

Church Financial Management Overview

2017 Budget Guidelines Pages 1-9

Minimum Compensation; Social Security Reimbursement; Housing Allowance; Insurance and Rates for Life Medical, Dental and Disability; Pension clergy and laity and Defined Contribution Plans.

2017 Audit Guide Pages 10-18

Canon 39 and 39.5; Annual Audit Report; Auditor Certification; Accounting Systems; Financial Reports; Documents; Cash Checks and Disbursements; Pledges; Investments; Trust Funds; Property; Taxes and Insurance

2017 Auditors and Committees Pages 19-20

Manual of Business Methods Pages 21-48

Overview; Table of Contents; Introduction; Financial Management – Budgeting ; Internal Control; Bookkeeping and Financial Statements; Taxes; Discretionary Funds; Insurance; Parochial Report; Records Management

2017 BUDGET GUIDELINES

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2017 BUDGET GUIDELINES

CLERGY MINIMUM FULL-TIME CASH COMPENSATION for 2017

\$61,200 which includes: Cash Stipend, Self-Employment Tax and Cash Housing allowance

\$44,500 which includes: Cash Stipend and Self-Employment Tax and assumes a residence and utilities are provided.

CLERGY COMPENSATION IN EXCESS OF MINIMUM

Congregations are expected to consider additional cash stipend based on such criteria as tenure, parish size, parish growth, diversity in programming, performance, etc.

SOCIAL SECURITY REIMBURSEMENT - SELF-EMPLOYMENT (SECA) TAX

SECA/Social Security Tax Reimbursement has been included in the amounts in the Minimum Cash Compensation amounts. SECA Tax rate is 7.65% (one-half of the total 15.3%). The reimbursement is taxable.

CLERGY HOUSING ALLOWANCE (Section 107 of the IRS tax code)

The most important tax benefit available to clergy who own or rent their home is the housing allowance exclusion. Clergy who own or rent their home do not pay federal income taxes on the amount of their compensation that their employing church designates in advance as a housing allowance, to the extent that, the allowance represents compensation for ministerial services and it is used to pay housing expenses. **Housing expenses to include in computing your housing allowance exclusion:** Down payment on a home (but remember, a housing allowance is nontaxable only to the extent that it does not exceed the lesser of actual housing expenses or the fair rental value of a minister's home, furnished, plus utilities); mortgage payments on a loan to purchase or improve your home (include interest, principal, and mortgage insurance); rent for home, storage, garage; real estate taxes; property insurance; utilities (electricity, gas, water, basic cable TV, trash pickup, local telephone charges); furnishings and appliances (purchase and repair); structural repairs and remodeling; yard maintenance and improvements; maintenance items (pest control, etc.); homeowners association dues. Only expenses incurred for the minister's primary residence are eligible for the housing allowance exclusion.

Ministers who live in church-provided housing do not pay federal income taxes on the fair rental value of the house. The fair rental value, furnished, plus utilities, plus any cash housing allowance, must be included in the self-employment tax computation. Ministers who live in church-provided housing and incur any out-of-pocket expenses in maintaining the house (such as utilities, property taxes, insurance, furnishings, or lawn care) should be sure that their employing church designates in advance a portion of their annual compensation as a housing allowance. The amount so designated is not reported as wages on the minister's Form W-2 at the end of the year (if the allowance exceeds the actual expenses, the difference must be reported as income by the minister). This is a very important tax benefit for ministers living in church-provided houses.

A resolution must be approved by the vestry or Bishop's Committee at the December meeting authorizing the amount of the Housing Allowance for the next year. A housing allowance must be designated in advance. Retroactive designations of housing allowances are not allowed.

It is important to note that the Housing Allowance is treated differently for:

- 1) Income tax* purposes (it is **excluded**);
- 2) Self-employment tax purposes (it is **included**);
- 3) Pension calculation purposes (see notes herein).

*For income tax purposes, a housing allowance (subject to certain limits) is **not** included as taxable income for the priest. On your priest's W-2, the **cash** housing allowance (as approved by resolution) does not go in the box 1 marked "Wages, Tips, Other Comp". It should be reported by placing it in Box 14 marked Other and typing Housing Allowance next to it.

For more information, please refer to the following resource:

[https://www.cpg.org/linkservid/C179E5A0-A8FC-D303-F50CFF3F7A85FB8C/showMeta/0/?label=2016%20Tax%20Guide%20for%20Episcopal%20Ministers%20\(for%202015%20Tax%20Returns\)](https://www.cpg.org/linkservid/C179E5A0-A8FC-D303-F50CFF3F7A85FB8C/showMeta/0/?label=2016%20Tax%20Guide%20for%20Episcopal%20Ministers%20(for%202015%20Tax%20Returns))

CLERGY CONTINUING EDUCATION

A minimum of \$1,000 must be provided for full-time clergy for actual expenses. Receipts should be turned in to the employer for reimbursement.

CLERGY LIFE INSURANCE

Group Life Insurance through Church Life Insurance Corporation is provided as a benefit of the Clergy Pension Plan. Benefit is equal to four times the current total compensation, with a maximum value of \$100,000. **A congregation or the individual clergy member may purchase additional life insurance within thirty days of employment.** Please contact Anna Stefaniak (312) 751-4202, for this additional benefit.

NOTE: The insured must pay income tax on the value of life insurance in excess of \$50,000. The imputed income amounts are forwarded to each clergy member toward the end of each calendar year.

CLERGY MEDICAL AND DENTAL INSURANCE

The minimum premium level to be paid by employers of full-time clergy in the Diocese for medical insurance shall be equal to the premium cost of the High Deductible Health Plan (HDHP) with at least 75% of the Health Savings Account (HSA) funded or the full premium cost of the Anthem BCBS PPO 70 Silver.

The Health Savings Account must be funded by the employer and would need to be established in January of the current year with full funding to occur either in January of the current year, quarterly in the year or on a monthly basis in the current year. Prorated amounts may **only** occur if a clergy member's hire date occurs within a calendar year.

Each church must understand that if funding for the HSA does not occur in a lump sum in January of the current year, the clergy member may be required to fund their own medical/prescription payments out-of-pocket until their HSA is funded by the church.

The minimum premium level to be paid by employers of full-time clergy in the Diocese for dental insurance shall be equal to the premium cost of the Basic Dental Plan.

If the priest declines Family Medical and Dental Coverage: This is only recommended when the family medical and dental coverage is equal or better than that provided by the Diocese. The priest signs a waiver to forgo Diocesan coverage.

MEDICAL AND DENTAL INSURANCE 2017 ANNUAL RATES:

| Medical Plan /Yearly Rates | Single | Emp. plus 1 (spouse/partner/child) 2017 | Family |
|---|--|---|---|
| Employee Assistance Program Only | \$ 60.00 | \$ 60.00 | \$ 60.00 |
| Anthem BCBS High Deductible Health Plan with a Fully Funded HSA Total Cost | \$ 6804.00 + \$ 2025.00 = \$ 8829.00 | \$12,252.00 + \$ 4,087.50 = \$16,339.50 | \$19,056.00 + \$ 4,087.50 = \$23,143.50 |
| Anthem BCBS EPO 80 | \$ 9,960.00 | \$17,928.00 | \$27,888.00 |
| Anthem BCBS EPO 90 | \$10,884.00 | \$19,596.00 | \$30,480.00 |
| Anthem BCBS PPO 70 Silver | \$8,280.00 | \$14,904.00 | \$23,184.00 |

| Dental Plan / Yearly Rates | Single 2017 | Emp. plus 1 (spouse/partner or child) 2017 | Family 2017 |
|---|----------------|--|----------------|
| Dental & Orthodontia PPO- \$25/\$75 Deductibles | \$ 876.00 | \$ 1,572.00 | \$ 2,448.00 |
| Basic Dental PPO-\$50/\$150 Deductibles | \$ 660.00 | \$ 1,188.00 | \$ 1,848.00 |
| Preventive Dental | \$ 348.00 | \$ 624.00 | \$ 972.00 |

For more information on health or dental insurance, call Anna Stefaniak, 312-751-4202.

CLERGY DISABILITY INSURANCE

Disability benefits are provided through First Unum Life Insurance Company, New York, NY.

Short-Term Disability Insurance replaces lost income for up to a year of disability, allowing parishes and other church organizations to hire temporary help while the cleric or lay employee

recovers. Active clergy (clergy on whose behalf pension assessments are being paid and are up-to-date) are automatically enrolled in the Short-Term Disability plan, provided by the Church Pension Fund.

Long-Term Disability Insurance benefits pick up when the short term plan expires, and they continue until employees are able to work again, or until they reach age 65 and longer, in some cases. Employers may provide this group benefit in full, or employees may purchase it on their own. There will be no premium change in 2017 for both the Employer-provided and Voluntary Long Term Disability plans.

Disability Retirement Benefit for Clergy

If you are an [active participant](#) or a vested [inactive participant](#) in the [Clergy Pension Plan](#), you may be eligible for a disability retirement benefit under the Clergy Pension Plan. Your physician, your bishop, and the Church Pension Fund's medical board must agree that your disability is total and continuing, and your case will be reviewed annually until you reach age 65. Should your condition improve after one year to the point where you can return to work part-time, you may be eligible to receive a partial benefit. If your condition has not improved by the time you are 65, normal retirement benefits will commence and continue for life.

