

Treasurer Trainings

- 1. We have done trainings in our Presbytery for about 15 years.**
- 2. They are usually on Saturday mornings from 9 to noon.**
- 3. Zoom is working well although we might be doing hybrid in the future.**
- 4. We have had people come from as far away as Minnesota.**
- 5. We have also done trainings for other presbyteries or groups (on zoom or live, if needed)**

Treasurers' Training

2024 PORTLAND KALEIDOSCOPE



Diane Case

rdtkcase@gmail.com

(408) 202-0126

Edd Breeden

edd@breeden.us

(831) 239-6817

Presbytery of San Jose, CA

Who's in the Room

- 1. Pastors?**
- 2. Treasurers?**
- 3. Finance Committee?**
- 4. Stewardship Committee?**
- 5. Denominational Staff**
- 6. How to do Treasurer Training
OR To be Trained**

Do you Have Specific Questions?

Coverage Today

1. Exemption- 501c3
2. Treasurer's job
3. Inflow of Money
4. Outflow of Money
5. Asset Protection
6. Records and Reports
7. Admin Stuff
8. Insurance
9. Policies
10. Employees
11. Leasing to Others
12. UBI
13. Clergy Compensation
14. And More...

501 c(3) EXEMPTION

Exemption

- Exemption is a privilege not a right, if the organization looks exempt but does not act exempt it is not exempt.
- Income and Property Tax exemption is for non-profits.
- Not how you use the money, how you raise the money.

What is a church? (IRS)

- The IRS uses this list of characteristics, together with other facts and circumstances, to determine whether an organization is considered a **church for federal tax** purposes.
- Church does not mean Christian. It is a kind of “religious” organization in the eyes of the IRS.
- Recognized creed, doctrine, worship, and discipline.
- Distinct religious history.
- Distinct membership.
- Ordained ministers or leaders.
- Ordained ministers 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.

Tax Issues

One single substantial nonexempt purpose or activity can destroy exemption.

Unrelated business income: If it is more than \$1000 a form 990 T needs to be filed.

Any outside use to a for profit organization can cause possible loss of tax-exempt status for local property tax. At least for the percentage of the property use.

Upon the dissolution of the church the assets must go to another church, not a person or the people.

Presbyterian 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**

FILING EXEMPTIONS

- <https://www.capropeforms.org/counties/>
- **Look up to find the forms with your county's logo.**

FILING EXEMPTIONS

- <https://www.capropeforms.org/counties/>
- **Monterey – co.Monterey.ca.us**
- **San Benito – cosb.us**
- **Santa Clara – sccassessor.org**
- **Santa Cruz – co.santa-cruz.ca.us**

- **Religious Exemption, 267-S,**
 - all churches file annually,
 - One Question; are you still a church, i.e. religious purposes?
- **Welfare Exemption, 267 / 267-A,**
church who allows other organizations to use space or rent space must file this annually,
- **Supplemental Form, 267-O,** church who allows other organizations to use space or rent space must file this annually,
- **Church Exemption, 262– AH,** any church that does not have its own building but is renting space.
- We will talk about leasing property to others later in the day.

THE TREASURER'S JOB

Treasurer's Job Description

- **Orderly books**
- **Follow the instructions of the board**
- **Notify the board**
- **Fraud**
- **Overruns**
- **Questionable spending**
- **Make aware**
- **Annual Audit**
- **Budget**

Finance Team

- **Treasurer -- oversees**
- **Ushers – collect the money**
- **Counters – usually two, might record**
- **Records and statements**
- **Receive bills --**
- **Pay bills --**
- **Reports and budgets**
- **Generosity Team**
- **Property Management**

Finance Committee

- **Oversee the process**
- **Make recommendations to session**
- **Guide the team, counters, inputers, statements,**
- **Generosity team oversight**
- **Letters,**
- **Etc.**

Tax Issues

- **One single substantial nonexempt purpose or activity can destroy exemption.**
- **Unrelated business income: If it is more than \$1000 a form 990 T needs to be filed.**
- **Any outside use to a for profit organization can cause possible loss of tax-exempt status for local property tax. At least for the percentage of the property use.**
- **When dissolutions happen, all of the assets must go to the benefit of another non-profit. Another church, the denomination. Etc.**

ACCOUNTING PROCESS

- 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

Accounting Processes

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

Budgets

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

LINE ITEM BUDGET

- Traditional Reporting of Profit and Loss with projections into the future year.
- Uses forms comfortable to business people, accountants, etc.
- Most people glaze over when they try to look at a spreadsheet, making the reporting of the budget in this form poor communication.

NARRATIVE BUDGET

- Divides the money spent into 4 to 6 categories that relate to the mission of the church.
 - i.e., Worship, Education, Youth, Missions, Management, People Care.
- Every item in the traditional line-item budget is separated into the 6 categories by amount spent in this category.
 - What percent of time does each staff member spend in the category.
 - What percent of the facilities are used by each category.
ETC.
- Then the budget tells the story of the work of the church and how much it costs to provide this work to the people.

