

Treasurer & Stewardship

1) From the Iowa Yearly Meeting Discipline

a) **TREASURER**

b) *The Stewardship Committee shall annually recommend to the Monthly Meeting a person to serve as Treasurer. This appointee shall receive and dispense funds in accordance with the policy and direction of the Meeting. The Treasurer shall keep an accurate account of all funds in his/her care and give a complete report to the Monthly Meeting at the close of the fiscal year. Monthly reports should also be given according to the request of the Meeting. The Treasurer's books shall be audited annually by a committee appointed by the Monthly Meeting. One person may not serve for more than six consecutive appointments. The Treasurer shall be an ex officio member of the Stewardship committee.*

2) The Discipline states that a monthly meeting treasurer may not serve more than six consecutive one-year appointments.

a) This can be a hardship when there are not very many people who are willing or capable of handling the treasurer responsibilities well. The tendency is to have the treasurer continue for many years. I have heard of treasurers serving 20, 30 and even 40 years.

b) There are several reasons the Discipline restricts treasurers' terms to 6 years.

i) Involving others as treasurer encourages development of gifts in others

ii) There is a tendency for a treasurer to act like they are in charge of all financial decisions in the church when they are in the position for a long period of time. It is important for a treasurer to keep the perspective that they are a steward and they are serving the church. One way of describing this is holding things with an open hand, rather than grasping them tightly.

iii) Do you have any questions or comments about the length of a treasurer's term?

c) When nominating someone to be the treasurer Stewardship needs to consider the following necessary characteristics.

i) The treasurer should have a basic understanding of bookkeeping.

ii) The treasurer must be able to manage the work in a timely and accurate manner

iii) The treasurer must be able to keep complete confidence about who gives money to the church. Givers demand confidentiality about their giving. Normally the pastor does not have access to information about how much each family is giving.

iv) The treasurer needs to be an honest and trustworthy person. The character of the treasurer gives confidence to member so the meeting that the funds they give are being treated properly.

v) The treasurer must be able to work with the Stewardship committee.

(1) The treasurer is an ex officio member of the Stewardship committee. Ex officio means that the treasurer is a member of the committee because of the office of treasurer. An ex officio member is expected to attend and participate in the meetings and is a full committee member.

(2) Stewardship needs reports and information from the treasurer on a regular basis.

- (3) The stewardship committee needs to be careful to keep the job of treasurer from becoming overwhelming by working to keep the accounting and reporting requirements as simple and clear as possible.

vi) Do you have any other characteristics you would add to the list?

- 3) The treasurer has many responsibilities
 - a) Keep an accurate account of all funds in his care from the Discipline
 - i) Record all offerings received by the church
 - (1) Offerings most often are for the general use of the church. Often churches will take up a special offering that is designated for a specific purpose. Individuals sometimes give money to the church to be used for a project such as carpeting or new windows. People may also give money that is to be directed to an Iowa Yearly Meeting or FUM project. The treasurer needs to set up accounts to keep track of the funds that are for a general purpose and those for special projects to make sure that the money goes where the giver intended it to go.
 - (2) Churches need to be able to provide information to an individual on how much they gave to the church during a certain year especially if the individual is being audited by the Internal Revenue Service. Many churches give each member a record of their giving each year. If your church does this you need to establish a system so that you can report this information at the end of the year. Some software works better for this than others. One advantage of doing this reporting is it helps families see how much money they gave to the church. If the information is provide soon after the end of the year the family can compare it to their income and see how they are doing in tithing.
 - ii) The treasurer pays all authorized bills and invoices received by the church.
 - (1) The treasurer and Stewards need to work together to develop a system so that the treasurer knows which bills the treasurer is authorized to pay and which ones are not. This is true of credit card charges too. The budget establishes a framework for paying bills
 - (2) The pastor's salary and benefits are all budgeted items. This includes mileage reimbursements, health insurance and other reimbursements as well as salary and housing allowance. The monthly meeting authorizes the treasurer to pay these when it approves the budget. This is usually true with utility bills and recurring maintenance fees such as copier contracts.
 - (3) Nonrecurring items normally should be approved by the committee clerk responsible for the line item in the budget. Each church can establish a system for this. There may be some bills the pastor has authority to approve. It is wise for a treasurer to request that all nonrecurring invoices be approved by the person responsible for the invoice. The stewards and treasurer need to work together to identify the person responsible for the invoice.
 - iii) Report annually and more often to the monthly meeting on the income and expenses of the church.
 - (1) Most monthly meetings expect to have a treasurer's report each month. The report should follow the categories established in the budget. The reports are most helpful to members and committees if a comparison to the annual budget

and the year-to-date portion of the budget are included in the reports. Since monthly meetings for business are not attended by all members of the church, the Stewardship committee may consolidate the treasurer's report to a more concise format to share with the entire congregation.

