

Treasurers' Training

2023



Stewardship
Kaleidoscope



Coverage Today

1. Annual Financial Review
2. Accountable Reimbursement Accts
3. Benevolence Accts
4. Administrative Topics
5. Annual Filings
6. Balance Sheet
7. Restricted Funds
8. Budgets
9. Clergy Income
10. Conflict of Interest
11. Exemption
12. Fraud avoidance
13. Gift acceptance
14. Income Sources
15. Leasing church property
16. Policies
17. Record Retention
18. Unrelated Business Income
19. And More...

ANNUAL FINANCIAL REVIEW

- ▶ **A financial review** of all financial books and records shall be conducted every year by a
 - ▶ public accountant
 - ▶ **or a committee of members versed in accounting procedures.**
 - ▶ Reviewers should not be related to the treasurer.
- ▶ **Goal**
 - ▶ to prevent Fraud and
 - ▶ to improve practices.
- ▶ Smaller churches could connect with others to do each other's reviews.

Annual Review



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- ▶ **Have the following in a documents file:**
- ▶ Last year's report and recommendations of the review committee.
- ▶ A copy of your end of year Chart of Accounts.
- ▶ A list of valid authorized signers for each account and, if possible, a copy of their signature.
- ▶ *A copy of the 990-tax return filed for the organization for the year being audited. (Note: if your organization's fiscal year is different from the Calendar Year, please keep that in mind when trying to verify numbers.)*
- ▶ A copy of the Approved Annual Budget from the Board minutes.
- ▶ Complete information on all monies received during the year with Donor Restrictions.



The Volunteer's Audit Guide for Churches and Other Non-Profits

NEW in 2019

Step-by-Step Workbook for Internal
Reviews of Non-Profit Organizations

Edd Breeden

TABLE OF CONTENTS

Welcome

Random Sampling

Getting Started

Verifying Accounts

Income

Disbursements

Payroll

Reporting

Restricted Funds

General Ideas

Final Report of the Committee

Policies

A Final Note about Audits



Accountable Reimbursement Accts.

- ▶ To be accountable,
 - ▶ must comply with all four of the following rules:
 - ▶ 1) Expenses must have a **business connection**—
 - ▶ 2) Employees are only reimbursed for expenses for which they provide **an adequate receipt within 60 days**
 - ▶ 3) Employees must **return any excess reimbursement or allowance within 120 days,**
 - ▶ 4) **come out of the employer's funds** and not by reducing the employee's salary.

Accountable Reimbursement accts.

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KEY POINT

- ▶ *Reimbursements of business expenses under an accountable arrangement are not reported as taxable income on an employee's Form W-2 or Form 1040,*
- ▶ *If the employee does not produce the receipts or justification, the amount spent should be added to their wages on the W-2.*



DISCRETIONARY or BENEVOLENCE accounts

- Is the use a business expense?
- Is the donor's Gift,
Tax Deductible?
 - i.e. does not directly benefit an individual (*receipt*)
- Is the Gift from the fund,
Income to the Receiver?
 - (give form 1099)
 - Document the need.
 - Verify their inability to cover the need themselves.
- Keep clear documentation,

Administrative
Topic
LOCATION OF
VALUABLE
PAPERS

- Articles of Incorporation.
- Corporate Resolutions
- Bylaws, review and update every 3 years
- Annual 571L. (later in presentation);
- OCC certificate
- Annual Exemptions; Religious, Welfare, Church. (later)
- Deeds of property, Insurance papers
- Church Exemption Letter (next slide)

Administrative Topics

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- ▶ More than one person knows
 - ▶ Passwords, location of keys,
 - ▶ Knowledge of the financial system of church
- ▶ Automatic payments
 - ▶ Monitor regularly,
 - ▶ Stop payments on time, increase payments on time
- ▶ Change passwords,
 - ▶ At least annually,
 - ▶ Always when someone leaves employment etc.

Administrative Topic

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- ▶ As much as possible, Separate the responsibilities
- ▶ Collecting, with safe place to put the money.
- ▶ Counting, at least two unrelated people.
- ▶ Recording, counters record on paper or in computer, by name, date, amount, & which fund.
- ▶ Accounts payable, entering and paying
- ▶ Check Signers, or autopay oversight
- ▶ Balance Bank Statements