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.

Hope is not a budget

- **Do not over stretch your budget beyond what is reasonable.**
- **Balance what you would like to do with what is more realistic.**
- **Encourage the congregation with your dreams and see if they are willing to increase giving to fund those dreams.**

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 Financial Review

- **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.

Annual Financial Review

- **How the Treasurer can prepare for the annual review:**
- **Monthly set the following in a Notebook or File:**
- Bank and/or account statements from all accounts and from all months.
- Reconciliation reports from each month's bank reconciliation process.
- Balance Sheet (Statement of Financial Position) for the previous year-end and each month-end of the year being reviewed. (If the closing date of your statements is not the end of the month, then you would need reports for the dates on the statements).
- Profit and Loss (Statement of Financial Activity) reports for all months and the year-end (with budget).
- A copy of the check register or the general ledger for the year.
- The sheets used by those who collect money and make the deposits. (Accounts Receivable documents)

Reconciling Accounts

- Someone besides the bookkeeper.
- Helps to have a separation between people.
- Minimizes fraud.

- Is the check book really balanced? An example.

ANNUAL FILINGS



VARIOUS FORMS

- **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.**

ANNUAL STATISTICAL REPORT

- **Clerk is responsible but**
 - they need numbers
- Value Now – gives info to the middle governing bodies.
- Value Future – helps you and your pastors evaluate.
- Round numbers to nearest hundreds.
- Estimate as best you can.
- Session should approve before submitting.



PCUSA Annual Statistical Report

- Value?
 - Now – gives info to the middle governing bodies.
 - Future – helps you and your pastors evaluate.
- Round numbers to nearest hundreds.
- Estimate as best you can.
- Make sure to print before submitting.
- Session should approve before submitting.



ADMINISTRATIVE TOPICS

Misc. News

- **Auto mileage IRS deduction amount in 2024, 67 cents per mile. Volunteer and medical mileage deduction is still .14 cents**
- 403b deferred contribution cap is 23,000. and 7,500 catch-up (over 50). Max for employer is 69,000
- **For 2024, an employer must withhold (non-clergy):**
 - 1.6.2% Social Security tax on the first \$168,600 of employee wages (maximum tax is \$10,453.20; i.e., 6.20% × \$168,600), plus;
 - 2.1.45% Medicare tax on the first \$168,600 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.

HISTORICAL SOCIETY of the PCUSA

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.

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)

Filing System

- Contributions sheets by year
- Expenses by year
- Separate for “permanent” things like property purchases, insurance policies, etc.
- The question is this, can it be thrown away in seven years or less? Why or why not?

Administrative Topics

- 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.
- Two party authentication.

AVOIDING FRAUD

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

INTERNAL CONTROLS

40

- **Helping the financial process be efficient, consistent, and helpful to the organization.**
- **Defining the locations for money flow.**
- **Defining the roles involved, who does them, who supervises, who trains, etc.**
- **Recruiting volunteers, restrictions, vetting, supervising.**
- **Providing the equipment, software, and supplies.**
- **Defining which bank and investment accounts are needed.**
- **Develop clear communication procedures, who tells who what and when.**

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?

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 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

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 for you or your project.**

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)

HANDLING MONEY



MONEY - INFLOW

SOURCES OF INCOME



Income Sources

- Contributions,
- Gifts, stocks, non-cash
- Income from investments,
- Leasing out your facility,
- Money making ventures
- Cell Towers
- Wills and Trusts
- Foundation accounts
- Royalties

Loans are not really income

- 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 (PCUSA)** if the church defaults

SYNOD LOAN APPLICATIONS

First send to the Presbytery of San Jose, ATTN DIANE.

DO NOT SEND TO SYNOD.

Require Financial Affairs reviews and approval

- and send those that need to get Presbytery approval on to Presbytery. I.E. 5 YEAR LEASES. Why?

Once the Presbytery approves it, FA forwards it on to the synod for their approval.

Financial Affairs meets the 3rd Wednesday of the month but Presbytery only meets four times a year and synod meets February, May, August, October.

Synod loan applications

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Memorial Giving

- What the church does with money given “in memory of”?
- Will it be kept in a separate Fund?
- How is the money to be used?
 - Permanent projects?
 - General Fund?
 - Designated projects?
- How will this be told to the congregation?
- How often?

WILLS AND BEQUESTS

- 54% of all Americans have no wills.
- 42% of Baby Boomers have no wills (USA Today).
- Suggest you become pro-active.
 - Annual Wills Emphasis Sunday.
 - Check with your foundation.
- Seminars to talk with congregation about.
- Teach them to have a will/trust and to include the church in their will/trust.