For more disability information, call CPG at (800) 480-9967 or go to their web site at:

<https://www.cpg.org/active-clergy/insurance/disability/overview/>

CLERGY PENSION

Changes in compensation must be reported to the Church Pension Fund. The formula for calculating the pension contribution is 18% applied to the total of cash salary, Social Security tax reimbursement, utilities, and housing.

New Assignment Notice:

<https://www.cpg.org/linkservid/857C33BF-CC5D-7DDE-182534686C090934/showMeta/0/?label=New%20Assignment%20Notice>

Report of Change in a Cleric's Compensation:

<https://www.cpg.org/linkservid/85BE0B61-9F24-9D90-96827E8BCE6C3729/showMeta/0/?label=Report%20of%20Change%20in%20Your%20Compensation>

- **Cash Stipend:** Wages and/or stipends received on a regular basis; usually weekly, bi-weekly or monthly.
- **Social Security Tax Reimbursements:** Amounts provided by the employer to offset self-employment taxes imposed by the Internal Revenue Code.
- **ER Paid Tuition for Dependents:** Amount paid by the employer for clergy dependents' tuition.

- **ER Paid 403(b) Contributions:** Employer contributions made to a **qualified** defined contribution retirement plan (e.g., 403(b), 401(a), IRA, etc.).
- **Other Taxable Income:** Other income taxable under the Internal Revenue Code, as determined by the Plan Administrator.
- **Utilities:** Amounts paid to the cleric by the employer to cover the cost of utility bills, including but not limited to fuel, gas, and electricity, or amounts paid on the cleric's behalf.
- **Housing Equity Allowance:** Employer contributions (funded or not funded) to a **non-qualified** deferred compensation plan or a sum stated in a “promise to pay” agreement.
- **Cash Housing Allowance:** Amount provided by the employer to cover the cost of the cleric's housing. Report only an amount that is **in addition to** the Cash Stipend, not the portion of the Cash Stipend that has been designated as a housing allowance. If the cleric receives **both** a Cash Housing Allowance and housing rent-free, see the rule below.
- **Church-Provided Housing and/or Meals:** Indicate whether or not housing and/or meals are provided. This is important for us to know in calculating the total compensation on which assessments are based (called **Total Assessable Compensation**).
 - **If housing is provided rent-free**, the value of housing added to Total Assessable Compensation will be assumed to be 30% of the total of the Cash Stipend, Social Security Tax Reimbursements, ER Paid Tuition for Dependents, and Utilities (referred to as the “**30% Housing Rule**”).
 - **If both housing and meals are provided free-of-charge**, the value of housing added to Total Assessable Compensation will be assumed to be 40% of the Cash Stipend, Social Security Tax Reimbursements, ER Paid Tuition for Dependents, and Utilities.
 - **If housing is provided rent-free and the cleric receives an additional Cash Housing Allowance**, the value of housing added to Total Assessable Compensation will be assumed to be the **greater of** (a) the 30% Housing Rule or (b) the actual Cash Housing Allowance received.
 - **If the cleric receives compensation from more than one church or church-related unit but only one provides housing**, all employers are assessed for a proportionate share of the cleric's housing.
- **One-Time Payments:** Includes Bonus, Overtime, Severance, and Special Service Fees.

Do not include insurance premiums, reimbursement of auto expenses, travel expenses, or continuing education expenses in the compensation if they are not taxable income. **Show all amounts on an annual basis.**

For more pension information, call CPG at (866) 802-6333 or go to their web site at: <https://www.cpg.org/active-clergy/retirement/pensions/overview/>

CLERGY TRANSPORTATION

Clergy must be reimbursed for actual travel expenses. Receipts and documentation should be turned in to the employer on a monthly basis. If payment to clergy for transportation is an

allowance or flat amount and the actual travel cost is not accounted for, it must be included as a part of the cash stipend.

CLERGY VACATION

One month per year for full time employment.

SUPPLY CLERGY

Sunday Supply Work

- \$175 for one service
- \$200 for two or more services

- Consulting and Mid-Week Services
 - \$75 for first hour
 - \$50 each additional hour for a maximum of \$250 per day

In addition, clergy should be reimbursed for travel. NOTE: Pension assessments are required for active clergy earning at least \$200 per month (exclusive of travel expenses) for each of three consecutive months. Assessments are not required for retired clergy who are drawing their church pension.

COMMON MISSION SHARE PLEDGE GUIDELINES

The following are the 2017 Common Mission Share pledge guidelines:
Using Line A on the 2015 Parochial Report:

| <u>Parochial Report</u> | <u>Common Mission Share</u> |
|-----------------------------|-----------------------------|
| Up to \$100,000 | 11% |
| From \$100,000 to \$200,000 | 13% |
| Above \$200,000 | 15% |

COMPREHENSIVE GENERAL LIABILITY AND SEXUAL MISCONDUCT LIABILITY

Canon 39, Section 6 requires that all buildings and their contents be adequately insured and adequate insurance against liability and other insurable risks shall be maintained. Most churches in this Diocese are insured through Church Insurance Company (1-800-293-3525 for service; 1-800-223-5705 for claims). Insurance through another carrier **must** provide misconduct coverage which is comparable to the Church Insurance Company policy.

FIDELITY BOND

Canon 39, Section 3 requires that churches have treasurers and other custodians of assets adequately bonded. This coverage is part of the basic liability coverage on the Church Insurance Company policy and must be purchased if coverage is with another carrier.

LAITY PENSION

Lay employees working 1000 hours or more per year (approximately 20 hours per week) must receive a pension contribution. The Church Pension Fund has information about their plans at www.cpg.org. The required employer contribution to a Defined Benefit Plan is at least 9% of salary. The required employer contribution to a Defined Contribution Plan is at least 5% of salary with a requirement to match employee contributions up to an additional 4%. **Please note, any lay employee expected to work 1000 or more hours per year, must be enrolled in the lay employee pension immediately upon hire.**

LAITY INSURANCE

At the 2010 Chicago Diocesan Convention, the following Denominational Health Plan resolution was proposed:

Resolved, that any employee, clergy or lay at a parish or mission in the diocese, working a minimum of 1500 hours per year (approximately 30 hours per week) shall be provided equal access to health care benefits and must be treated equally with regard to cost-sharing of the plan premiums. Any employee working 20-29 hours per week may voluntarily participate. Parishes or missions will pay equal minimum amounts for both clergy and lay employees that work the required hours as set above. Under the terms of the DHP, clergy and lay employees who have healthcare benefits through approved sources will be allowed to waive healthcare coverage under the DHP and may choose to maintain their healthcare benefits through the approved source. (Examples of approved sources include coverage through a spouse or partner's employment, healthcare benefits through a government sponsored program or coverage from a previous employer). Coverage for healthcare benefits must be purchased through the Episcopal Church Medical Trust.

LAITY SHORT & LONG-TERM DISABILITY

There is no change to the short-term disability plan premium for lay employees:

| Salary Ranges | Monthly Premium |
|----------------------|-----------------|
| Less than \$25,000 | \$8.00 |
| \$25,000 to \$44,999 | \$17.50 |
| \$45,000 and above | \$32.00 |

There is also the option to purchase long-term disability coverage. This can be employer paid or the employee can purchase. **Enrollment for both short and long-term disability must occur within 30 days of employment.**

LAITY GROUP TERM LIFE AND AD&D

Episcopal Church employers may provide group term life insurance to lay employees through Church Life Insurance Corporation, a Church Pension Group affiliate. This coverage may be provided as a full benefit. Plans include coverage for accidental death and dismemberment and may also cover spouses and dependent children. There is no change to the group life insurance and AD&D premium rates for 2017. For more pension information, call CPG at (866) 802-6333 or go to their web site at: <https://www.cpg.org/active-clergy/insurance/life/group-life/>

RETIREMENT SAVINGS PLAN (RSVP)

The Episcopal Church Retirement Savings Plan (RSVP) is a 403(b) tax-deferred retirement savings plan that gives clergy and lay employees in our **defined benefit pension** plans the option of contributing their own money toward their retirement savings.

RSVP features include:

- Pre-tax and after-tax contribution options
- Ability to transfer assets and change the allocation of future contributions online or by phone
- 24/7 access to your account
- Daily valuation
- Loan option

RSVP offers 12 investment options, so you can prepare for your retirement in the way that best serves your needs. These [investment options](#) include Fidelity Freedom K® Funds, which take the guesswork out of investing for retirement, and a mix of funds ranging from low- to high-risk. For more information call CPG at (866) 802-6333 or visit their web site at: <https://www.cpg.org/active-clergy/retirement/investing-for-retirement/retirement-savings-plan-rsvp/>

<https://www.cpg.org/active-clergy/retirement/investing-for-retirement/retirement-savings-plan-rsvp/>

DEFINED CONTRIBUTION RETIREMENT PLAN FOR LAY EMPLOYEES

The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC) is a tax-deferred retirement savings plans. The [Defined Contribution Plan](#) is a combined 401(a) and 403(b) plan offered through employers to help lay employees save for retirement. Both the employer and the employee contribute to this plan.

Lay DC features:

- Pre-tax and after-tax contribution options
- Ability to transfer assets and change the allocation of future contributions online or by phone
- 24/7 access to your account balance
- Daily valuation
- Loan option
- Distribution options in retirement
- Investment tools to manage risk

Lay DC plans offer a variety of investment options, so you can prepare for retirement in the way that best serves your needs. These [investment options](#) include Lifecycle Funds, which take the guesswork out of investing for retirement, and a mix of funds ranging from low- to high-risk.