Administrative Topic

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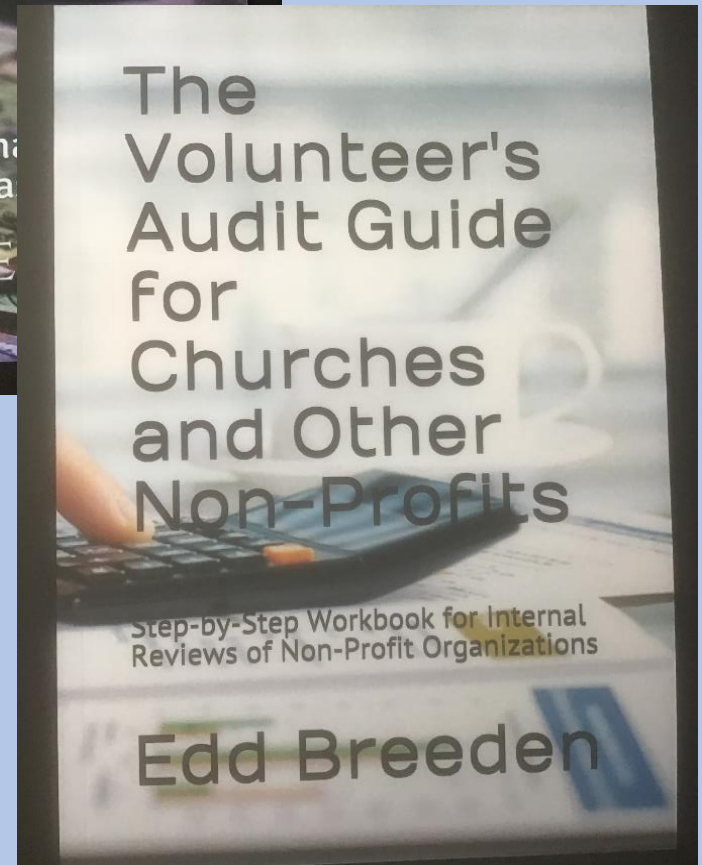
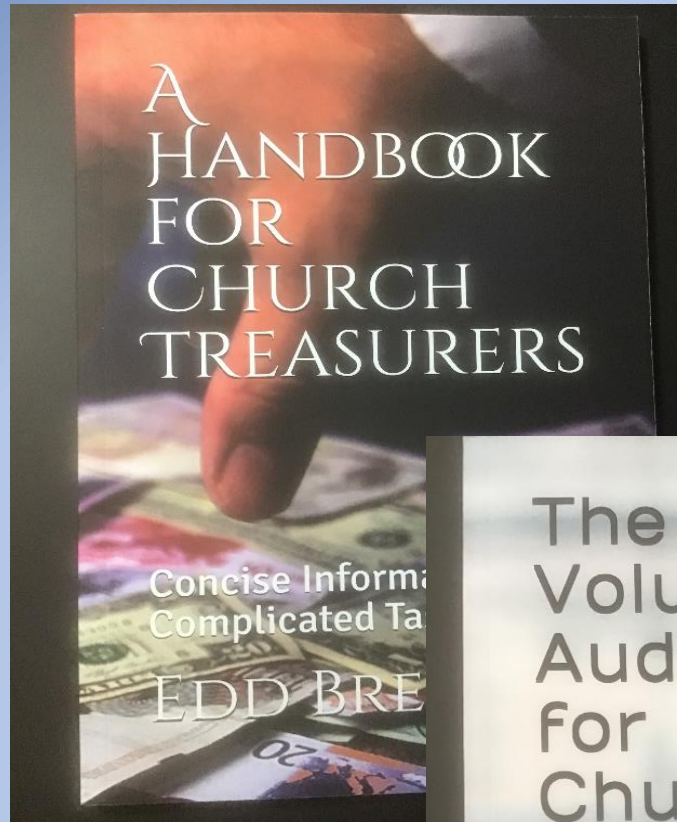
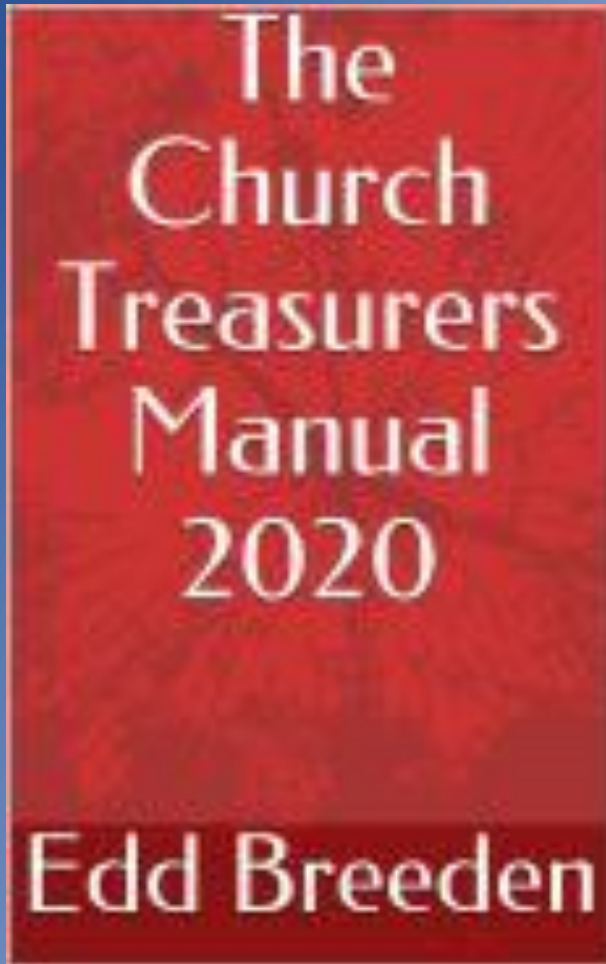
- ▶ Session is the only group that can authorize opening and closing
- ▶ Session authorizes who can sign for accounts, checks, etc.
- ▶ Session determines who can approve expenses
- ▶ Bookkeeper should only pay approved expenses and should be told which account the payment should come from.