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Wills, Trusts,

- Annual emphasis - spring
- Need to say it at least 7 times before most will know you said it
- Give them a sample paragraph that is acceptable to your state
- Encourage percent to the church, preferably, no strings attached,
- Have a contingency if church is no longer gathering, i.e. the Presbytery

Book Stores

- Other fund-raising issues
- Thrift stores,
- Rental property
- Youth group fund raising
- Are they employees or does the money go to a fund that benefits all

Per Capita and General Mission Giving

- Our Presbytery is now operating on a single budget.
- Per Capita feeds into that budget.
- As does General Mission Giving.
- We still collect Per Capita and General Mission Giving as two separate entities.

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.

LEASING PROPERTY TO OTHERS

LEASING CHURCH PROPERTY TO OTHERS Churches, 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 appropriate committee of the Presbytery or Synod.**
- **Available forms on sanjosepby.org. We do not let churches make up their own.**
- **Make it for your Presbytery and for the laws of your State.**

Leasing Church Property

- 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

- 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

- It has little to do with how you use the money, and everything to do with how you raise the money.
- One of the biggest issues about working with other organizations inside our church facilities is this question:
- How is the Project consistent with the mission of the church; i.e. is it truly MINISTRY? Does it somehow conform to our mission according to our Articles of Incorporation and By-Laws?

- **Unrelated Business Income**

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

- 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.*

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?



CONTRIBUTION RECEIPTS

Contributions & Receipts

- **Must be contemporaneous, dated before the taxpayer files a return for year of contribution.**
- On church's letter head is best, include church EIN.
- Name of the Organization and Name of the Donor.
- Date of each contribution and the fund, i.e., general, youth.
- Amount of Cash Contribution.
- In-Kind Contributions list only 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.

Contributions & Receipts

- **Cash contributions.** All cash contributions, regardless of amount, must be substantiated by either a bank record (such as a cancelled check) or a written communication from the charity showing the name of the charity, the date of the contribution, and the amount of the contribution.
- **Substantiation of contributions of \$250 or more.** Donors will not be allowed a tax deduction for any individual cash (or property) contribution of \$250 or more unless they receive a written acknowledgment from the charity, either individually or in the annual statement.
- A canceled check of \$250 or less is valid receipt.

Contributions & Receipts

- **Gifts of property (non-cash)**
- If valued by the donor between \$500 and \$5,000.
- Donor must retain certain records and complete the front side (Section A, Part I, and Part II if applicable) of IRS Form 8283 along with their 1040.
- Special rules apply to donations of cars, boats, and planes valued by the donor at more than \$500. The church must provide the donor with a written acknowledgment and send a Form 1098-C to the IRS containing required information about the donation. Form 1098-C can be used as the written acknowledgment that must be issued to a donor.
- Failure to file Form 1098-C can result in penalties assessed on the church and a loss of the donation deduction by the donor.
- *When giving a receipt to a donor for a non-cash gift, the church is not allowed to put a value on the receipt but should only describe the gift and let the donor put their own value on the gift for IRS purposes.*

Contributions & Receipts

- **Quid pro quo contributions of more than \$75.** If a donor makes a “quid pro quo” contribution of more than \$75
- (that is, a payment that is partly a contribution and partly a payment for goods or services received in exchange), the church must provide a written statement to the donor that satisfies two conditions:
- 1) the amount of the contribution that is tax-deductible
 - Is limited by the value of what the donor received in return.
 - must provide the donor with a good faith estimate of the value of the goods or services furnished to the donor.
- 2) A written statement need not be issued if only “token” goods or services are provided to the donor or the gifts given were low-cost items in comparison to the overall donation.
- For 2020, token goods or services were those that cost the church no more than \$11.20 to produce, contain the church’s logo, and were given in exchange for a contribution of at least \$56. (as an example)

MONEY - OUTFLOW

Things to look for before writing checks:

- **Don't just pay the bill because it is there.**
- **Do you have a bill or a receipt**
- **Do you have authorization to pay**
- **Document the payment and file appropriately.**

Think Audit

- **What will you need for the financial review / audit?**
- **What documentation would you like to have to make the job easier.**
- **The second review will be easier because the Treasurer will be more prepared.**

Preferred Documentation

- **A request form showing who to make the check out to, where to send it, what account it is to be paid from and who approved it.**
- **The receipt or the bill.**
- **The check or payment record.**
- **Other helpful information.**

Preferred Documentation

For Treasurer use only:

Ck# _____ Date Check Written _____ Initial _____

Voucher to receive Reimbursement or to request a Disbursement from Church Monies

_____ Church, _____, FL

Instructions: fill out form in detail, get appropriate authorizing signature, return the form and attached documentation to the Treasurer's Box in the Office.

Reason for expenditure: _____

Account(s) _____ Amount _____
(choose from numbers below)

Account(s) _____ Amount _____

Account(s) _____ Amount _____

Account(s) _____ Amount _____ Total _____

The Check Information:

Pay Check to the Order of: _____

Mail to address: _____

Submitted by: _____ Date: _____

Authorized by: _____ Date: _____

(this should be the head of your ministry team or a deacon; should not be the same person as submitted by or pay to the order of)

Please attach receipts, invoices, or other appropriate documentation with paper clips,

DO NOT STAPLE, Thank You

List of the most popular account numbers .