- (2) Some months have unusual expenses that the treasurer needs to explain when presenting the report. For example if the church insurance policy is set to that the premium is paid once each year, then there will be a large expense for insurance in only one month of the year. The treasurer can help the monthly meeting understand the reason some items are unusually high or low during a month.
- iv) Employment and withholding tax reports and payments are the responsibility of the treasurer. Not paying employment taxes can result in penalties and punishment by the IRS. They take this very seriously.
 - (1) If the treasurer is withholding income tax from the pastor's salary or if there are other church employees subject to FICA and Medicare tax the monthly deposits and quarterly 941 forms need to be filed correctly and timely.
 - (2) W-2 forms and 1099 forms need to be filed annually. Most pastors should now receive a W-2 form for their salary. Some may still be able to use the 1099 form, but the IRS is not allowing the salary of new pastors to be reported using a 1099 form. Lawn mowing, treasurer, cleaning and secretarial work need to be each be evaluated carefully to determine if the person doing the work is an employee subject to withholding of employment taxes or if they are more properly classified as a contractor receiving a 1099 form. Generally if the church sets the hours, provides equipment and supervises the work the person is considered an employee.
 - (3) Each church is required to have worker's compensation insurance coverage for its employees including the pastor. Each year the insurance company audits the church to compare projected wages and salaries to the actual. It is usually the treasurer's job to complete this audit. The results of the audit determine if additional premium must be paid by the church.
 - (4) It is important to keep files with copies of tax and worker's comp reports. The history can be helpful the next time you need to complete the report and for the new treasurer who takes your place after six years.
- v) Do you have questions about the responsibilities of the treasurer? Do you have comments to share about these things? The work of the treasurer continues to get more complicated. This makes it more difficult to get good people to agree to do take the position of treasurer.**
- 4) Accounting Software is used by many churches instead of keeping the records on paper ledgers.
 - a) QuickBooks for Non Profits is a double entry system used by Iowa Yearly Meeting.
 - b) Quicken is a checkbook based software similar to QuickBooks, but without the double entry ability
 - c) Peachtree by Sage is another double entry system similar to QuickBooks.

- d) Several software programs designed specifically for churches are available, but I am not familiar with any of them.
- e) I am also not familiar with programs for the Apple products including the iPad.
- f) **Others? What are you using? How are you reporting to Monthly Meeting with your software? What would you like to see your software do that it does not do now?**

5) Audit Committee

- a) The Discipline says the financial records should be audited annually by an audit committee. The word committee implies that there are at least two members. It is important to rotate appointments. I think it is helpful for the Monthly Meeting if the Stewardship committee recommends people to be appointed to the audit committee. The current treasurer should NEVER be a member of the audit committee.
- b) I believe an audit is a great benefit for an honest treasurer. Having the audit committee review the books is a way for a treasurer to communicate to the monthly meeting that he or she is a steward. We speak about the importance of transparency in our business activities and by that we mean that we don't have any ways of doing things that we need to hide. The audit process works to maintain confidentiality about giving. The treasurer's reports and the audit are designed to bring openness about all the money the church spends. Kenyans have discussed the idea of reporting the spending with me. They are trying to find ways to bring more transparency, but some clerks and treasurers want to hide how they are using the money and fight against more openness.
- c) This is a suggested procedure for an audit committee
 - i) Randomly select two months to audit in detail. Use the bank statement and bank reconciliation record to verify each check written against the bank statement, vouchers and invoices and the ledger account entry. For example it is important to confirm that check number 101 that the books record as being written to the Salvation Army shows up on the bank statement as a check written to the Salvation Army and the amounts are the same in the books and on the check. Since checks are not returned by the bank now, it is important to request that your bank provide pictures of each check with the bank statement. This is standard for most business bank accounts, but sometimes it requires a small additional fee. ***It is worth the fee to have a record of all of the checks that cleared the bank. An audit that is completed without reviewing bank statements and comparing them to the treasurer's records is not really an audit. If a treasurer is unwilling to supply the bank statements, the audit cannot be completed and this must be reported to the Stewardship and Monthly Meeting for them to take action to remove the treasurer and secure copies of the statements from the bank.*** A profit and loss detail statement is helpful to make sure all checks are recorded properly in the general ledger. This report can be printed in detail for the expenses only. Often the church prefers that the giving audit be done by matching totals of each deposit on the bank with totals from the church records. To do that examine the bank deposit totals to make sure they agree with the amounts recorded by the individuals counting the money each week and then compare to the records provided by the treasurer.

