

Safe Church – The Finance Version

I. Cash, Checks, Credit Cards, Auto Drafts

1. When can I pay in cash?
 - a. Petty Cash – e.g., postage, paper towels, coffee
 - i. Set a limit of petty cash to have on hand – \$50-\$100
 - ii. Keep in a secure location
 - iii. Require receipts – Reconcile monthly
 - iv. Receipts + Cash on Hand = Petty Cash Total
2. When can't I pay in cash? No other cash transactions, period!
 - a. All other disbursements made by check or auto draft.
 - b. Checks should be pre-numbered and used in sequence.
 - c. Checks made payable to specified payees not to cash.
 - d. Keep original documentation (invoices, etc.) for disbursements.
3. Consider credit/debit cards.
 - a. Provides receipt and monthly statement for recording purchases
 - b. Implement purchasing policies to guide how credit/debit cards can be used
4. Checks
 - a. Vestry to set limit for single signatures – e.g., \$500 - \$1000
 - b. If treasurer is also bookkeeper, always get a second signature. If possible, bookkeeper should not sign.
 - c. No single person should have control of every aspect of the disbursement
5. Auto Drafts
 - a. Implement policies and procedures for online banking and EFT's.
 - i. Who can initiate activities?
 - ii. Who reviews and approves?
 - iii. Same controls as manual preparation of checks.

II. Payroll

1. Payroll needs to be paid in a timely manner
2. Proper and accurate record keeping:
 - a. Employment letters/Letter of Agreements (LOA's),
 - b. Timesheets,
 - c. Forms/memos for changes in salary, benefits, other pay actions

- d. W-4's, I-9's, state withholding, new hire reporting.
3. Payroll taxes filed in timely manner.
4. Employees (clergy and lay) MUST receive W-2's in timely manner
5. 1099-MISC for all individuals that are a) not employees, b) unincorporated entities, and c) paid \$600 or more annually (including supply clergy)
6. Do not pay employees in cash.
7. Before the first meeting of the new year, the vestry must review and approve clergy housing allowance and document it in the vestry minutes.
8. Consider a payroll service familiar with churches – better equipped to stay current on tax and payroll changes.
9. Sit down with the staff each year to current compensation packages.
 - a. Be aware that changes in pay will also affect pension, SECA.

III. Accounting/Bookkeeping

1. Periodic independent reviews of daily work:
 - a. Provide treasurer with general ledger monthly so that all expenses can be looked at by an outside party.
 - b. Monthly expenditure reports, bank reconciliations, financial statements, payroll
2. Complete and accurate financial statements:
 - a. Include balance sheet or list of assets and debt.
 - b. All bank accounts and investment accounts should be included on the financial reports
 - c. Any liabilities (i.e. loans, payroll taxes) included on financial reports.
 - d. Bank account balances should be listed at the reconciled balance that matches the bank reconciliation, not the ending bank balance from the bank statement
3. Use a double entry bookkeeping method – every entry to an account requires a corresponding and opposite entry to a different account (debits and credits).
 - a. I.E., if you're paying National Grid. Expense of utilities would increase and checking account balance would decrease by the same amount.
 - b. Using QuickBooks or another accounting software will do this for you

4. Have an accounting policy and procedure manual.
5. Reconcile, reconcile, reconcile.
6. Provide vestry with timely financial statements including monthly actual/budget and annual actual/budget.
7. Financial statements/minutes are public records for the church. Consider posting them somewhere in your parish hall.

IV. Income and Investments

1. Collections/Offerings – keep in a secure place until the funds are counted and deposited
 - a. Two unrelated persons counting and depositing
 - b. Treasurer/bookkeeper should not count
 - c. Rotate responsibility
 - d. Standardized form for counters to use for tallying deposit
 - e. Keep counting sheets as documentation
 - f. All cash deposited into general operating checking account
2. Gifts of \$250 or more requires a written substantiation from the church
 - a. Amount of the contribution, the value of any goods or services provided to the donor for the gift or a statement that no goods or services were provided.
3. Restricted gifts & income: maintain records – date, amount, donor, restrictions or limitations on use
 - a. Uses of funds to meet restrictions/limitations
 - b. Parish is NOT required to accept funds if they conflict with its ministry.
4. Clergy encouraged to speak to congregation regarding planned giving, wills, durable power of attorney, etc.
 - a. Encourage congregation to make parish aware of any upcoming bequests
 - b. Work with parishioners to ensure that bequests are within the ministry of the church and flexible enough to meet changing environment.

V. Related Record Keeping

1. Record keeping: documents safely stored to prevent loss or damage
 - a. Records kept at the church, not in people's homes

2. Permanent records to be kept at all times

- a. Articles of incorporation
- b. Bylaws (if applicable)
- c. Real estate deeds
- d. 501(c)3 letter
- e. State tax-exempt letter

3. Computer systems

- a. backups maintained off site, financial accounting files kept at the church not a home computer
- b. more than one person who has password and ability to access computer accounting records

4. Develop and maintain inventory of property, furniture, fixtures, and equipment

5. Audits: required every year to be submitted by September 1st for the previous year.

- a. Types 1, 2, 3 parishes can have an audit by committee following checklists in Chapters 2 and 6 of Business Methods in Church Affairs
 - i. To be turned into diocese: auditors' findings, year-end financial statements, completed checklists
- b. Type 4 parishes must have a CPA audit, copy submitted to the Diocese
- c. Every 7 years and in the year the clergy person leaves, a type 1, 2, 3 parish must have a CPA agreed upon procedures (aka risk assessment), copy submitted to the Diocese.
- d. Treasurer should not be on the audit committee for their own parish

VI. If You Are Ever:

- Confused
- Puzzled
- Befuddled
- Worried
- Banging your head against the wall

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