PROTECTING YOUR ASSETS



Insurance

- 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.

Insurance

- Review your coverage every time you receive a renewal notice.
- Are your limits high enough to replace the building in a disaster?
- Are your special programs covered?
- Are your volunteers covered adequately?
- Is the board covered properly?

Insurance

- Sexual harassment claims are still the number one claims in churches.
- Have a policy and communicate to our staff and volunteers annually.
- Make sure your church has sufficient insurance.
- Property issues are number two in insurance claims.

Insurance

- 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.



RECORDS AND REPORTS

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

Record Retention

- Permanent papers vs annual
- Permanent Papers forever or until you no longer own the item.
- Annual
- 3 year receipts etc.
- 5 year
- 7 year what would be tax related docs
- One box per year.
- Complete list in the Church Treasurer's Manual

Reporting

- Board monthly
- Congregation at least annually
- Committees as needed
- Reports
 - Profit and Loss, year over year
 - Balance Sheet, year over year
 - Breakdown as needed
 - Restricted, inflow, outflow, balance

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

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

- 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**

Balance Sheet

STATEMENT OF FINANCIAL POSITION

•NOTES TO INCLUDE

- ▶ Include a short explanation of each restricted fund.
- ▶ **Where the fund came from**
- ▶ **How it is to be used**
- ▶ **How can someone obtain money from**
- ▶ **When will the fund be done**
- ▶ **Where will the residue go at the end**

- ▶ **Viability of the organization for 12 months**

FUNDS With RESTRICTIONS

Funds with restrictions

- **Funds with Donor Restrictions**

- Board approve before check is deposited
- Board to work with giver, where possible, to set
 - A clarification on the use of funds, i.e. broaden the use
 - A length of time on the use of funds
 - What will be done with any funds left in the account when time is up

- **Funds without Donor Restrictions**

- **To Use at the Discretion of the Board**

Funds with restrictions

- **DONOR RESTRICTED**

- The donor restricts, the BOARD accepts, the money cannot be used any other way.

- **BOARD RESTRICTED**

- The BOARD restricts, the BOARD can change their mind, as soon as the next meeting, PROVIDED THEY DO NOT SOLICIT MORE FUNDS.

- **PERMANENTLY RESTRICTED**

- Avoid these if at all possible.
- Calif, requires approval of OAG

- **SETTING AN END DATE BEFORE RESTRICTED MONEY IS ACCEPTED.**

RESTRICTED FUNDS

RECORDS FOR ALL RESTRICTIONS

Original documentation,

Board minutes with approval,

Short statement 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.)

RESTRICTED FUNDS

- All special appeals for specific projects are “donor restricted” funds, any money solicited will be considered restricted for the purpose stated.
- Appeal with a caveat, “if more money is collected than will be needed the excess money shall be diverted to the _____ fund.”
- If the board sets up a special fund for a Board restricted purpose and the board then later asks for additional contributions the fund becomes a donor restricted fund.


DISPENCING 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 board minutes authorizing the expenditure or the person who has the right to approve.
- Protect yourself, only spend when you have authorization.

RESTRICTED FUNDS

What if you don't know?

- Do some research, ask around.
- Make a best guess as to the fund, the gift, the purpose.
- Publish to the congregation as a draft document.
- After a period of time, have the board approve a going forward plan.
- All notes that are best guess, add an asterisk with explanation with the date of approval.



BENEVOLENCE or Pastor Discretionary

- 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 if it is)
 - Document the need.
 - Verify their inability to cover the need themselves.
- Keep clear documentation,

Benevolence Fund

- **What if you want to send someone to Seminary and so you start a fund and raise money?**
- *This is a violation of IRS rules because you are encouraging Tax evasion.*
- *I want to give, but I also want a deduction.*
- *The org can create the fund, must publicize the availability, receive applications, determine the need and inability to pay, and then award the gift to the applicant.*

Endowment Fund

- Endowment is a loaded word, avoid it at all costs,
- Each State has their own definition, which might cause a problem
- Stick to, Donor Restricted, Board Restricted, (if permanent-send to foundation)
- Determine what can be used, interest, dividends, capital gains, principal
- What is meant by interest, does it include dividends, capital gains, principal increase

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.*
- **Using the Money.**
 - *Only if you have to.*
- **Replacing the Money.**
 - *As quickly as possible.*
- **Changing the value?**
 - *Reassess each year and raise the amount needed.*





Reserve Study

- **Every dollar of deferred maintenance adds four to five dollars to capital improvements if deferred over five years.**
- **Reserve Study**
 - Lists all aspects of the property, replacement costs, and life of property.
 - Tells the church which projects and how much money should be spent each year to maintain property.
- **Insurance**
 - Deferred maintenance can affect insurance premiums.
 - Some problems are water damage, leaky roof, pipe breaks, down spouts, improper draining, appliance breaks.