Audit Guide
for
Churches in the Diocese of Chicago

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Canon 39 Sec. 5 all accounts for all parishes, missions and other institutions in the Diocese of Chicago shall be audited annually by a Certified or Independent Public Accountant or by an audit committee or such accounting agency as shall be permitted by the Department of Finance and Administration.

Canon 39.5 the term “audit” is used in accordance with the national canons (Title I, 7.1 (f)) and audit guidelines issued by the national church and the Diocese of Chicago audit guidelines (as formulated and revised from time to time by the Diocesan Treasurer); an audit in compliance with those guidelines shall comply with this Canon.

Annual Parish, Mission or Agency Audit Report

Audit reports are to be filed with the Department of Finance and Administration and the Bishop within 30 days following the date of the report, and in no event, not later than September 1 of the year following the year covered by the audit report. All accounts must be audited. The audit requirement covers not only the operating accounts of the congregation but all restricted accounts such as memorials, endowments, discretionary, etc. All subsidiary organizations of the congregation are to be audited such as youth groups, ECW, men’s groups, etc

If the annual Parish, Mission or Agency Audit Report is completed by an independent certified or licensed public accountant, a certification must be issued. An example is attached as Attachment A.

If the annual Parish, Mission or Agency Audit Report is completed by an Audit Committee, such a committee shall have at least two members, who must be independent of the decision making and

financial record keeping functions of the congregation. The Audit Committee must complete the Audit Committee Checklist. Attachment B.

If the annual Parish, Mission or Agency Audit Report is completed by an accounting agency as permitted by the Department of Finance and Administration, such an agency must complete the Audit Checklist. Attachment B.

ATTACHMENT A

Auditor Certification

“I have reviewed the Financial Position of [Church Name] as of [12/31/20xx] and the related Statement of Financial Activity for the years then ended. The review was made in accordance with the audit guidelines of the [Choose One: *Manual of Business Methods in Church Affairs* or *The Diocese of Chicago Audit Certificate & Checklist*] which are not the same as the standards established by the American Institute of Certified Public Accountants. Therefore, this statement is not to be construed as either an audit or review made in accordance with the standards of The American Institute of Certified Public Accountants. The Financial Statements have been prepared on a modified cash basis in accordance with principles adopted by the Episcopal Church and approved by its General convention except that Fixed Assets are reported on a [Replacement] Cost Basis and are not being depreciated. While not in accordance with the principles approved by the General Convention nor with generally accepted accounting principles, this practice is almost universal. My review included procedures and test samples which I deemed necessary to ensure that with the exception noted above, the attached financial statements present fairly, in all material respects, the financial positions of the Congregation as of December 31 of the aforementioned years and its financial activity for the years ended and are in accordance with the principles authorized by the General Convention of the Episcopal church on a basis consistent with the preceding years.”

ATTACHMENT B

AUDIT CERTIFICATE & CHECKLIST

Audit for the period of **January 1, _____** to **December 31, _____**

| | |
|----------------|--|
| Parish/Mission | |
| City | |
| Rector/Vicar | |
| Senior Warden | |
| Junior Warden | |

| | |
|-----------|--|
| Treasurer | |
|-----------|--|

| | |
|--|--|
| Audit Date: | |
| Date Presented to the Vestry | |
| Records Audited e.g. Church, ECW and Discretionary | |
| Audit Committee Agency: | |

Audit Certificate

To the Rector or Vicar, Wardens and Vestry:

The audit committee / agency have completed the attached report and we believe that the accompanying financial statements fairly present all church accounts. The work done and this certificate are not to be construed as either an audit or review made in accordance with the standards of The American Institute of Certified Public Accountants.

Included in the report are recommendations, of which the following need to be addressed as soon as possible:

| |
|--|
| |
|--|

Chair of Audit Committee / Agency

Date

Audit Checklist & Recommendations

| Review of the Accounting Systems | Yes | No |
|---|------------|-----------|
| Is the Manual of Business Methods in Church Affairs available? | | |
| Is the Manual of Business Methods in Church Affairs utilized? | | |
| Does the audit cover all funds of the church? | | |
| Is a year-end financial report for each fund (e.g. church; ECW and Discretionary) attached to this report? | | |
| Is there a separate backup of the Treasurers' files? | | |
| Is there a separate backup of the payroll? | | |
| Is there a separate backup of the computer files? | | |
| Are two signatures required for checks? | | |
| Is a chart of accounts in use that includes all church funds? | | |

Accounting Systems - Recommendations

| Review of the Financial Reports | Yes | No |
|---|------------|-----------|
| Have Financial Report been issued monthly? | | |
| Are any bank accounts in excess of FDIC? | | |
| Are the authorized signatory names and Federal Tax ID number on all bank accounts of the church up-to-date? | | |

Financial Reports – Recommendations

| Review of Documents: | Yes | No | N/A |
|--|------------|-----------|------------|
| Do Vestry minutes confirm approval of annual budget? | | | |
| Do Vestry minutes confirm acceptance of the monthly financial report? | | | |
| Do Vestry minutes confirm acceptance of the Treasurer's Report? | | | |
| Do the December Vestry Minutes reflect approval of the annual housing allowance? | | | |
| Have receipts and disbursements in the discretionary fund been reported to the Vestry? | | | |
| Are financial reports for all church funds provided to membership at the church's annual parish meeting? | | | |
| Was the Annual Parochial Report submitted? | | | |
| Where authorized check signers confirmed with the bank? | | | |
| Has a year-end list of securities held been reviewed? | | | |
| Has last year's audit and internal control letter been reviewed? | | | |
| Has the year-end bank statement and bank reconciliation for each fund been reviewed? | | | |
| Have sample cancelled checks and deposit slips for each fund been reviewed? The samples reviewed total _____ | | | |
| Have Form 1099 and payroll records been reviewed? | | | |
| Have year-end Savings Account statements been reviewed? | | | |

Documents – Recommendations

| Review of Cash Checks & Disbursements: | Yes | No | N/A |
|---|------------|-----------|------------|
| Are checking accounts reconciled monthly? | | | |

| | | | |
|---|--|--|--|
| Have the checks been signed by an authorized signatory? | | | |
| Have paid checks been properly endorsed? | | | |
| Do the payees & amounts match the disbursements register? | | | |
| Have voided checks been retained and examined? | | | |
| Are cash and checks counted by at least two persons? | | | |
| Are receipts records compared with bank deposits? | | | |
| Are all transfers between accounts traced? | | | |
| If a clergy-controlled discretionary fund exists outside of the primary church accounts, is it audited? | | | |
| Are disbursements supported by vouchers or invoices approved by someone other than check signer? | | | |
| Does documentation support any checks written to "Cash"? | | | |

Cash Checks & Disbursements – Recommendations

| Review of Pledges/Support: | Yes | No | N/A |
|---|------------|-----------|------------|
| Do acknowledgements of contributions in excess of \$250 include a statement that any goods or services provided consist solely of intangible religious benefits? | | | |
| Are future bequest and gift files, such as proceeds from life insurance policies or sale of property willed to a parish, maintained on a current basis? | | | |
| Are files kept on life income, endowment, and annuity gifts, including information on the nature of the principal, investment of the principal, or use of the principal income, as well as correspondence with donors or beneficiaries? | | | |

Pledges/Support – Recommendations

| |
|--|
| |
|--|

| Review of Investments: | Yes | No | N/A |
|--|------------|-----------|------------|
| Has the vestry reviewed or created an investment policy in last three years? | | | |
| Were security purchases or sales authorized by appropriate vestry (or committee) action and recorded in the minutes? | | | |
| Have receipts records of dividends and interest been compared with record of securities held? | | | |

| |
|--------------------------------------|
| Investments – Recommendations |
|--------------------------------------|

| Review of Trust and Endowment Funds: | Yes | No | N/A |
|--|------------|-----------|------------|
| Do you have an active planned giving program in use at your church? | | | |
| Has a list of trust and endowment funds been obtained, including their terms and locations of the investments? | | | |
| Has there been an examination of the deed of trust or agency agreement for each trust and endowment fund? | | | |
| Have the “agency” accounting records been checked to determine whether or not the terms of the trust or endowment funds are being properly followed? | | | |

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|---|
| Trust & Endowments – Recommendations |
|---|

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|--|
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|--|

| Review of Property and Equipment: | Yes | No | N/A |
|---|------------|-----------|------------|
| Is there a list of fixed assets, showing date of purchase and cost? | | | |
| Has a physical examination of property and assets been made to the extent possible? | | | |
| Are land and buildings carried on the financial statements? | | | |
| Are any liens outstanding against any property and equipment? | | | |

Property & Equipment – Recommendations

| |
|--|
| |
|--|

| Review of Payroll Taxes and Other Liabilities: | Yes | No | N/A |
|--|------------|-----------|------------|
| Have total wages been reconciled with quarterly Federal Form 941, Form W-2, and Form W-3? | | | |
| Have total withholding taxes been reconciled with Form 941? | | | |
| Have Federal & State withholding taxes been remitted on a timely basis? | | | |
| Are pension payments up-to-date? | | | |
| Is a signed Form W-4 on hand for all employees? | | | |
| Has all required indebtedness been properly authorized by the vestry and the Diocese of Chicago? | | | |
| Have all Liabilities been confirmed by creditors? | | | |
| Is a detailed schedule of all loans prepared, including name of creditor, date of origin, original amount of debt, interest rate payment schedule, monthly payment, unpaid balance, loan | | | |

| | | | |
|--------------------------------|--|--|--|
| purpose, and authorizing body? | | | |
|--------------------------------|--|--|--|