VARIOUS FORMS

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- ▶ Payroll Forms like 940, 941, DE 9, D9C
- ▶ Statement of Information, Secretary of State
 - ▶ Businessfilings.sos.ca.gov and search for your church
- ▶ Form 571L Business Property Statement
 - ▶ Lists property owned by the church
 - ▶ Including furniture, landscaping, etc.
 - ▶ It is another form of tax and they will send you a bill.
- ▶ Tax forms like 990 if you have Unrelated Business Income.



***Completely Reformatted and
Revised for 2020.***
250 pgs. 8 2/1 x 11

Balance Sheet

STATEMENT OF FINANCIAL POSITION

- ▶ Questions related to co-mingling
- ▶ Easier now with computers
- ▶ Problems
 - ▶ Illegal to use donor restricted
 - ▶ Gives the congregation a false picture
 - ▶ Hard to see what is available
- ▶ Note about viability for next year

RESTRICTED FUNDS

- ▶ DONOR RESTRICTED
 - ▶ The donor restricts, the session accepts, the money cannot be used any other way.
- ▶ SESSION RESTRICTED
 - ▶ The session restricts, the session can change their mind, as soon as the next meeting.
- ▶ PERMANENTLY RESTRICTED
 - ▶ Avoid these if at all possible.
- ▶ SETTING AN END DATE BEFORE RESTRICTED MONEY IS ACCEPTED.
 - ▶ At end, if not used, money reverts to another place, i.e. missions, general fund, a similar use.



RESTRICTED FUNDS

- ▶ **Make sure the expense is related to the restricted purpose.**
- ▶ **Keep expense information separated by fund, for audit / financial review purposes.**
- ▶ **Have a copy of the session minutes authorizing the expenditure or the person who has the right to approve.**
- ▶ **Protect yourself, only spend when you have authorization.**



RESTRICTED FUNDS

- **SOMEONE LABELS THE FUND UNUSABLE EXCEPT FOR ...**
- **DONOR RESTRICTED**
 - The donor restricts, the session accepts, the money cannot be used any other way
- **SESSION RESTRICTED**
 - The session restricts, the session can change their mind, as soon as the next meeting
- **SETTING AN END DATE BEFORE MONEY IS ACCEPTED WITH A RESTRICTION**
- **Keeping a record, adding notes to the balance sheet, spending properly**

RESTRICTED FUNDS

- ▶ RECORDS FOR ALL RESTRICTIONS
- ▶ FILE WITH:
 - ▶ Original documentation,
 - ▶ Session minutes with approval,
 - ▶ Short with:
 - ▶ Donor name
 - ▶ Restriction in detail
 - ▶ Original amount
 - ▶ End date
 - ▶ How money can be applied for
 - ▶ Note form, (small enough to be a note at the end of Balance Sheet with enough information for congregation to know details of gift and how to spend it, if possible.)



Budgets

- ▶ Line item budget
- ▶ Narrative budget
- ▶ Enforce the flow of money of just guide
- ▶ Treasurer's role – to inform
- ▶ Vision and ministry should set the budget,
- ▶ Not just what we did last year



Budgets, treasurer's role

- ▶ Provide information to the team preparing the budget
- ▶ Fiscal year to date expenses vs annual budget
 - ▶ Showing areas where the budget may not be adequate
- ▶ Any increases known by the treasurer
 - ▶ Such as insurance costs going up, utilities going up,
 - ▶ Any approved expenses that have not yet been accomplished or paid for.
- ▶ Any significant pledging or giving differences pending
 - ▶ Donors who have increased or decreased their giving
 - ▶ Flow of money from one project to another; i.e., from general giving to youth fund or building.