Reserve Study

Item	life expect	cost	2022	2023	2024	2025	2026
Computer	4					2,000	
Office Door	30		2,000				
Cell Phone	3			1,000			1,000
Toilet	15				1,000		
Pulpit	60						
Cost per year			2,000	1,000	1,000	2,000	1,000

Mission Giving - PCUSA

- **How define the amount for the budget?**
- **How keep abreast of the Mission work?**
- **What about designated giving?**
- **Do you need to keep track of how the congregation gives to mission outside the church?**

Special Offerings

- April – One Great Hour of Sharing
 - 36% Hunger, 32% Disaster, 32% Self Development.
- May – Pentecost Offering
 - 60% Children at risk, & Youth-young adults, 40% keep by the congregations for programing.
- October – Peace and Global Witnessing Offering
 - 25% Local, 25% Presbytery, 50% GA
- December – Christmas Joy Offering
 - 50% Emergency Assist for Church Workers, 50% Ethnic Schools

Special offerings

- When you take the offering
- Don't wait too long to send it in

Treasurers' Training

2024 Stewardship Kaleidoscope



QUESTIONS

POLICIES

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.



Accountable Plan

- must comply with all four of the following rules:
- 1) a **business connection**, i.e., a business expense as an employee
- 2) an **adequate receipt within 60 days, documented**
- 3) **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.



Non-Accountable Plan

- Excess reimbursements you fail to return to your employer.
- Reimbursement of nondeductible expenses related to your employer's business.
- Your employer will combine any reimbursement paid to you under a nonaccountable plan with your wages, salary, or other compensation and report the combined total in box 1 of Form W-2.
- Because reimbursements under a nonaccountable plan are included in your gross income, you can deduct your related expenses (for SE tax and income tax purposes) regardless of whether they are more than, less than, or equal to your reimbursement.
- For more information on accountable and nonaccountable plans, see Pub. 463, Travel, Gift, and Car Expenses.

Accountable Reimbursement

11
2

Mileage – report showing date, mileage, purpose of trip, etc.

Meals – Receipt with name of person (s) attending and topic of conversation, can be vague, counseling, sermons, etc.

Merchandise – Receipt with explanation and what it will be used for, education, sermon, study, etc.

Credit Card reimbursement

All receipts with explanation and information on receipt, account, etc.

Review of total bill marking items and what was purchased and what account to charge to.

Repay any amount not qualifying.

GIFT ACCEPTANCE POLICY

- Start with a thank you
- 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 Board 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.

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.

•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

•WHAT WILL YOU DO WITH THE MONEY?

- ▶ PLACE IN THE GENERAL FUND OR IN THE APPROPRIATE DESIGNATED FUND
- ▶ ACCEPT THE DONORS SPECIFIC RESTRICTIONS WITH CONDITIONS,
 - ▶ Contributions for specific items must be fully funded by the donor, with additional funds to maintain
- ▶ SELL ALL STOCK IMMEDIATELY, AND USE MONEY ACCORDING TO THE PURPOSES OF THE CHURCH
- ▶ END DATE, ETC. HOW LONG WILL YOU KEEP TRACK OF THE GIFT AND USE,

•NOTES TO INCLUDE

- ▶ What restricted funds the church already has.
- ▶ What a donor needs to do to restrict the use of their gift.
- ▶ How the Session will handle Restricted Funds.
- ▶ **IT IS YOUR RESPONSIBILITY TO OBTAIN YOUR OWN APPRAISAL OF THE VALUE OF APPRECIABLE GIFTS.**
- ▶ **Additional information available if needed, contact edd@breeden.us**

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.

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

- Rule of thumb for good fiduciary investing.
- Invest the account in at least 60% stock and the remainder in bonds with a reserve of 5% cash for amounts that need to be paid out annually.
- Withdraw no more than 4-4.5% per year
- I recommend stock investment to be in an S&P Index type ETF or a low commission mutual fund.

Check Writing

- Writer and Signer cannot be the same person
- Authorized signers
- Two Signatures

Audits / Financial Review

- Audit with a CPA if ...
- Review Team cannot include Treasurer or family
- Review team must be _____ persons
- Review team will have complete access to books
- Treasurer will cooperate with team

Conflict of Interest

- Usually happens when a person has more than one interest in a transaction.
- i.e. Owns the company that the board hires to do the work, and also sits on the board.
- It would be good to have a policy on this.

Conflict of Interest

- A Conflict of Interest Policy in a Church does not have to say you cannot do Church business with your family members. But it should define how those business transactions can occur and what information needs to be disclosed if you do. For instance, if you do business with a church member greater than, say, \$1000, the transactions should be fully disclosed before, during, and after the transaction happens.