Payroll Taxes & Other Liabilities – Recommendations

| Review of Insurance and Risk Control: | Yes | No | N/A |
|---|------------|-----------|------------|
| Have all Insurance Policies been reviewed? | | | |
| Are all church activities covered by it insurance policies? | | | |
| Are the limits of coverage adequate? | | | |
| Are the deductibles appropriate? | | | |
| Is there a current space use agreement and/or insurance certificate on file for all organizations regularly using the church property/facility? | | | |

Insurance & Risk Control – Recommendations

Attachments:

1. Status of last year’s Audit Recommendations.
2. Year-end financial reports for all funds
3. The Year-end Parochial Report – reconciled to the year-end financial report

Audit Committees Accountants Auditors

Church Committee Audit

(using the Church Audit Guide - Approved @ 172nd Diocesan Convention)

An audit committee has completed the diocesan approved audit guide for:

All Saints Moline
Bishop Anderson Foundation
Calvary Episcopal Church Batavia
Emmanuel LaGrange
Grace Chicago
Grace Freeport
Grace Oak Park
Grace Pontiac
LCEM & St. Paul LaSalle
Saint Anne Morrison
Saint Anskar Rockford
St. Ann's Woodstock
St. Benedict Bolingbrook
St. Bride's Oregon
St Ignatius Antioch
St John Lockport
St. Mark's Barrington
St. Martin's Des Plaines
St. Matthew's Evanston
St. Simon's Arlington Heights
Transfiguration Palos Park
Trinity Aurora

Accountants/ Auditors

Ansburg & Company, LTD

Certified Public Accountants
231 S. Washington St.
Naperville, IL 605440
630-357-21930

Arthur P. Donner

Certified Public Accountant
760 N Frontage Road Suit 105
Willowbrook, IL 60527
630-789-6718

Cukierski & Kowal, LLC

1871 Hicks Road
Rolling Meadows, IL, 60008
847-496-7180
GPC@ckwcpa.com

De Raimo Motto & Associates

20855 S. LaGrange Road Suite 102
Frankfort, IL 60423-2036
815-469-7500
www.frankfortchamber.com/

Desmond & Ahern, Ltd.

Certified Public Accountants & Consultants
10827 S. Western Ave. Chicago, IL 60643-3206
773-779-4720
www.desmondcpa.com

Dugan & Lopatka

104 East Roosevelt Road
Wheaton, IL 60187
630-665-4440

karen.olson@duganlopatka.com

fk advisors

600 Academy Drive Suite 140
Northbrook, IL 60062
647-770-6700
www.fkadvisors.com

Joanne Curry

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John Mola

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Steve Weinberg CPA

THE
Episcopal
CHURCH



Manual of Business Methods
in Church Affairs

Excerpted Pages
From the Manual of
Business Methods
Overview
Pages 1-2
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In accordance with Title I, Canon 7, “Of Business Methods in Church Affairs”, and Resolution D-147 (1979 GC): “Accounting Principles and Practices for Dioceses, Parishes, and Other Congregations”

(Updated periodically as indicated at the end of each Chapter)

The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA

The General Convention of The Episcopal Church



To the members of the Episcopal Church:

The Canons of the Episcopal Church set forth the general responsibility and accountability for the stewardship of the Church's money and property. Title I, Canon 7 (pages i2 – i3 in this Manual) specifically addresses the business methods prescribed for every diocese, parish, mission, and institution subject to the authority of the Episcopal Church.

This *Manual* identifies requirements and seeks to provide helpful advice on sound, practical internal controls, accounting guidelines and business practices. We believe that it can be a tool that will support your efforts to perform the duties and responsibilities of your office. Sections of the *Manual* are updated regularly. The date of the latest update appears at the final page of each chapter.

As always, we welcome your comments, which help us with any future updates. Thank you for the opportunity to serve you and our Church.

Faithfully,

A handwritten signature in black ink, appearing to read 'N. Kurt Barnes', written over a light blue horizontal line.

N. Kurt Barnes, Treasurer

MANUAL OF BUSINESS METHODS IN CHURCH AFFAIRS

TABLE OF CONTENTS

Introduction: General Information The format and design of this manual should assist you in fulfilling the responsibilities for the financial oversight of a diocese or congregation. The accounting principles and practices described in this manual should be understandable to most readers. The concepts and terminology have been kept simple yet consistent with the demands of professional accounting principles.

Chapter I: Financial Management Budgeting is the allocation of the church's resources, in accordance with a plan, for the achievement of its objectives and goals. The church budget is one of the most effective tools available for the proper stewardship of the church's assets.

Chapter II: Internal Controls What type of bookkeeping system should we use? How many bank accounts do we need? Who should be able to sign checks? Who should deposit the weekly receipts in the bank, and how? These are just some of the questions to be answered when setting up an accounting system for a congregation. Such questions should be periodically reviewed.

Chapter III: Bookkeeping The accounting year for all Episcopal congregations and dioceses is January 1 through December 31, according to the Canons of the Episcopal Church, Title I, Canon 7, Section 1(i), which are included in the Introduction of this manual.

Chapter IV: Taxes and the Episcopal Church Timely and accurate compliance with all applicable Federal and State tax laws is an essential element of sound management of church finances. Federal and State governments have placed increased pressure on all governmental units to increase revenues through intensified application of existing tax laws to all types of organizations, including churches.

Chapter V: Clergy Discretionary Funds The Episcopal Church has developed these guidelines for the benefit of clergy, dioceses, congregations, institutions, and others with authority over funds of the Church. The purpose of these guidelines is to provide information and guidance in the structure and use of a class of temporarily restricted or designated funds generally known as clergy discretionary funds.

Chapter VI: Audit Guidelines for Congregations These audit guidelines were developed to assist auditors in performing the annual audit of the books of account of the congregations of the Episcopal Church. Annual audits are required by the Canons of the Episcopal Church for all parishes, missions, and other institutions. The primary purpose of an audit is to assure that financial statements are fairly stated. Any person handling the monies or investments of the church needs an audit to protect the church assets and him/her against suspicion of mishandling those assets. Similarly, rectors, vestries, vicars, bishop's committees, treasurers and other persons in positions of responsibility may be liable for any losses which would have been discovered by an ordinary audit but were not discovered because they failed to have an audit conducted.

Chapter VII: Insurance Responsible stewardship demands protection of the Church's people and property from certain risks. Title I, Canon 7 (6), states – "All buildings and their contents shall be kept adequately insured", and Title I, Canon 7 (3), states – "Treasurers and custodians, other than banking institutions, shall be adequately bonded; except treasurers of funds that do not exceed \$500 at any one time during the fiscal year."

Chapter VIII: Parochial Reports Since the first General Convention of the Episcopal Church, congregations have provided a report of membership, baptisms, communicants, services and finances. In 1804 the Committee on the State of the Church was established to review this information and prepare a summary report to General Convention. The authority for the Parochial Report is described in the Constitution and Canons of the Episcopal Church, Canons I.6, I.7, and I.17. The text of these canons is included as an appendix to these instructions.

Chapter IX: Records Management This chapter offers guidelines on practical issues that treasurers and administrators of congregations will encounter with business records. The chapter includes a general retention schedule that can be modified and adopted for a congregation's use.

Appendix

Appendix A: Forms This appendix lists many forms commonly used by treasurers of congregations, and provides instructions for obtaining copies of them. Samples of some generic forms appear on the pages immediately following this Appendix.

INTRODUCTION: GENERAL INFORMATION

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| Section B. Uniform Business Methods and Accounting Principles..... | i-4 |
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Introduction

This Manual identifies requirements and seeks to provide helpful advice on sound, practical internal controls, accounting guidelines and business practices. We believe that it can be a tool that will support your efforts to perform the duties and responsibilities of your office.

The format and design of this Manual should assist you in fulfilling the responsibilities for the financial oversight of a diocese or congregation. The accounting principles and practices described in this Manual should be understandable to most readers. The concepts and terminology have been kept simple yet consistent with the demands of professional accounting principles.

Practical internal controls are the cornerstone of the best financial management. Management of financial resources is an important element of stewardship. The Church has entrusted us with the funds placed in its hands for mission and ministry. We honor this trust by caring for detail and acting accountably. Treasurers at all levels in the Church are custodians of this trust. This Manual is a guide that will assist in preserving the trust.

This Manual has been designed for the use of dioceses and congregational elements of the Episcopal Church. The guidance in this Manual may not be appropriate for use by other church controlled or related institutions, such as hospitals, colleges, universities, and health and welfare organizations.

The general responsibility and accountability for the stewardship of the Church’s money and property is delineated in the Canons of the Episcopal Church. Title I, Canon 7, specifically addresses the business methods prescribed for every diocese, parish, mission, and institution subject to the authority of the Episcopal Church. This Canon (as of July 2009) is produced in its entirety on the following pages.

Section A. Constitution and Canons for the Government of the Protestant Episcopal Church in the USA: Title I, Canon 7: — Of Business Methods in Church Affairs

CANON 7: Of Business Methods in Church Affairs

Section 1. In every Province, Diocese, Parish, Mission and Institution connected with this Church, the following standard business methods shall be observed:

(a) All accounts of Provinces shall be audited annually by an independent certified public accountant, or independent licensed accountant or such audit committee as shall be authorized by the Provincial Council. The Audit Report shall be filed with the Provincial Council not later than September 1 of each year, covering the preceding calendar year.