Clergy Income

- ▶ Salary (Including Housing)
- ▶ Most Christmas and special occasion offerings for the pastor
- ▶ Retirement gifts paid by a church
- ▶ The portion of a minister's self-employment tax paid by a church
- ▶ Personal use of a church-owned vehicle
- ▶ Purchases of church property for less than fair market value
- ▶ Business expense reimbursements under **a non-accountable plan**
- ▶ Imputed cost of group term life insurance coverage exceeding \$50,000
- ▶ Church reimbursements of a spouse's travel expenses incurred while accompanying a minister on a business trip

BONUSES



Bonuses of any kind received by the church and given to the Pastor are considered wages.

- They must be included on the W-2 form as wages.
- They must be communicated to the Board of Pensions. The Board of Pensions will adjust the dues accordingly.

Gifts given directly to the Pastor are not considered wages and are not reportable.

- If a person in the church wants to give a gift to the pastor directly, they may do so, but cannot receive a receipt from the church for the contribution.



Terms of Call

Effective Salary Items

Salary.

Housing, utility,
furnishing
Allowance.

Non-matching
employer
contributions to
403b

Bonuses, gifts,
etc.

Social Security
Reimbursement
above 50% of
FICA.

Other forms of
compensation

If live in a
manse, fair
rental value,
min. 30%



Terms of Call

Effective Salary Items

Church
Accountable
(Reimbursable)
Allowances

Auto
Allowance. (up
to .65 per mile in
2023)

Study
Allowance.

Social Security
Reimbursement
up to 50% of
FICA.

Professional
Expense
Allowance.

Other
Accountable
Allowance.

The Minister's W-2 Form IRS vs pension

- ▶ Include in box 1 – wages
 - ▶ Salary given, no housing,
 - ▶ Include all social security reimbursement
 - ▶ Include any non-accountable allowances paid
- ▶ There is no Social Security Income
 - ▶ Pastor pays tax on return as Self-Employed taxes
- ▶ Include in box 14 – other
 - ▶ “housing allowance” and amount paid

Clergy -W-2 FORM



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22222		Void <input type="checkbox"/>		a Employee's social security number 123-45-6789		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN) 12-345678				1 Wages, tips, other compensation 30,000		2 Federal income tax withheld	
c Employer's name, address, and ZIP code First Church 123 Main St Anytown, CA 12345				3 Social security wages Leave boxes 3,4,5,6 blank		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Control number				9		10 Dependent care benefits	
e Employee's first name and initial Our		Last name Pastor		Suff.		11 Nonqualified plans	
f Employee's address and ZIP code 123 Home Street Anytown, Ohio 12345				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 Do not	
				14 Other Housing allowance 40,000		12b include info on Pension Plan, do	
15 State				16 State wages, tips, etc.		17 State income tax	
Employer's state ID number OH your ohio number		equal to box 1		18 Local wages, tips, etc.		19 Local income tax	
						20 Locality name deferral and employer info	

Form **W-2** Wage and Tax Statement

2023

Department of the Treasury—Internal Revenue Service

Copy A For Social Security Administration — Send this entire page Form W-3 to the Social Security Administration; photocopies are not acceptable.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page



BONUSES

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 - + They must be included on the W-2 form as wages.
 - + They must be communicated to the Board of Pensions. The Board of Pensions will adjust the dues accordingly.
- ✘ Gifts given directly to the Pastor are not considered wages and are not reportable.
 - + If a person in the church wants to give a gift to the pastor directly, they may do so, but cannot receive a receipt from the church for the contribution.



PENSION ISSUES

- ✘ Define Salary – annual filing form.
 - + File with the Board of Pensions, even if no change.
- ✘ Housing Allowances.
 - + Set it high, anything unused will become income.
 - + Includes, mortgage, rent, utilities, insurance, furnishings, etc.
- ✘ www.pensions.org

Conflict of Interest

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- ▶ Usually happens when a person has more than one interest in a transaction.
- ▶ Owns the company that the board hires to do the work, and also sits on the board.

Contributions & Receipts

- ▶ Name of the Organization and Name of the Donor.
- ▶ Date of each contribution.
- ▶ Must be contemporaneous, dated before the taxpayer files a return for year of contribution.
- ▶ Amount of Cash Contribution. (In-Kind Contributions)
- ▶ OR the description of the property contributed (do not estimate its value).
- ▶ Whether the charity provided any goods or services for the contribution.
- ▶ If only provision was intangible religious benefits, that should be stated.
- ▶ On church's letter head is best.