- ii) Examine the December statement in detail using the procedures described above. All checks that have not cleared at the end of the year must be checked against later bank statements to make sure they cleared to the payee named and for the recorded amount.
- iii) Check all savings and investment account balances, deposits and withdrawals to determine how the funds were used and track all deposits and withdrawals back to the treasurer's reports and monthly meeting minutes if needed.
- iv) Often treasurers are paid a monthly amount for their work. It is important to verify that the checks written to individuals especially relatives or friends are for the amount that has been approved by Monthly Meeting or Stewardship. Excessive payments to an individual should be reviewed carefully.
- v) Any questions the audit committee is unable to resolve should be noted in the audit report so further research will be done. It is the Stewardship committee's responsibility to make sure that the questions raised by the audit committee are answered accurately and completely. An outside accountant can be used if the issues are too difficult for the committee to handle.

vi) Are your church books audited? Do you use an audit committee or an outside auditor? What do you think is most important for an audit committee to do?

6) Do you have other questions you would like to ask or topics I need to discuss before we talk about Pastor's compensation?

- 7) Worth's Income Tax Guide for Ministers – B.J. Worth has been preparing this guide since 1973. I think it is the best guide for pastors and congregations to use as guidance for income tax planning for pastors. The 2013 edition for 2012 taxes was \$21.99. It is easy to understand, detailed with lots of examples and completed forms and record keeping guides.
- 8) Pastor's Compensation is divided into several options
 - a) Salary – fully taxable portion
 - b) Housing/Parsonage allowance – This must be set at the beginning of the year and the amount clearly documented in the minutes. I have usually seen it in the Ministry and Counsel minutes, but it could be in the Monthly Meeting minutes or Stewardship minutes. It is very important that the amount is clearly recorded in the minutes.
 - i) Not taxable for income tax, need to pay social security and Medicare tax
 - ii) House furnished
 - (1) allowance for upkeep, furnishings and appliances, insurance, decorator items, maintenance
 - (2) Fair market rental value of the house is added to salary and housing allowance for calculations of social security and Medicare taxes
 - iii) Own or rent house
 - (1) Rent payment
 - (2) House payment including interest and real estate taxes. They are included here but are also deductible as an itemized deduction
 - (3) Maintenance & improvements
 - (4) Utilities
 - c) Professional reimbursement – Advantage to the pastor is that if the items are treated as a reimbursement by the church there is no requirement to report them on their income

tax return. Otherwise must use Form 2106 as an income adjustment. Disadvantage is if the limit set by the church does not cover all of the pastor's expenses.

- i) Mileage for business. This can be reimbursed at up to the IRS rate with no tax liability for the pastor. Pastor must maintain a written mileage report. Mileage is usually reimbursed monthly. The reimbursement must be for actual miles driven and not just a monthly mileage allotment that is the same each month.
 - ii) Books, magazines and other resources including personal computer for church work
 - iii) Conference fees, lodging and meals.
 - iv) Business telephone
 - v) Entertainment expenses.
- d) Reporting on the W-2 form
- i) Box 1 is just taxable salary – does not include income for social security
 - ii) Box 3 & 5 – Social security and Medicare wages - Taxable salary + housing allowance. If the parsonage is furnished then you must include the fair market rental value of the house. This amount also needs to be set prior to the beginning of the year and should be included in the pastoral agreement as well as in the minutes.
 - iii) Do NOT include amounts for professional expenses that are reimbursed by the church, including mileage, education expense, books, etc.
 - iv) If the church does not reimburse for expenses, but only designates an amount for mileage then the entire amount must be included on the W-2 form and the pastor will deduct all professional expenses on his tax return using Form 2106, Employee Business expenses.