have the same meaning as set forth in the Lease.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

4. Date of Termination. The Term of the Lease is hereby finalized on (date) _____.

5. Lease Payments. Before the Tenant shall be free of all obligations, they must pay $ _____ of back rent and other financial costs associated with the Lease up to the date of Termination. Tenant must also return the keys to the property.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment to The Lease as of the Effective Date.

LANDLORD TENANT SIGNATURES:

By (Church): _____ Print name: _____

By (Presbytery): _____ Print name: _____

By (Tenant): _____ Print name: _____

MISSION FUNDING

Collection and disbursement of Funds

All monies collected for mission funding should be treated as Funds with donor restrictions and should not be co-mingled with general funds or used for any other purpose. If monies are to be sent on to the Receiving Site designated for your Presbytery, they should be sent in a timely manner, at least monthly, if funds are being collected. Do not wait until the last dollar comes in and then forget to send in the money. The denomination, the programs and the individual missionaries are depending on you the Treasurer to send in these monies in a timely fashion.

Shared Mission Support

(Return to Table of Contents)

Your gift to shared Basic Mission Support strengthens and promotes the mission of the entire church. Your generosity will share God's Work and Words around the world through mission personnel, Christian education, evangelism and new church development and ministries with all God's children.

Directed Mission Support

(Return to Table of Contents)

Directed Mission Support is gifts given to particular programs chosen by the donor. Your gifts support PC(USA) mission co-workers, Christian education, worship and stewardship, new church development and redevelopment, Presbyterian camps, ministries in higher education and the production of resources and services to strengthen congregations.

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

For a copy of the *Presbyterian World Mission Giving Opportunities* visit www.pcusa.org. There is a pledge form inside the book.

**Please note: Projects in the *Presbyterian World Mission Giving Opportunities* are already budgeted. Focusing your commitment on a specific project allows you the opportunity to choose how your dollars are utilized. It will not increase the amount dedicated to each project.

Extra Commitment Opportunities

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More than 1000 mission projects in the United States and around the world are supported through the *Extra Commitment Opportunities* program. From day care centers to scholarships, from the Miraj Heart Institute in India to the Mobile Health Fair Ministries of the Synod of the Covenant, from Lar

Betel Orphanage to the Older Adult Ministry Network, the arms of Presbyterian mission embrace the world. ECO projects are supported through gifts from individuals and monies over and above Sessions' adopted budgets. For a copy of the *Extra Commitment Opportunities Catalog*, visit www.pcusa.org.

Churchwide Special Offerings
(Return to Table of Contents)

Churchwide special offerings provide valuable fundraising and mission interpretation opportunities. These offerings serve as a significant way for the church to identify and respond to priority needs. Churchwide special offerings are a key component of the church's funding of ongoing programs and are an essential part of the Churchwide Funding Plan.

For more information on Special Offerings look up special offerings on the website, www.pcusa.org or see http://specialofferings.pcusa.org.

There are four churchwide special offerings in the calendar year:

- One Great Hour of Sharing Offering taken during the Easter Season as an "ecumenical effort to alleviate the effects of poverty, injustice, and disaster." (32% for Disaster Assistance; 36% for the Hunger Program; and 32% for Self-Development of People)
- Pentecost Offering taken during the season of Pentecost to address the needs of at-risk children and young people. (40% For Youth Work in congregations; 25% for Young Adult Volunteers; 25% for guiding Youth Ministries; and 10% advocating for Children-at-Risk.
- Peace and Global Witness Offering taken in October, the season of Peace, "uniting congregations in sharing the Peace of Christ and promoting reconciliation and peacemaking within cultures of violence and conflict." (25% for responding to conflict in our communities; 25% for connecting mid councils for Peace work; and 50% for advocating for Christ's peace and justice.)
- Christmas Joy taken in the season of Advent and Christmas "to assist church workers in their time of need and providing for the education and leadership development of our church's future racial ethnic leaders." (50% for Assistance Programs of the Board of Pensions; and 50% for racial ethnic leadership development)

In addition to the Four Churchwide offerings each year the denomination makes Other Specific Appeals for funding including the Theological Education Fund, the Special Disaster Assistance, and Presbyterian Women Appeals.