Contribution Statements

- At least annually for the donors
- List date of gift, amount of gift, account of gift, i.e. general, youth, building, etc.
- Timely – date must be before tax return filed.
- Timely – if a later printed copy, not accepted because after the date of filing



Contact Information

- Edd – edd@breeden.us
 - (831) 239-6817

- Diane – rtdkcase@comcast.net
 - (408) 279-0220

TAX EXEMPT LETTER

- ▶ A copy of a Tax Exempt letter for your church can be obtained by contacting the Presbytery Mission Agency, General Council's office, in Louisville.
- ▶ Email or contact
 - ▶ Rebecca Rayner
 - ▶ Email Rebecca.rayner@pcusa.org
 - ▶ Phone
- ▶ She will need your church name & contact info. & Tax ID Number

501c3 Exemption

Exemption is a privilege not a right, if the organization looks exempt but does not act exempt it is not exempt.

Have you become a facility leasing out your property or are you still a church?

FRAUD - AVOIDING

- ▶ The Most Trusted usually commit the Fraud.
- ▶ Who reconciles accounts?
- ▶ Two Signatures on checks (over \$x).
 - ▶ However, most banks do not check signatures.
- ▶ Multiple Money Handlers.
 - ▶ Money counters, depositors, check writer, check signer, finance committee oversight.
- ▶ Thorough reports to session monthly.
- ▶ Annual Reviews.



GIFT ACCEPTANCE POLICY

- ▶ What you will accept and what you won't. (cash, property, stocks)
- ▶ How the Church handles money they do receive.
- ▶ What a donor needs to do to restrict the use of their gift.
- ▶ How the Session will handle Restricted Funds.
- ▶ How donors can give to the church in their wills.
- ▶ Setting a timeline for designated funds to be used and how the money will be used if left over.

GIFT ACCEPTANCE POLICY

What you will accept
What you won't accept
How you will use the gifts
What the donor needs to know

Start with a Thank You



▶ WHAT KIND OF CONTRIBUTIONS WILL YOU ACCEPT?

- ▶ CASH
- ▶ CREDIT CARDS
- ▶ BANK BILL PAY
- ▶ PAYPAL, VENMO, ZELLE
- ▶ STOCKS AND APPRECIATED ASSETS
- ▶ INSURANCE PAYOUTS, I.E. MAKE THE CHURCH A BENEFICIARY
- ▶ PORTION OF YOUR ESTATE
- ▶ GIFTS IN MEMORY OF A LOVED ONE
- ▶ MEMORIALIZED GIFTS FROM TRUST FUND SET UP AT THE FOUNDATION OR ...
- ▶ ROYALTIES,



▶ WHAT WILL YOU NOT ACCEPT?

- ▶ Gifts of art, furniture, jewelry, cars, boats, coin and stamp collections, and other personal property are among the types of gifts most commonly received by nonprofits.
- ▶ APPRECIATED ASSETS, CARS, BOATS, LAND, HOMES, GRAVE SITES, ETC.
- ▶ BUSINESSES,
- ▶ UNMARKETABLE SECURITIES OR ITEMS

HISTORICAL SOCIETY of the PCUSA



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The PHS collects old records from churches and maintains them in a safe environment.

If you have old records that you think might be of historic value, call them and talk about the process.

Also, they will convert all old documents to digital format for you, there is a cost.

Other Income Sources

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- ▶ Income from investment portfolio
- ▶ Leasing your facilities
- ▶ Money making ventures
- ▶ Cell Towers
- ▶ Wills and Trusts
- ▶ Memorialized gifts from trusts set up at the foundation, or Charitable remainder trusts
- ▶ Royalties



Investment Policy

- ▶ Extra Money, after the Reserve account,
 - ▶ Reserve account for emergency needs
- ▶ or Restricted Funds using only the “interest”
 - ▶ If you will only use the “interest” you should invest the principal to some extent.

Investment Policy

Describes who is responsible for investing.

States the objectives and the strategies of investing.

Describes the level of risk the church is willing to take.

Lists the Asset Allocation parameters for Cash, /Fixed Income, and Equity Assets.

Lists specifically any acceptable and non- acceptable investments.

Delineates the Spending Policy and who and why these can be overridden.



Insurance

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- ▶ Related to insurance, if you have a potential claim, contact your agent, do not try to be kind to the perpetrator by reaching out and saying things that might cause problems in resolving the claim. Please do not apologize or seem to accept some blame, leave that to the findings of the insurance company.

INTERNAL CONTROLS



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- ▶ If you change your internal controls because you are working remotely, you need to write them up and keep them on file for when you get audited next year.
 - ▶ i.e money might not have two people counting
 - ▶ i.e. two signature checks?
 - ▶ Email approvals.
- ▶ Reminder **trust is not an internal control.**



INTERNAL CONTROLS

If you change your internal controls because you are working remotely, you need to write them up and keep them on file for when you get audited next year.

