

Handling Financial Matters in the Congregation



Evangelical Lutheran Church in America

God's work. Our hands.

Separation of Financial Duties

- Written policies and procedures for key responsibilities (not person specific)
- Avoiding conflicts of Interest
- Handling/recording church income vs. handling disbursements
- Reconciling bank accounts by an individual not directly involved in banking activities
- Other than the treasurer:
 - Overseeing counting and recording offerings
 - Depositing receipts
 - Reporting income/gifts from individuals



Safeguarding offerings

- Dual custody at all times
- Rotating basis for counters
- Cash deposited immediately after counting
- Log of cash and check activity, including purpose (signed by two persons)
- Copies of deposit slips given to treasurer and financial secretary
- Regular reporting of offerings to members (quarterly)
- Maintain confidentiality (pastor, financial secretary and stewardship committee as need to know)



Charitable Deductions

- Meeting IRS requirements for charitable contributions
 - Cannot deduct
 - Contributions to individuals
 - Contributions from which donor benefits
 - Services, but can deduct unreimbursed, out of pocket expenses directly connected with the services (not living expenses)
- Substantiation
 - Cash: written acknowledgment (over \$250, no goods or services provided in exchange for the gift)
 - Non-cash gifts:
 - Fair market value
 - Form 8283 to be completed by charity for more than \$500
 - Generally, qualified appraisals for gifts of more than \$5,000



Designated and restricted gifts

- Acknowledge gift purpose
- Separate accounting and/or tracking
- Maintaining cash balance sufficient to cover designated restricted funds
- Honoring donor intent
 - Interpretation
 - General policy shared at time of gift for circumstances when purpose cannot be fulfilled
- Grant accountability and reporting; return of funds



Handling expenditures

- Utilize sales tax exemption forms
- Standard vouchers or expense forms
- Written approval for payment (including original invoices, receipts, etc)
- Check prepared by someone other than approver
- Authorized signatures on file at the bank; dual signatures recommended
- Pastor should not be an authorized signer
- Securing blank checks
- Considering electronic billing and payments
- Credit cards
- Petty cash



Accountable Reimbursement

- Written Policies and Procedures (not person specific)
- Establish a budget
- Reimbursing business expenses on an actual-cost basis rather than providing an expense allowance; cutoff to submit expenses for reimbursement
- Documentation of business purpose and original receipts
- Congregation making certain payments directly; reimbursing others; advances others
- Under account reimbursement, no reporting of W-2 income is required
- Congregation retains ownership of purchased items



Employee vs. self-employed

- Some important factors developed by the IRS for determining employee status include:
 - Must comply with instructions
 - Must provide services personally (no substitutes)
 - Services are integral part of organization's operation
 - Continuing relationship
 - Set hours of work
 - Full-time required
 - Working on organization's premises
 - Paid by hour, week or month (as opposed to by the job)
 - Payment of business expenses, benefits
 - Working for only one organization at a time
 - Right to terminate
- Clergy have dual tax status treatment- employee for income tax and self-employed for social security



Housing Allowance

- Excluded from federal income
- Established annually before beginning of tax year
- Approved by church council
- Applies to ordained, commissioned or licensed clergy
- Allowable expenses:
 - Mortgage/rent/real estate taxes/property insurance
 - Utilities
 - Furnishings and appliances (purchase and repair)
 - Remodeling and repairs
 - Yard maintenance and improvements
- Amount – fair market value, actual expenses (as long as less than amount previously designated)
- Housing equity allowance



Payroll (IRS Pub. 15, Circular E)

- Upon hiring, contracting – Form W-4, W-9
- Taxable wages (includes cash gifts, spouse's travel, personal use of church-owned vehicle, nonaccountable reimbursements; imputed interest on loans from employer; social security offsets)
- Quarterly – Form 941 (to report Social Security, Medicare and income taxes withheld and paid); Form 8109 (federal tax deposit form)
- Annually – Form W-2 or 1099-MISC (to employee) and coordinating forms to IRS
- Housing allowance included on W-2 (box 14)
- No Form 990 required for churches (unless unrelated business income over \$1,000 requires Form 990-T)



Accounting System/ Financial Reporting

- Cash basis, accrual basis, modified accrual
- Accounting software
 - Dual entry bookkeeping
 - Fund accounting
- Balance Sheet
- Statement of Revenue and Expenses
- Statement of Cash Flows
- Management Reports
- Records retention
- Internal and external audits



Data Security

- People are the best security
- Internet, virus scans and firewalls
- Paper files
- E-mail, portable media devices (flash drives, CD, laptops, cellular phones, etc)



Resources

- elca.org
 - Congregational Treasurers' and Bookkeepers' Financial and Accounting Guide
 - Internal Control Best Practices
 - Program Budget Presentations
 - Congregational Audit Guide
 - Q&A, Accountable Reimbursement Policies
 - Congregational Data Security Education
 - Contingency Planning
 - Records Retention
 - Administration Matters Newsletters
- irs.gov