Conflict of Interest

- Part of the Articles of Incorporation or By-Laws include the fact that individuals are not allowed to directly benefit from the work of the Church.
- While some people involved with non-profits do benefit from the non-profit because they are paid to do the job of the director or some other staff position, individuals are not to be the beneficiaries of the profits of the organization.
- This goes one step further to relatives or even good friends with people in the Church who benefit directly from contracts or business arrangements that the Church engages in.
- This brings about a need in the Church for a Conflict of Interest Policy stating how the Church prefers to handle business transactions that involve Church members and their families.

Property Use

- Who can use
- What can be used / what cannot
- Rates for use spelled out
 - Members cost
 - Non-member cost
 - Define member and non-member
- Deposits required
- Condition expectation at conclusion of event, cost if not
- Rental agreement form
- Sound system – operator needed – suggested pay
- Custodial cost if needed

EMPLOYEES/ PAYROLL

EMPLOYEE Definition

- When to come to work
- What to do at work
- Availability of Work equipment and resources
- Does not have other comparable work outside

EMPLOYEE FILES

Official paperwork; application, record of hire, annual reviews, I9 (e-verify), wage changes, annual W4 or W9 forms, address, phone, emergency contact, direct deposit authorization, and other paper work.

Record all changes along the way, including any job reviews.

Every position has a job description showing who they work for, what they are expected to do, how they will be evaluated, etc.

I-9, EMPLOYMENT ELIGIBILITY VERIFICATION

EMPLOYEE RECORDS

E-Verify, www.uscis.gov/e-verify/employers helps to verify employee eligibility for work.

Payroll questions

- Do payroll in house or have a company?
- Complying with State laws.
- Filing regular forms
- Having current data for withholding
- Sending checks to government
- Keeping employees informed with paystubs
- Track all medical, retirement, sick days,

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

Check the Pension Programs offerings before setting up your own.

EMPLOYEE MANUAL

- info on benefits, disabilities, wages, vacations, sick days, etc.
- grievance procedures, discrimination, harassment and abuse, and how you will handle complaints
- Samples are available for a variety of costs from free to consultants who charge \$5,000. Find what works for you.

CLERGY COMPENSATION

CLERGY COMPENSATION



Clergy Compensation

- 1. Salary**
- 2. Housing Allowance**
- 3. Accountable Reimbursable Allowances**
Auto, Professional Expenses, Study,
- 4. NON-Accountable Allowances**
These are lumped with salary for tax purposes
includes Social Security Allowance
- 5. Benefits,**
Pension, medical, insurance

Clergy Compensation - Salary

- **Additional Salary (Add to Box 1 of W-2)**
 - Bonuses
 - The cost of sending a minister to the Holy Land (if paid by the church)
 - Most Christmas and special occasion offerings for the pastor
 - Gifts at retirement 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**

Clergy Compensation - Salary

- **Additional Salary** (Add to Box 1 of W-2) page 2
 - Imputed cost of group term life insurance coverage exceeding \$50,000
 - Church reimbursements of a spouse's travel expenses incurred while accompanying a minister
 - "Imputed interest" from "below-market interest loans" of at least \$10,000 by a church to a minister
 - Cancellation of a minister's debt to a church
 - Severance pay
 - Payment of a minister's personal expenses
 - "Love gifts" (given through the church for deduction)

Clergy Compensation

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.

Clergy Compensation - Housing

- **Housing Allowance (Box 14 of W2)**

- A portion of compensation can be designated as housing allowance for the clergy.
 - Housing allowance is not subject to income tax if all is used for approved housing expenses.
 - HA is subject to Soc Sec and Medicare. (SECA not FICA)
 - Should be voted by board preferably each December for the coming year.
 - Can be adjusted mid year, yet not retroactive.
 - Documentation; either budget, check stubs, accounting, contracts, etc.

What qualifies as Housing Allowance?

Down payment on house + closing costs + commission

Mortgage payments on loan (include principal and interest)

Home equity loan payments (if used for housing expenses)

Rent paid, (needed for taxes if the *Fair Rental Value of Home Furnished*)

Property taxes and Insurance

Content and Liability Insurance

Utilities, all Electrical, Gas, propane, fuel oil, wood, water, sewer, garbage, phone

Furnishings, (Purchase, repair, furniture, appliances, décor, wall coverings, curtains)

Structure Repairs and Remodeling

Yard maintenance, improvements, pool maintenance

Pest Control, Cleaning services, supplies

HOA Fees
Homeowners Association Dues

Miscellaneous,
Mobile Home Space Rental

Clergy - Housing Allowance

1. Many churches may/will want to increase ministers' compensation to offset the adverse financial impact of paying SECA tax at 15.3% of HA.
2. Set HA as High possible, anything unused will become taxable income, anything used is free from income tax.
3. Should be voted by Session preferably each December for the coming year.
4. Documentation; either budget, check stubs, accounting, contracts, etc.
5. Can never be retroactive but can be changed during the year.