- i.e money might not have two people counting
- i.e. two signature checks?
- Email approvals.

Reminder **trust is not an internal control.**



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Leasing Church Property

- ▶ Policy Statement.
- ▶ Short term lease form. (presbytery does not need)
- ▶ Long term lease form.
- ▶ Find on website, [Forms – Presbytery of San Jose \(sanjosepby.org\)](http://sanjosepby.org) scroll down to Financial Affairs

Facility Use for Outside Orgs

- ▶ **Verify 501c3 Status and Adequate Insurance.**
- ▶ **Remember, a for profit org may cause a change in your property tax bill.**
- ▶ **And may necessitate you filing a 990 or 990 T tax return for the church.**
- ▶ **Secure a Lease Agreement, reviewed by the Presbytery.**
- ▶ **San Jose Presbytery uses Standard Lease Agreements on Website for your use. We do not let churches make up their own.**
- ▶ **Make it for your Presbytery and for the laws of your State.**



Leasing Church Property 50

- ▶ When a church (exempt organization) uses its resources, including the equipment, like organs, pianos, computers, etc. for non-exempt purposes they are in violation of their exemption and some churches have lost their exempt status because of this.
- ▶ Those were probably extreme cases, but it is important to think through what we use our churches for and only use our resources for the purposes of worship and Christian education and mission.



Leasing Church Property ⁵¹

- ▶ An example of the above is when a person is allowed to use the musical instruments for teaching music for personal pay. It is a violation of the exempt purpose.
- ▶ However, a church program to train music skills where any payments go to the church and the church pays the musician would become a reasonable program of the church and would not cause exemption problems.
- ▶ Even when a church believes they are doing a “good deed” and benefiting the community by helping others out, the question is not how good the program is but whether it fits the express purposes of the church’s exemption guidelines.



Leasing Church Property

- ▶ **Please use the Standard Lease Form** for all leases and make changes in the Addendum area. Fill-in amounts and dates in the main form.
- ▶ **The Standard Form** includes language that our attorney believes is best for the churches and the Presbytery.
- ▶ Example, Taxes: Property and Business, Safe Church Practices, etc.
- ▶ Send Lease doc to Diane at the Presbytery Office before the 2nd Wed. of the month (FAmtg)



Loans

- ▶ Requires a full set of financials,
- ▶ Banks do not understand non-profit accounting
- ▶ Usually requires an audit rather than a review
- ▶ Requires approval of Presbytery?
- ▶ Any loan taken out by a local church is the responsibility of the Presbytery if the church defaults



Misc. News

- Auto mileage reimbursement, 56 cents per mile.
- 403b deferred contribution cap is 19,500 and 6,500 catch-up. Max for employer is 57,000
- Medicare surtax over 200,000 single, 250,000 married is .09

Misc. News

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- ▶ Auto mileage IRS deduction amount in 2023, 65.5 cents per mile. Volunteer and medical mileage deduction is still .14 cents
- ▶ 403b deferred contribution cap is 22,500 and 7,500 catch-up. Max for employer is 66,000
- ▶ For 2023, an employer must withhold (non-clergy):
 1. 6.2% Social Security tax on the first \$160,200 of employee wages (maximum tax is \$9,932.40; i.e., 6.20% × \$160,200), plus;
 2. 1.45% Medicare tax on the first \$200,000 of employee wages, plus;
 3. 2.35% Medicare tax (regular 1.45% Medicare tax + 0.9% additional Medicare tax) on all employee wages in excess of \$200,000.

Profit and Loss Report

For non-profits it is also called the

Statement of financial activity

- ▶ Income and Expenses
- ▶ Compare to budget
- ▶ Compare to last year
- ▶ Monthly for Session or at least finance committee
- ▶ Annually, for the congregation, annual report



PER CAPITA

- ▶ “*Per capita* funding is how Presbyterians mutually share the costs of coming together to discern the Spirit’s leading for the future.”
(<http://www.pcusa.org/percapita/>)
- ▶ There is a 1 year lag in membership data, i.e. 2023 per capita is based on Dec 2021 membership data.
- ▶ Mail checks to Presbytery Office. Presbytery no longer allows online payment.
- ▶ Lower Per Capita by accurately maintaining rolls.



Policies, Best Practices

- Best Practices for church finances include the following policies:
 - Accountable reimbursement.
 - Credit Card use and reimbursement.
 - Gift Acceptance.
 - Investment.
 - Check writing / signing.
 - Finance review practices, internal or external audits/reviews.
 - Conflict of Interest.
 - Property use.