(b) Funds held in trust, endowment and other permanent funds, and securities represented by physical evidence of ownership or indebtedness, shall be deposited with a National or State Bank, or a Diocesan Corporation, or with some other agency approved in writing by the Finance Committee or the Department of Finance of the Diocese, under a deed of trust, agency or other depository agreement providing for at least two signatures on any order of withdrawal of such funds or securities. But this paragraph shall not apply to funds and securities refused by the depositories named as being too small for acceptance. Such small funds and securities shall be under the care of the persons or corporations properly responsible for them. This paragraph shall not be deemed to prohibit investments in securities issued in book entry form or other manner that dispenses with the delivery of a certificate evidencing the ownership of the securities or the indebtedness of the issuer.

(c) Records shall be made and kept of all trust and permanent funds showing at least the following:

- (1) Source and date.
- (2) Terms governing the use of principal and income.
- (3) To whom and how often reports of condition are to be made.
- (4) How the funds are invested.

(d) Treasurers and custodians, other than banking institutions, shall be adequately bonded; except treasurers of funds that do not exceed five hundred dollars at any one time during the fiscal year.

(e) Books of account shall be so kept as to provide the basis for satisfactory accounting.

(f) All accounts of the Diocese shall be audited annually by an independent Certified Public Accountant. All accounts of Parishes, Missions or other institutions shall be audited annually by an independent Certified Public Accountant, or independent Licensed Public Accountant or such audit committee as shall be authorized by the Finance Committee, Department of Finance, or other appropriate diocesan authority.

(g) All reports of such audits, including any memorandum issued by the auditors or audit committee regarding internal controls or other accounting matters, together with a summary of action taken or proposed to be taken to correct deficiencies or implement recommendations contained in any such memorandum, shall be filed with the Bishop or Ecclesiastical Authority not later than 30 days following the date of such report, and in no event, not later than September 1 of each year, covering the financial reports of the previous calendar year.

(h) All buildings and their contents shall be kept adequately insured.

(i) The Finance Committee or Department of Finance of the Diocese may require copies of any or all accounts described in this Section to be filed with it and shall report annually to the Convention of the Diocese upon its administration of this Canon.

(j) The fiscal year shall begin January 1.

Section 2. The several Dioceses shall give effect to the foregoing standard business methods by the enactment of Canons appropriate thereto, which Canons shall invariably provide for a Finance Committee, a Department of Finance of the Diocese, or other appropriate diocesan body with such authority.

Section 3. No Vestry, Trustee, or other Body, authorized by Civil or Canon law to hold, manage, or administer real property for any Parish, Mission, Congregation, or Institution, shall encumber or alienate the same or any part thereof without the written consent of the Bishop and Standing Committee of the Diocese of which the Parish, Mission, Congregation, or Institution is a part, except under such regulations as may be prescribed by Canon of the Diocese.

Section 4. All real and personal property held by or for the benefit of any Parish, Mission or Congregation is held in trust for this Church and the Diocese thereof in which such Parish, Mission or Congregation is located. The existence of this trust, however, shall in no way limit the power and authority of the Parish, Mission or Congregation otherwise existing over such property so long as the particular Parish, Mission or Congregation remains a part of, and subject to, this Church and its Constitution and Canons.

Section 5. The several Dioceses may, at their election, further confirm the trust declared under the foregoing Section 4 by appropriate action, but no such action shall be necessary for the existence and validity of the trust.

Section B. Uniform Business Methods and Accounting Principles

For many years there were no separate, formal or uniform accounting principles for any type of not-for-profit organization (NFPO), including churches. In June 1993 the Financial Accounting Standards Board (FASB) issued two comprehensive statements, Numbers 116 and 117, which established the basis for generally accepted accounting principles for not-for-profit organizations.

The two statements issued by the FASB amended or superseded many of the Statements, Opinions, Statements of Position and Interpretations previously issued. Not-for-profit

organizations should follow the guidance in the effective provisions of FASB Statements and Interpretations unless the specific pronouncement explicitly exempts not-for-profit organizations or the subject matter precludes such applicability. Subsequent pronouncements issued by the FASB apply to not-for-profit organizations unless those pronouncements explicitly exempt not-for-profit organizations or the subject matter precludes their applicability.

Compliance with these FASB statements is required in order to be in accordance with Generally Accepted Accounting Principles (GAAP). Most financial institutions and other users of financial statements, including government and private granting sources, require that church financial statements be presented in accordance with GAAP. Please be aware that when financial statements are not in accordance with GAAP, auditors must note those exceptions in their auditor's opinion.

Method of Accounting. The use of the accrual method of accounting is required by GAAP and is the preferred method. Many congregations, however, continue to use the Cash Basis method of accounting, in which receipts are recorded when received and expenses are recognized when they are paid. Although this method is not in accordance with GAAP, it is considered an "Other Comprehensive Basis of Accounting" (OCBOA) and is an acceptable method for use by congregations. The Cash Basis may be modified to accrue some, but not all, activities or to record depreciation. **Dioceses should use the accrual method of accounting.**

Financial Statements

In general, GAAP requires not-for-profit organizations to issue a statement of financial position, a statement of activities, and a statement of cash flows.

Statement of Financial Position (SFP) – is the primary financial statement that provides information about an organization's assets, liabilities and net assets and about their relationship to each other at a particular point in time. This statement, which is frequently referred to as the Balance Sheet or Statement of Assets and Liabilities, assists donors, creditors, members of the organization itself, and others to determine the organization's ability to continue to provide services. The SFP also allows for the assessment of the organization's liquidity, solvency, and financial flexibility needed to obtain external financing and satisfy its day-to-day debts.

The SFP should classify accounts as current or non-current; by sequencing assets according to their nearness to conversion to cash; and liabilities according to their maturity and resulting use of cash.

The SFP should present three classes of net assets: permanently restricted; temporarily restricted; and unrestricted. Each of these classifications is discussed below:

- *Permanently restricted net assets* are that part of an NFPO's net assets that results from:
 - Contributions and other inflows of assets whose use by the organization is limited by donor-imposed restrictions that do not expire or cannot be satisfied by actions taken by the organization;
 - Other asset increases and reductions that are so restricted; or

- Reclassifications from or to other net asset classifications as a result of donor-imposed terms.
- *Temporarily restricted net assets* are the part of an NFPO's net assets that results from:
 - Contributions and other inflows of assets whose use by the organization is limited by donor-imposed restrictions that either expire with the passage of time or can be satisfied or removed by actions taken by the organization;
 - Other asset increases and reductions that occur from such conditions; or
 - Reclassifications from or to other net asset classifications as a result of donor-imposed terms, passage of time, or satisfaction and removal by actions of the organization.
- *Unrestricted net assets* are that part of the NFPO's net assets that are neither permanently nor temporarily restricted by requests of the donor.

Information relating to the nature and amounts of varying permanent restrictions or temporary restrictions should be shown by reporting their amounts either in the body of the SFP or in footnotes to the organization's financial statements.

Unrestricted net assets are generally constrained only by the broad limits resulting from the mission of the organization, its operating environment, articles of incorporation, or specific business contracts. Any such contractual and self-imposed limits should be shown in the notes of the financial statements.

Statement of Activities (SOA) – is commonly referred to as the Income Statement or Statement of Cash Receipts and Disbursements (or, in for-profit organizations, Profit and Loss Statement). The SOA enables donors, creditors, and other readers to:

- Determine the entity's performance during a given period of time
- Gauge the organization's service efforts and its ability to continue to perform services
- Appraise management's performance.

Specifically, the SOA presents: (1) the effects of transactions and other events and circumstances that change the amount and nature of net assets, (2) the relationship of those transactions or other events to each other and (3) how the organization's resources are used in providing various programs and services.

Statement of Cash Flows (SCF) – provides information about the cash receipts and disbursements during the year. The flows are classified according to whether they resulted from investing, financing or operating activities. The SCF is normally only prepared at year-end.

Report Preparation Frequency. Financial reports should be prepared for the Vestry at least quarterly and should include all funds of the congregation, specifically the restricted funds. The reports should contain enough detail to enable the Vestry members to exercise their fiduciary responsibility for church funds, to make informed financial decisions, and to determine how they are doing in relationship to the budget.

Meeting the Needs of the Church: Churches are organizations whose revenues are derived from those whom they serve. Proper stewardship and accountability require that comprehensive financial standards and practices are adopted and consistently applied. Compliance with standard accounting and reporting standards and practices should generate financial information that is reliable, uniform, and comparable to previous reporting.

The uniform application of accounting principles and practices should assure that similar transactions are recorded in a consistent and accurate manner. This will generate valid and reliable information which is used by management in the decision making process.

Section C. Introduction to Fund Accounting

Not-for-profit organizations' classification of net assets, revenues, expenses, gains, and losses are based on whether there are restrictions imposed by donors. Fund accounting is a system of recording the organization's resources based on those donor-imposed restrictions. Assets in the SFP are categorized as being permanently restricted, temporarily restricted, or unrestricted. To maintain records of these restrictions for internal purposes or for reporting back to the donor and grantor, some not-for-profit organizations maintain separate funds for specific purposes. Each fund consists of a self-balancing set of asset, liability and net asset accounts. While fund accounting is not required by generally accepted accounting principles, organizations may use fund accounting for internal purposes.

Terminology can be confusing, especially when the same word is used to describe different things. Two potentially confusing words often encountered are "fund" and "account".

The word "fund" is often used as a synonym for "money". It may also be used as a title for each of the segregated reporting categories of the fiscal operation. When the terminology is used in this Manual as a title or description of a reporting category, it will be capitalized – "Fund".