Clergy - Housing Allowance

- Continuing Court cases trying to eliminate.
- Not subject to **income tax** if all used for approved housing expenses.
- Is subject to SS and Med. SECA taxes.
- Should be voted by Session preferably each December for the coming year.
- Documentation; either budget, check stubs, accounting, contracts, etc.
- Can never be retroactive but can be changed during the year.

Clergy Compensation –

Accountable Reimbursement Allowance

- a. Organization should have a written policy
- b. Auto, Professional Expense, Study Leave (Cont. Ed.), Book allowance,
- c. Business related expenses (IRS rules)
- d. Designated accounts or discretionary accounts
- e. Receipts within 60 days
 - a. Receipt includes purpose, names, etc.
- f. If prepaid, any unused is returned within 120 days

Clergy Compensation -

- **“Discretionary funds” or the like – whatever the title** - established by a church for a minister to spend on current needs, giving to others in need, use at their discretion.
- Should be treated as an accountable plan and require receipts and documentation from the clergy.
- —**if** the clergy is allowed to distribute funds for his or her personal benefit or does not have to account for the funds in an arrangement similar to an accountable expense reimbursement plan it should be considered salary and added to box 1 of W-2.

Clergy Compensation -

NON-Accountable Allowances

- Any money paid to the clergy for purposes that do not fit the IRS definition of business expense.
- Any money paid to the clergy for business expenses for which the clergy does not show valid receipts or other documentation within 120 days of the expense.
- Any money given to the clergy to use at their discretion without documentation or disclosure.

Clergy Compensation - Benefits

- a. Benefits are not taxable: if paid directly to the company. Taxable if paid to the clergy and not accounted for.**
 - a. Medical insurance** for clergy and family is considered a non-taxable benefit.
 - b. Pension deposits**, either formal pension program or paid into 501c3 plan adopted by church.
 - c. Life insurance** costs up to \$50,000 for each clergy as a benefit.

Clergy Compensation - Benefits

d. Non-cash benefits

- a. Vacation (weeks/ days)
- b. Study Leave (weeks/ days)
- c. Other:
 - a. teaching time,
 - b. Time for other job, writing, etc.

The Minister's W-2 Form

- Include in box 1 – wages
 - Salary given, no housing, all other income
 - Include any social security reimbursement
 - Include any non-accountable allowances paid
- There is no Social Security Income (box 3-6)
 - Pastor pays tax on return as Self-Employed taxes (SECA not FICA)
- If requested the church can make payments of fed taxes for the clergy estimated payments – put amount withheld in box 2
- Include in box 14 – other
 - “housing allowance” and amount paid

Clergy -W-2 FORM

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 estimated taxes paid	
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	
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 Instructions for box 12	
				14 Other Housing allowance 40,000		12b Do not include info on Pension Plan, do include info on employer 403b contributions	
				15 State Employer's state ID number		16 State wages, tips, etc. equal to box 1	
f Employee's address and ZIP code				19 Local income tax		20 Locality name	

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

2023

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

Department of the Treasury—Internal Revenue Service
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

Board of Pension

- **Total Effective Salary**
 - **Amount of Compensation Used to Calculate “Pension Dues” in the PCUSA**
 - Salary.
 - Housing Allowance. (or fair rental value of manse)
 - Tax-Deferred Retirement Savings/Annuity. (IRA/403b)
 - Social Security Reimbursement above 50% of FICA.
 - Other Non-Accountable Allowances,
- More information available at www.pensions.org
 - Search for “Understanding Total Effective Salary”

STEWARDSHIP



Who Talks about Money?

- Churches -- 2-3 weeks per year.
- Mission Orgs -- 40% of the time.
- Non- Profit Groups -- 40% of the time.
- Bible – 135 paragraphs, stories, related to money in the New Testament alone.

Giving Facts

- **86% of people under 35 prefer to give electronically.**
- **14% of churches allow electronic giving.**
- **50% of attendees at church give cash in the plate or nothing.**

Appendices



Resources

- Articles on church finances and tax law.
- http://www.wkpz.com/nonprofit_articles.php
- Frank Sommerville, non-profit attorney
 - fsommerville@nonprofitattorney.com
- Elaine Sommerville, non-profit accountant
 - Elaine@nonprofit-tax.com
- Kaleidoscope Conference Resources
 - www.stewardshipkaleidoscope.org

Contact Information

- Edd – edd@breeden.us
- Diane – rtdkcase@comcast.net
- Presbytery Address
 - 890 Meridian Way,
 - San Jose, Ca 95126
 - (408) 279-0220

Contact Information

- Edd – edd@breeden.us
- Office Address
 - 108 Whispering Pines
 - Suite 120
 - Scotts Valley, CA 95066
 - Cell (831) 239-6817