POLICY - GIFT ACCEPTANCE

- What you will receive and what you won't.
- How the Church handles money they do receive.
- What a donor needs to do to restrict the use of their gift.
- How the Session will handle Restricted Funds.
- How donors can give to the church in their wills.
- What the church does with money given "in memory of?"
- Setting a timeline for designated funds.



Policy - Investment

- Describes who is responsible for investing.
- States the objectives and the strategies of investing.
- Describes the level of risk the church is willing to take.
- Lists the Asset Allocation parameters for Cash, /Fixed Income, and Equity Assets.
- Lists specifically any acceptable and non-acceptable investments.
- Delineates the Spending Policy and who and why these can be overridden.



Policy - Investment

- Extra Money, after the reserve account, or Restricted Funds using only the “interest”
- Choose investments
- Define “interest” – i.e. dividends, gains, share value.
- Set a base and increase base annually by 4%, cannot go below this amount.



Presbytery Files –these are needed

Because churches close, when we do not expect them to.

Presbytery office should have the following for each church:

- A valuation of all its properties.
- A Copy of Articles of Incorporation
- A Copy of By Laws
- A Copy of Tax Bill
- What else would we like to have?



PREPARING FOR DISASTERS

earthquakes, tornados, fires, (electrical), etc.

(hire a public adjuster to help with ins)

▣ Take Pictures

- ▣ Use and Don't use
- ▣ Cost of Purchase
- ▣ Renters should also
- ▣ A way to approve immediate funds, up to 10,000
- ▣ Wish list on-line for people to donate

▣ Mobilization

- ▣ If total, how do you continue to meet
- ▣ Don't change the time you meet

▣ Seating meets your parking (if rebuild)



Record Retention

- ▶ 3 year
- ▶ 5 year
- ▶ 7 year
- ▶ Beyond – Permanent Papers
- ▶ Complete list in the Church Treasurer's Manual



Reserve Fund

- ▶ How much is enough?
- ▶ Why make the money separate?
- ▶ Changing the value?
- ▶ Using the Money.
- ▶ Replacing the Money.





Reserve Fund

- ▶ **How much is enough?**
 - ▶ Three months of expenses.
- ▶ **Why make the money separate?**
 - ▶ To avoid comingling and not having any when you need it. Can be in the investment account, but as short term investment so it is available.
- ▶ **Changing the value?**
 - ▶ Reassess each year and raise the amount needed.
- ▶ **Using the Money.**
 - ▶ Only if you have to.
- ▶ **Replacing the Money.**
 - ▶ As quickly as possible.



Annual Contribution Statements

- ▶ At least annually for the donors
- ▶ List date of gift, amount of gift, account of gift, i.e. general, youth, building, etc.
- ▶ Timely – date must be before tax return filed.
- ▶ Timely – if a later printed copy, not accepted because after the date of filing



Security issues

Cyber security, always look at who the email is from

Social engineering is phishing usually in form of email. Looking for passwords, account numbers, pin numbers (google docs used to get information and your signature) smishing is text message based trying to get passwords and account numbers

Business email compromise is spoofed email trying to get money out of you. Impersonating employee or company. Check the display name to see if it is correct. Usually it is a display of visual trickery

Common wording in emails. There are programs that can filter bad words or common words that might be spoofed. Beware of sense of urgency in an email.

Passwords, Keys, changing regularly, who knows



Security issues

- **Cyber security**
- Social engineering is phishing usually in form of email. Looking for passwords, account numbers, pin numbers (google docs used to get information and your signature) smishing is text message based trying to get passwords and account numbers
- Business email compromise is spoofed email trying to get money out of you. Impersonating employee or company. Check the display name to is if it is correct. Usually it is a display of visual trickery
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- Passwords, Keys, changing regularly, who knows



Technology

Passwords, someone else needs to know

Change annually

Software,

Bank accounts need two party authentication



What is a church?

According to IRS

- ▶ The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes.
- ▶ Distinct legal existence.
- ▶ Recognized creed and form of worship.

Distinct religious history and government.

Membership not associated with any other church or denomination.

Organization of ordained ministers.

Ordained ministers selected after completing prescribed courses of study.

Literature of its own. Formal code of doctrine and discipline.

Established places of worship.

Regular congregations.

Regular religious services.

Religious instruction of the young.

Education for the preparation of its members.



What is a church? According to IRS

- Certain characteristics are generally attributed to churches. The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes.
- Distinct legal existence.
- Recognized creed and form of worship.
- Definite and distinct ecclesiastical government.
- Formal code of doctrine and discipline.
- Distinct religious history.
- Membership not associated with any other church or denomination.
- Organization of ordained ministers.
- Ordained ministers selected after completing prescribed courses of study.
- Literature of its own.
- Established places of worship.
- Regular congregations.
- Regular religious services.
- Religious instruction of the young.
- Education for the preparation of its members.