"Account" is used both to describe the basic units of double-entry bookkeeping and to describe bank accounts or accounts at other financial intermediaries. In this Manual, we will always explicitly refer to "bank accounts" when referring to the financial intermediary.

It is important to note that the segregation of assets into "Funds" and "Accounts" does not automatically create a need for multiple bank accounts for each Fund or Account.

Section D. Calendar of Important Due Dates

Note: The following calendar does not include due dates that may be imposed by diocesan, local or state governmental requirements.

| | |
|---|---|
| January 31 | Form W-2: Employee's Wage and Tax Statement Form provided to all employees, including parochial clergy. |
| January 31 | Form 941: Employer's Quarterly Payroll Tax Return File return with the Internal Revenue Service for quarter ending December 31. |
| January 31 | Form 1098: Mortgage Interest Copy of form provided to recipient (for any mortgages held by churches or dioceses). |
| January 31 | Form 1099: INT & MISC. Copy of form provided to recipient. |
| January 31 | Substantiation of Contributions statements provided to donors of gifts over \$250. |
| February 28 | Form W-2: Employee's Wage and Tax Statement Forms remitted to the Social Security Administration along with Transmittal Form W-3. |
| February 28 | Form 1099: INT & MISC Forms remitted to Internal Revenue Service along with Transmittal Form 1096 |
| March 1 | Episcopal Church Parochial Report to be filed with Diocesan Office |
| April 30 | Form 941: Employer's Quarterly Payroll Tax Return File return with the Internal Revenue Service for quarter ending March 31 |
| July 31 | Form 941: Employer's Quarterly Payroll Tax Return File return with the Internal Revenue Service for the quarter ending June 30 |
| September 1 (or sooner, as required by Diocesan Canons) | Audited Financial Statements of all congregations and institutions to be filed with the Diocesan Office |
| September 1 | Annual Diocesan Report to be filed by all dioceses with the Executive Council/General Convention Office |
| October 31 | Form 941: Employer's Quarterly Payroll Tax Return File return with the Internal Revenue Service for the quarter ending September 30 |

Updated as of February 2012

CHAPTER I: FINANCIAL MANAGEMENT

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Introduction

Budgeting is the allocation of the church’s resources, in accordance with a plan, for the achievement of its objectives and goals. The church budget is one of the most effective tools available for the proper stewardship of the church’s assets.

The bookkeeping and accounting system, along with the related internal controls and procedures, the budgeting process, the financial audit, and the management oversight provided by the Vestry should be viewed as a single system. No part stands alone; each supports the other. This entire system enables the Vestry to fulfill its obligation of fiduciary responsibility and proper stewardship.

Section A. Budget Methods

The most frequently used budgeting methods are Incremental; Program; and Zero-based.

Incremental Budgeting

Most congregations adopt incremental budgeting (sometimes called line item or traditional budgeting). Incremental budgeting uses this year’s budget as the basis for next year’s budget and makes adjustments to each line item. It is an easy method to use and to understand, but problems can arise if the budgeted amounts become routine. Prior programs and costs may not be re-evaluated. The budget and programs become reliant on the past and may not incorporate new ideas.

Program Budgeting

Costs are identified with the specific programs (activities/ministries) being carried out by the congregation. This budget method requires the congregation to do its planning before preparing the budget. This method begins by requiring the appropriate committees and groups to identify each program it conducts along with needs and objectives of each

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Section A. Introduction

What type of bookkeeping system should we use? How many bank accounts do we need? Who should be able to sign checks? Who should deposit the weekly receipts in the bank, and how? These are just some of the questions to be answered when setting up an accounting system for a congregation. Such questions should be periodically reviewed.

Often, many of these decisions are made without adequate thought. Others may require more deliberate consideration. Altogether, the decisions that we make become the policies and procedures of the accounting system, and are referred to as “internal controls”. Good internal controls will ease the treasurer’s job by providing greater assurance that transactions are recorded properly and result in more reliable records and protection of church assets, as well as compliance with civil laws, church canons, and organizational policies.

A system of internal controls consists of all measures used by an organization to safeguard its resources and ensure accuracy, efficiency and reliability in accounting and operating information.

It is important to emphasize that internal controls are designed to prevent or identify inadvertent errors as much as they are intended to prevent the deliberate theft or misuse of funds. Without an appropriate system it is not possible to assure the reliability and integrity of the records or reports generated by an organization.

An effective control system ensures that procedures are in place that meet the following objectives:

1. Adequately safeguard the cash, property and other assets of the office.
2. Ensure that all financial transactions are appropriately documented and approved by authorized staff.
3. Funds are expended in accordance with donor requirements and limits.
4. Ensure that financial reporting is accurate, timely and conforms to policies.

The overriding objective of all controls is to cost-effectively reduce the risk of loss or misuse of funds or property to a tolerable level. Obviously, not all of the controls will be applicable to or cost-effective for all types of operations. We encourage the appropriate consultation whenever there is a feeling that certain controls may not be cost-effective for their particular operations.

CHAPTER III: BOOKKEEPING

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Introduction

The accounting year for all Episcopal congregations and dioceses is January 1 through December 31, according to the Canons of the Episcopal Church, Title I, Canon 7, Section 1(i), which are included in the Introduction of this manual.

Section A. General Information

1. A double entry bookkeeping system should be used, a method whereby at least two offsetting entries must be made to record a transaction. As a point of reference, these offsetting entries are referred to as a debit and a credit.
2. The double entry bookkeeping system is based on the concept of assets, liabilities, and net assets. Assets are holdings of value, such as cash and investments. Liabilities are claims against holdings of value, such as unpaid bills, outstanding loans, and mortgages on property. Net assets are the difference between the assets and liabilities and represent the net worth. Net assets are increased by income and decreased by expenses.

Assets are normally posted as debits, liabilities as credits, income as credits, and expenses as debits. A positive in the net assets would be a credit.

3. Under ideal circumstances, the books are posted and balanced monthly. A Statement of Financial Position and Statement of Activities should be prepared every month as well. However, in most circumstances a monthly statement of cash receipts and disbursements (with the budget as a comparison) is sufficient for parishes operating on a cash basis, with formal statements created only at year end.
4. These accounts may be kept manually (materials may be purchased at any office supply store), a one-write system, or by the use of a computerized bookkeeping program. Many small and medium-sized parishes use Church Windows or QuickBooks management software.

| | Debit | Credit |
|-------------|-------|--------|
| Assets | xxxx | |
| Liabilities | | xx |
| Net Assets | | xxx |
| | xxxx | xxxx |
| Income | | x |
| Expenses | x | |

Section B. Basic Record Keeping

1. Bookkeeping for Cash Receipts Journal: The cash receipts journal is used to record cash

Section D. Financial Report Examples

**SAMPLE MONTHLY REPORT
REVENUE AND EXPENSES
FOR THE FIVE MONTHS ENDING MAY 31, [CURRENT YEAR]**

| <u>Accounts</u> | <u>Annual Budget</u> | <u>Budget To Date</u> | <u>Actual To Date</u> | <u>Over/ Under</u> |
|---|--------------------------|---------------------------|---------------------------|------------------------|
| <i>Revenue:</i> | | | | |
| <i>Operating Income:</i> | | | | |
| Plate offering | \$17,640 | \$8,820 | \$6,879 | \$(1,941) |
| Pledge receipts | 151,368 | 75,684 | 79,312 | 3,628 |
| Investment income | 460 | 230 | 275 | 45 |
| Other income | 6,420 | 3,210 | 4,018 | 808 |
| Diocesan assistance | -0- | -0- | -0- | -0- |
| Undesignated gifts and bequests | <u>1,200</u> | <u>600</u> | <u>55</u> | <u>545</u> |
| Total Operating Income | <u>\$177,088</u> | <u>\$88,544</u> | <u>\$90,539</u> | <u>\$1,995</u> |
| <i>Non-Operating Revenue:</i> | | | | |
| Net realized gains on investments | \$1,290 | \$645 | \$933 | \$288 |
| Restricted gifts not for operations | 2,810 | 1,405 | 864 | (541) |
| Capital fund receipts | <u>50,000</u> | <u>25,000</u> | <u>24,300</u> | <u>(700)</u> |
| Total Non-Operating Revenue | <u>\$54,100</u> | <u>\$27,050</u> | <u>\$26,097</u> | <u>\$953</u> |
| Total Revenue | <u>\$231,188</u> | <u>\$115,594</u> | <u>\$116,636</u> | <u>\$1,042</u> |
| <i>Expenses:</i> | | | | |
| <i>Operating Expenses:</i> | | | | |
| Clergy salaries | \$55,000 | \$27,500 | \$27,500 | -0- |
| Clergy housing allowance | 14,000 | 7,000 | 7,000 | -0- |
| Lay employee salaries | 43,000 | 21,500 | 19,842 | \$1,658 |
| Payroll tax expense | 3,156 | 1,578 | 1,496 | 82 |
| Benefits (pension, health ins., etc.) | 11,244 | 5,622 | 6,018 | (396) |
| Diocesan apportionment | 18,536 | 9,268 | 9,268 | -0- |
| Utilities | 26,690 | 13,345 | 15,637 | (2,292) |
| Office supplies | 5,242 | 2,621 | 1,116 | 1,505 |
| Program costs: | | | | |
| – Outreach | 2,400 | 1,200 | 793 | 407 |
| – Christian Education | 3,800 | 1,900 | 2,205 | (125) |
| – Preschool | <u>2,300</u> | <u>1,150</u> | <u>933</u> | <u>217</u> |
| Total Operating Expenses | <u>\$185,369</u> | <u>\$92,684</u> | <u>\$91,628</u> | <u>\$1,056</u> |
| Net Operating Totals | <u>\$ (8,280)</u> | <u>\$ -0-</u> | <u>\$(1,089)</u> | <u>\$ 939</u> |
| <i>(operating income in excess of operating expenses)</i> | | | | |
| <i>Non-Operating Expenses:</i> | | | | |
| Capital purchases | \$48,100 | -0- | \$8,436 | (8,436) |
| Depreciation expense | <u>6,000</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total Non-Operating Expenses | <u>\$54,100</u> | <u>-0-</u> | <u>\$8,436</u> | <u>\$(8,436)</u> |
| Total Expenses | <u>\$239,468</u> | <u>\$92,684</u> | <u>\$100,064</u> | <u>\$(7,380)</u> |
| Net Totals | <u>\$ 8,280</u> | <u>\$22,910</u> | <u>\$ 16,572</u> | <u>\$ 6,338</u> |