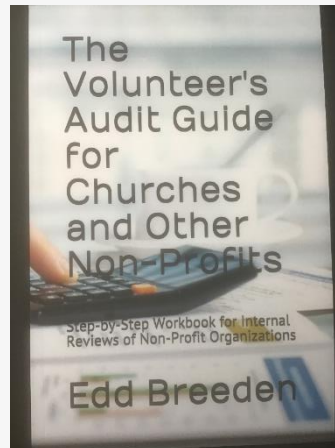
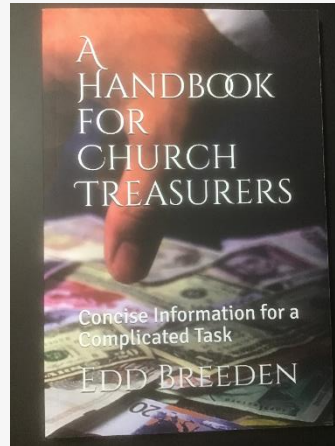
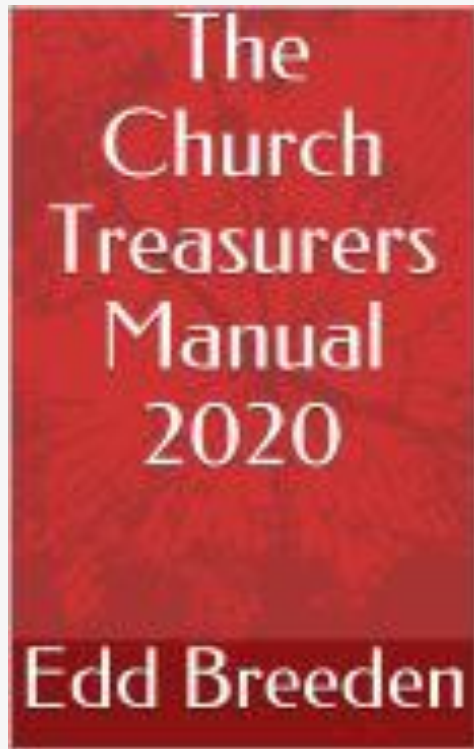
Board of Pensions & Foundation

- **Consultants for regions around the country.**
- **– Board of Pensions**
 - Help with all issues related to Pensions, Medical, etc.

- **Consultants for regions around the country.**
- **- Foundation**
 - Work with congregations to create a culture of generosity, offers seminars and workshops, develop gifts, investments, etc.

Stewardship Kaleidoscope

- Happening this fall
- Minneapolis, MN
- Our Presbytery (San Jose) has encouraged many people to go by covering their registration, leaving hotel and travel for them to cover.
- Visit www.stewardshipkaleidoscope.org



BOOKS

- **?????11**

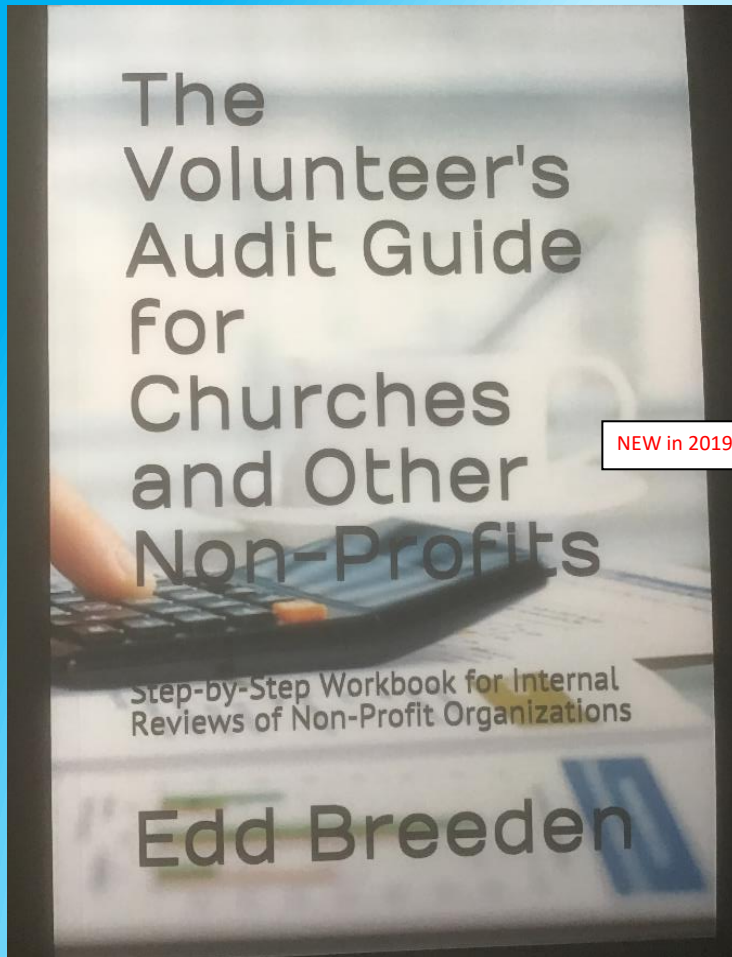


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