- ▶ Income from a trade or business not substantially related to the purpose of the org
 - ▶ Purpose does not include use of profits for org
- ▶ Trade or business – income from sale of goods or services
- ▶ Regularly conducted – frequency and continuity comparable to for profit
- ▶ *Not substantially related – does not contribute to accomplishing the purpose of your exemption.*

Unrelated Business Income



- ▶ Tax exempt organizations are organized and operated exclusively for their stated exempt purpose and should avoid all other uses and/or programs.
 - ▶ Exempt means no net earnings inure to the benefit of any private shareholder or individual.
 - ▶ And tax exempt should not be involved in any political activity.
 - ▶ The presence of a single, substantial nonexempt purpose or activity can destroy your tax exempt status.
 - ▶ i.e. leasing to for profit
 - ▶ i.e. Teacher teaching piano to non-church students for pay. i.e. profit.

UNRELATED BUSINESS INCOME



Unrelated Business Income

The presence of a single substantial nonexempt purpose or activity can destroy the exemption regardless of the number of exempt purposes.

Only lease to 501c3 orgs

Determine that they support or further your exempt purpose



990 FORM

What does the 990 ask?

Are you financially benefiting your major givers?

Do you have UBI?

Loans to officers of the church?

Did you solicit any contributions that were not tax deductible?

Do you have a document retention and destruction policy?



Unrelated business income

- **UNRELATED BUSINESS TAXABLE INCOME** If question 7 is answered yes, you must attach the following to the claim: • the organization's information and tax returns, including Form 990-T, filed with the Internal Revenue Service for its immediately preceding year; • a statement setting forth the amount of time devoted to the organization's income-producing and to its non income-producing activities and, where applicable, a description of that portion of the property on which those activities are conducted; • a statement listing the specific activities and locations which produce unrelated business taxable income; and • a statement setting forth the amount of income of the organization that is attributable to activities in this state and is exempt from income or franchise taxation and the amount of total income of the organization that is attributable to activities in this state



Unrelated Business Income

- Income from a trade or business not substantially related to the purpose of the org
 - Purpose does not include use of profits for org
- Trade or business – income from sale of goods or services
- Regularly conducted – frequency and continuity comparable to for profit
- Not substantially related – does not contribute to accomplishing the purpose of your exemption.



Exemption

- Exemption is a privilege not a right, if the organization looks exempt but does not act exempt it is not exempt.
- Have you become a facility leasing out your property or are you still a church?



WILLS AND BEQUESTS

- ▶ 60% of all Americans have no wills.
- ▶ 41% of Baby Boomers have no wills (USA Today).
- ▶ Suggest you become pro-active.
 - ▶ Annual Wills Emphasis Sunday.
 - ▶ www.presbyterianfoundation.org
- ▶ Seminars to talk with congregation about.
- ▶ Policy on receiving money, gifts, and designations.



WIRING MONEY OVERSEAS

- **Presbytery of San Jose cannot be responsible for International correspondent banking instructions associated with any fed wire transfers and we cannot make any International SWIFT payments or International Clearing House Payments.**
- **We cannot collect the money.**

The Balance Sheet

For non-profits it is also called the

Statement of financial position

- ▶ Assets and Liabilities
- ▶ Restricted Accounts
- ▶ Compare to last year for increase/decrease
- ▶ Notes related to restrictions, history, amounts, uses
- ▶ Treatment of Church buildings
 - ▶ Manse

Pension Issues



- ▶ Define Salary – annual filing form.
 - ▶ File with the Board of Pensions, even if no change.
- ▶ Housing Allowances.
 - ▶ Set it high, anything unused will become income.
 - ▶ Includes, mortgage, rent, utilities, insurance, furnishings, etc.
- ▶ All extra income, bonuses, etc. needs to be reported to the Board of Pensions, it will adjust the dues.
- ▶ www.pensions.org



Cafeteria Plans

- Types of Accounts

1. Section 125 Plan Cafeteria Plans allow an employee to elect to reduce cash salary and pay dues contributions with pre-tax wages.
2. Employer medical reimbursement arrangements (sometimes referred to as wrap-around plans) — Some churches offer medical reimbursement arrangements for medical expenses that are not reimbursed by the Medical Plan. These arrangements are not subject to income tax or Social Security tax if they are provided as a group plan established to reimburse employees for medical expenses not covered by the plan (for example, deductibles and coinsurance).
3. Flexible Spending Accounts (FSA)
4. Health Reimbursement Arrangements (HRA)
5. Health Savings Accounts (HSA) High Deductible Plan

Beginning in 2019, the PC(USA) Medical Plan offers an HDHP option and an HSA vendor, Further.