SAMPLE YEAR END FORMAT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, [CURRENT YEAR AND PRIOR YEAR]

| | | Prior Year |
|-------------------------------------|------------|------------|
| Assets: | | |
| Cash and cash equivalents | \$ 7,500 | \$ 4,600 |
| Accounts and interest receivable | 2,130 | 1,670 |
| Prepaid expenses | 610 | 1,000 |
| Contributions receivable | 30,250 | 27,000 |
| Short-term investments | 14,000 | 10,000 |
| Assets held for restricted purposes | 52,100 | 45,600 |
| Land, buildings, and equipment | 617,000 | 635,900 |
| Long-term investments | 218,070 | 203,500 |
| Total Assets | \$ 941,660 | \$ 929,270 |
| Liabilities and net assets: | | |
| Liabilities: | | |
| Accounts payable | \$ 2,570 | \$ 10,500 |
| Refundable advance | 0 | 650 |
| Grants payable | 875 | 1,300 |
| Notes payable | 1,685 | 2,840 |
| Long-term debt | 55,000 | 64,640 |
| Total Liabilities | \$ 60,130 | \$ 79,930 |
| Net Assets: | | |
| Unrestricted | \$715,138 | \$686,870 |
| Temporarily restricted | 24,372 | 25,470 |
| Permanently restricted | 142,020 | 137,000 |
| Total Net Assets | \$881,530 | \$849,340 |
| Total Liabilities and Net Assets | \$941,660 | \$929,270 |

**SAMPLE YEAR END FORMAT
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, [CURRENT YEAR]**

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$32,190 |
| <i>Adjustments to reconcile change in net assets</i> | |
| <i>To net cash provided by operating activities:</i> | |
| Depreciation | \$3,200 |
| Fire loss | 800 |
| Increase in accounts and interest receivable | (460) |
| Decrease in prepaid expenses | 390 |
| Increase in contributions receivable | (3,250) |
| Decrease in accounts payable | (7,930) |
| Decrease in refundable advance | (650) |
| Decrease in grants payable | (425) |
| Contributions restricted for long-term investment | (2,740) |
| Interest and dividends restricted for long-term investment | (300) |
| Net unrealized and realized gains on long-term investments | <u>(15,800)</u> |
| Net cash used by operating activities | <u>\$ 5,025</u> |
| Cash flows from investing activities: | |
| Insurance proceeds from fire loss on building | \$7,550 |
| Purchase of equipment | (1,500) |
| Proceeds from sale of investments | 76,100 |
| Purchase of investments | <u>(74,900)</u> |
| Net cash provided by investing activities | <u>\$7,250</u> |
| Cash flows from financing activities: | |
| Proceeds from contributions restricted for: | |
| Investment in endowment | \$ 200 |
| Investment in term endowment | 70 |
| Investment in plant | <u>1,210</u> |
| Net cash provided by restricted contributions | <u>\$ 1,480</u> |
| Other financing activities: | |
| Interest and dividends restricted for reinvestment | \$ 300 |
| Payments on notes payable | (1,155) |
| Payments on long-term debt | <u>(10,000)</u> |
| Net cash used by other financial activities | <u>(10,855)</u> |
| Net cash used by financing activities | <u>\$(9,375)</u> |
| Net increase in cash and cash equivalents | \$ 2,900 |
| Cash and cash equivalents at beginning of year | 4,600 |
| Cash and cash equivalent at end of year | <u>\$ 7,500</u> |
| Supplemental data: | |
| Noncash investing and financing and financing activities: | |
| Gifts of equipment | \$140 |
| Gift of paid-up life insurance, cash surrender value | 80 |
| Interest paid | 382 |

CHAPTER IV: TAXES AND THE EPISCOPAL CHURCH

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Introduction

Timely and accurate compliance with all applicable Federal and State tax laws is an essential element of sound management of church finances. Federal and State governments have placed increased pressure on all governmental units to increase revenues through intensified application of existing tax laws to all types of organizations, including churches.

All churches should be particularly attentive to three areas of taxation:

- Payroll taxes and related reporting
- Unrelated Business Income Taxes
- Treatment of cash and non-cash contributions received in connection with certain types of fund raising events

Officers and directors of an organization, including wardens and Vestry, can be held personally liable for unpaid payroll taxes.

Penalties are levied against those who fail to file, fail to pay, are late in filing or paying, or understate any tax reported on a return. In addition, interest is charged on any unpaid balance from the date the tax return was due to the date of payment. Penalties for failure to file most state returns are substantially higher than the Federal penalties.

Section A. Payroll Taxes

The determination of whether a person is an employee or an independent contractor is typically based on three factors of the business relationship:

1. Behavioral control: does the employer direct where and when the provider can work; what tools he may use?
2. Financial control: is the worker free to seek out similar business opportunities; can she realize a profit or loss?

3. **Type of relationship:** is there a written contract; are employee-type benefits provided; is the relationship expected to continue indefinitely; is the provider's service a key aspect of the employer's regular business?

As part of the three factors above, the Internal Revenue Service uses the 20 Common Law factors, as established in Revenue Ruling 87-41, as a guideline when determining if sufficient control is present to establish an employer-employee relationship. While not all factors need to be "met" the more factors in favor of classifying a worker as an independent contractor that can be established, the stronger the position for treating them as such. The factors are:

1. *Instructions:* A person who is required to comply with instructions about when, where and how to work is ordinarily an employee.
2. *Training:* Training of a person by an experienced employee or by other means is a factor of control and indicates that the worker is an employee.
3. *Integration:* Integration of a person's services into the business operations generally shows that the person is subject to direction and control and accordingly is an employee.
4. *Services rendered personally:* If the services must be rendered personally by the individual employed, it suggests an employer-employee relationship. Self-employed status is indicated when an individual has the right to hire a substitute without the employer's knowledge.
5. *Hiring, supervising, and paying assistants:* Hiring, supervising, and payment of assistants by the employer generally indicates that all workers on the job are employees. Self-employed persons generally hire, supervise, and pay their own assistants.
6. *Continuing relationship:* The existence of a continuing relationship between an individual and the organization for which the individual performs services is a factor tending to indicate the existence of an employer-employee relationship.
7. *Set hours of work:* The establishment of set hours of work by the employer is a factor indicating control and accordingly the existence of an employer-employee relationship. Self-employed persons are "masters of their own time".
8. *Full time required:* If the worker must devote full time to the business of the employer, he or she ordinarily will be an employee. A self-employed person on the other hand may choose for whom and when to work.
9. *Doing work on employer's premises:* Doing the work on the employer's premises may indicate that the worker is an employee, especially if the work could be done elsewhere.
10. *Order or sequence of work:* If a worker must perform services in an order or sequence set by the organization for which he or she performs services, this indicates that the worker is an employee.
11. *Oral or written reports:* A requirement that workers submit regular oral or written reports to the employer is indicative of an employer-employee relationship.
12. *Payment by hour, week or month:* An employee usually is paid by the hour, week, or month, whereas a self-employed person usually is paid by the job on a lump sum basis, although the lump sum may be paid in intervals in some cases.
13. *Payment of business expenses:* Payment by the employer of the worker's business or travel expenses suggests that the worker is an employee. Self-employed persons usually are paid on a job basis and take care of their own business and travel expenses.
14. *Furnishing of tools and materials:* The furnishing of tools and materials by the employer indicates an employer-employee relationship. Self-employed persons ordinarily provide their own tools and materials.

15. *Significant investment:* The furnishing of all necessary facilities (equipment and premises) by the employer suggests that the worker is an employee.
16. *Realization of profit or loss:* Workers who are in a position to realize a profit or suffer a loss as a result of their services generally are self-employed, while employees ordinarily are not in such a position.
17. *Working for more than one firm at a time:* A person who works for a number of persons or organizations at the same time is usually self-employed.
18. *Making services available to the general public:* Workers who make their services available to the general public are usually self-employed. Individuals ordinarily hold their services out to the public by having their own offices and assistants, hanging out a “shingle” in front of their office, holding a business license, and by advertising in newspapers and telephone directories.
19. *Right to discharge:* The right to discharge is an important factor in indicating that the person possessing the right is an employer. Self-employed persons ordinarily cannot be fired as long as they produce results that measure up to their contract specifications.
20. *Right to terminate:* An employee ordinarily has the right to end the relationship with the employer at any time he or she wishes without incurring liability. A self-employed person usually agrees to complete a specific job and is responsible for its satisfactory completion or is legally obligated to make good for failure to complete the job .

The following persons are normally considered to be employees:

- Rectors, vicars, and their assistants;
- Interim clergy and regularly employed supply clergy who consistently work at the same congregation; and
- Secretaries, sextons, directors of Christian education, childcare providers who are not volunteers (including teenagers), yard maintenance workers (including the teenagers who cut the lawn regularly), the organist and choir director, and all others to whom a fee is paid for their services and who are controlled by the Church.

Churches should be careful to issue or obtain the following documents:

- IRS Form W-2 must be issued after each year end to all church employees (full time, part-time, retired part-time clergy, and lay persons)
- IRS Form W-2 and the corresponding Form W-3 “Transmittal of Wage and Tax Statement” must be filed with the IRS
- IRS Form 941 “Employer’s Quarterly Federal Tax Return” must be filed by employers. “
- IRS Form I-9 “Employment Eligibility Verification” must be completed for all lay and clergy employees, regardless of citizenship, prior to the first paycheck
- IRS Form W-4 “Employee Withholding Allowance Certificate” should be completed when a clergy or lay employee is hired or when a change in withholding is requested

Clergy and lay employees are generally treated in different manners for Social Security and for Federal income tax withholding purposes.

CHAPTER V: CLERGY DISCRETIONARY FUNDS

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Introduction

These guidelines are intended for the benefit of clergy, dioceses, congregations, institutions and others with authority over funds of the Church, as well as for the benefit of those wishing to give monies to clergy for charitable uses. The purpose of these guidelines is to provide information and guidance in the structure and use of a class of restricted or designated funds generally known as “clergy discretionary funds.” The thrust of this Chapter is to deal with funds given to and used by rectors of parishes, but the guidelines generally would also apply to other clergy, including bishops, serving in other church capacities. These guidelines would also apply when discretionary funds are established for laity serving the Church.

The existence and use of clergy discretionary funds largely rest on a canon of the Church, III.9 5(b)(6), regarding “almoner’s funds,” as well as a long tradition implementing this canon in our congregations. The canon provides as follows:

“The Alms and Contributions, not otherwise specifically designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Rector or Priest-in-Charge or with such Church officer as the Rector or Priest-in-Charge shall appoint to be applied to such pious and charitable uses as the Rector or Priest-in-Charge shall determine. When a Parish is without a Rector or Priest-in-Charge, the Vestry shall designate a member of the Parish to fulfill this function.”

Section A. Sources of Funds

1. The canon quoted above is generally interpreted to mean that on one Sunday a month when the Eucharist is celebrated at the parish’s principal service or services, the “loose offering” that is, gifts exclusive of payments toward a member’s annual pledge, is designated for the rector’s discretionary fund. However, because the loose offering is often considered insufficient for the

purposes of the discretionary fund, many vestries set aside a monthly or annual budgeted amount for the rector's discretionary fund in addition to the traditional source or as a substitute for it. Parishioners, visitors, friends of the rector, and others have traditionally made contributions to the rector's discretionary fund as well, sometimes in significantly larger amounts than those contributed by the vestry. In some congregations the vestry also follows a policy of designating fees or gifts received in connection with weddings, funerals, and baptisms for the discretionary fund of the member of the clergy performing those services.

2. The rector may grant assistant clergy permission to expend monies from the rector's discretionary fund, or the vestry may establish and others may contribute to separate funds for the use of assistant clergy.

Section B. Uses of the Funds

1. The "alms" canon quoted above provides that gifts and "other offerings for the poor" collected in the parish are to be "applied to such pious and charitable uses as the Rector shall determine." Pursuant to this canon, it has generally been recognized that the discretionary funds of a rector are to be used for aid to the poor and other purposes that the rector considers "pious and charitable," and that these uses are regarded as consistent with the Church's mission. It seems clear that the scope of permissible uses under the canon generally lies within the sound discretion of the rector.
2. The canon does indicate some limitations on the rector's discretion. Since the alms are donated to the Church (the manner of holding the funds is discussed below), and the intended uses are to be "pious and charitable," the funds may not be used as if they were gifts to the rector individually and personally. Thus, it would be improper for the rector to apply the funds for his or her personal use and benefit, that is, uses that are not intended to carry out the mission of the Church. Uses of the funds for personal or family clothing, entertainment, or basic living expenses may not be selected, whereas those same uses when intended to benefit other needy persons within or without the parish are commonly considered to be wholly appropriate.
3. Gray areas would include payments by the rector to institutions or causes that are charitable in nature but also inure to the benefit of the rector in some way. For example, a donation to the rector's school or college may be considered inappropriate if there would otherwise be little or no reason for the parish to favor such an institution; donations to the rector's seminary, on the other hand, may be regarded as appropriate if they are understood to be parish gifts in which the rector has joined.
4. To avoid potential confusion and criticism, the rector should inform the vestry when gifts from the discretionary fund are made about which there could be any

CHAPTER VII: RISK MANAGEMENT & INSURANCE

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Introduction

Responsible stewardship includes protection of the Church’s people and assets from a variety of risks. Title I, Canon 7 (6) provides that, “All buildings and their contents shall be kept adequately insured,” and Title I, Canon 7 (3) states that, “Treasurers and custodians, other than banking institutions, shall be adequately bonded, except treasurers of funds that do not exceed \$500 at any one time during the fiscal year.”

Commercial insurance is a device for handling risk. For a fixed financial consideration (the premium, plus any applicable deductible), the policyholder transfers risk of unforeseen financial loss to the insurance company. In addition to insurance, several other complementary techniques exist to manage risk, as described in the following section.

Risk Management

Risk management is a disciplined process that promotes asset conservation. It involves several steps:

- *Identifying* risk: examining the Entity’s operations and determining its vulnerabilities to loss of life, property, or other assets;
- *Assessing* risk: evaluating the potential financial and operational impacts of each risk and prioritizing risks according to severity;

CHAPTER VIII: PAROCHIAL REPORTS

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PAROCHIAL REPORT FORM

2006 Parochial Report Form..... Following Chapter VIII (3 pp.)

Giving Information for 2006:

| | | |
|--------------------------|---|--------------|
| Number of Pledges | 1. Number of signed pledge cards for 2006-report year | (1) _____ |
| Total \$ Pledged | 2. Total dollar amount pledged for 2006-report year | (2) \$ _____ |

Report of Revenues and Expenses for 2006:

| | | |
|---------------------------|--|-----------|
| Operating Revenues | 3. Plate offerings, pledge payments & regular support | (3) _____ |
| | 4. Available for operations from investments | (4) _____ |
| | 5. Other operating income, including unrestricted gifts & restricted gifts used for operations & contributions from congregation's organizations | (5) _____ |
| | 6. Unrestricted bequests used for operations | (6) _____ |

Subtotal Normal Operating Income (3+4+5+6) = A

| | |
|---|-----------|
| 7. Assistance from diocese for operating budget | (7) _____ |
|---|-----------|

Total Operating Revenues (A+7) = B

| | | |
|-------------------------------|---|------------|
| Non-Operating Revenues | 8. Capital funds, gifts & additions | (8) _____ |
| | 9. Additions to endowment & other investment funds | (9) _____ |
| | 10. Contributions & grants for congregation-based outreach & mission programs | (10) _____ |
| | 11. Funds for transmittal to other organizations | (11) _____ |

Subtotal Non-Operating Revenues (8+9+10+11) = C

Total All Revenues (B+C) = D

| | | |
|---------------------------|---|------------|
| Operating Expenses | 12. To diocese for assessment, apportionment, or fair share | (12) _____ |
| | 13. Outreach from operating budget | (13) _____ |
| | 14. All other operating expenses | (14) _____ |

Subtotal Operating Expenses (12+13+14) = E

| | | |
|-------------------------------|--|------------|
| Non-Operating Expenses | 15. Major improvements & capital expenditures | (15) _____ |
| | 16. Expenses for congregation's outreach & mission | (16) _____ |
| | 17. Funds contributed to Episcopal seminaries | (17) _____ |
| | 18. Funds sent to other organizations | (18) _____ |

Subtotal Non-Operating Expenses (15+16+17+18) = F

Total All Expenses (E+F)=G

At Year-End:

| | | |
|--------------------------------|--|------------|
| As of December 31, 2006 | 19. Total cash in all checking & passbook savings accounts | (19) _____ |
| | 20. Total investment at market value | (20) _____ |

CHAPTER IX: RECORDS MANAGEMENT

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Introduction

This manual of records management guidelines is designed for parish officers and administrators, including the custodian of records and archives or the parish archivist. It includes a general records retention schedule that may be modified and adopted by congregations for their particular situations. In all cases, the vestry or equivalent body of the parish should approve policy guidelines on records management, including schedules for retention and destruction. Legal counsel should also be consulted, especially in the context of potential or ongoing litigation.

This chapter is an abridged version of a manual created by The Archives of the Episcopal Church and approved by the Board of the Archives of the General Convention. To obtain a copy of the full manual, or for other advice on records related matters, contact The Archives of the Episcopal Church, PO Box 2247, Austin, TX 76768, 800-525-9329, email the Archives at research@episcopalarchives.org, or visit the Archives website at: http://www.episcopalarchives.org/Records_Manual_for_Congregations.pdf.

Custodial Responsibility for Records

The vestry, officers, and employees of a congregation have a fiduciary and custodial responsibility to create and maintain an adequate record of the parish or mission's activities. Some basic competencies in managing recorded information include:

- Being aware of what constitutes a record in the context of the parish;