



THEALLIANCE

FINANCE MANUAL

FOR ALLIANCE CHURCH TREASURERS AND PASTORS

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Operations/Finance and Church Ministries

Produced by the Divisions of Operations/Finance and Church Ministries of The Christian and Missionary Alliance

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HOW TO USE THIS MANUAL

The National Office (N.O.) finance team recommends using this manual by:

Reading the manual cover-to-cover to become familiar with day-to-day financial operations and reporting and compliance requirements.

Using the manual as a reference tool through the table of contents and “control find” (ctrl + F) feature. The appendices contain additional resources and useful information.

INTRODUCTION

The manual is intended for the church treasurer and is written for an audience without formal accounting training. Thousands of people serve in church treasurer roles in churches around the world, many with little or no formal training. Serving as a church treasurer can be one of the most important and rewarding ministries in the church. Much of the material will also interest the pastor and other members of the church's financial team.

The N.O. finance team designed this manual to help the church treasurer begin overseeing and administering the church's financial operations. The N.O. finance team intends it to be a how-to manual, providing the basics for preparing budgets and periodic financial reports to the church governance authority and congregation. It also covers:

- reporting to tax authorities
- insurance matters for the church treasurer and staff
- pastoral remuneration packages
- the payroll functions of the church treasurer
- legal issues important to the church

This is not an authoritative document and does not purport to cover all situations and circumstances. Tax and legal information presented in this manual is based upon laws and regulations in effect at the time it was published. The church treasurer should always inquire if these have changed and consult legal and accounting advisors for specific legal advice and accounting treatment. Since the laws and regulations are constantly changing, the N.O. Finance Team has provided a list of resources in [Appendix B](#).

Members of the of following areas of ministry of The Christian and Missionary Alliance have contributed to this book: Operations/Finance, Office of the Corporate Secretary, and Church Ministries. They have been trained in the various areas they discuss. The church treasurer may have questions regarding matters in this book, or others that may arise as the church treasurer performs their duties. If the church treasurer cannot resolve these in the church treasurer's local church, the church treasurer's district office can provide them with additional assistance. If they cannot resolve the question, they should contact the N.O. finance team.

CHAPTER ONE

The Church's Financial Team

Treasurer: An officer entrusted with the receipt, care, and disbursement of funds.

The key word in the dictionary definition of a treasurer is “entrusted.” In the qualifications for elders (1 Timothy 3), trust is a continuous theme.

The church treasurer must be a member of the church governance authority. (Please note that throughout the manual, “governance authority” will be used to refer both to the governance authority of an accredited church and the advisory committee of a developing church). The congregation has entrusted the church treasurer with these responsibilities:

- managing the financial resources of the church
- maintaining adequate financial records
- reporting financial operations (these reports will be made to the governance authority, the congregation, the district office, the N.O. of the C&MA, and civil authorities)

This manual outlines principles that aid the church treasurer in fulfilling those responsibilities. It will also guide the church treasurer in the development or improvement of procedures to carry out these principles.

The following sections have been included in this manual to assist the church treasurer in setting up the finances for a new church:

- getting a federal employment identification number
- obtaining tax-exempt status
- opening a bank account

The church treasurer should read these sections, even if the church they are serving is accredited, to verify these steps were completed correctly.

Requesting a Federal Employer Identification Number

A new church must apply for an employer identification number (EIN) before any payroll-related payments are made (even if the church is not yet accredited).

The quickest method to obtain an EIN is by applying online at www.irs.gov. Be prepared with your church's answers to the IRS Form SS-4 before applying.

Tax Exempt Status

The Internal Revenue Service has officially recognized the C&MA as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and authorized it to manage a group. Districts and churches are invited to join the group, but it is not automatic. There is a simple application process. The C&MA requires copies of articles of incorporation that are in line with the model articles in the [C&MA Manual](#). Once a church becomes a part of the Alliance group exemption, the IRS officially qualifies it as a member of the tax-exempt organization. Contact the [Office of the Corporate Secretary](#) for more information and an application.

The alternative to seeking tax-exempt status as part of the C&MA group is for your church to file its own application with the IRS. The form is 14 pages long and requires that detailed financial information be submitted. It also requires an application fee. Gaining exemption under The Alliance’s umbrella is much simpler and costs little or nothing.

An accredited church that either does not apply to be included in the C&MA group exemption or does not obtain independent tax-exempt status is still exempt from income taxes as long as it satisfies all the prerequisites contained in section 501(c)(3). Despite this automatic exemption for churches, obtaining IRS recognition is advisable in order to assure contributors who itemize their deductions that donations will be tax deductible.

Opening a Bank Account

In a new church plant, the district church planting director determines where to keep the funds of the church. In an accredited church, the governance authority makes this decision. The governance authority should pass and record in the minutes a motion similar to the following:

Recommendation: That the church treasurer is authorized to open an account in the name of [church name] Church of the [district name] district of The Christian and Missionary Alliance in [name of bank], and that the treasurer and assistant treasurer are authorized to deposit and withdraw funds on behalf of the church.

The name on the checking account is important if your church is a “developing” church. For example, suppose your church is called the First Alliance Church in Warsaw, Ohio. The checking account as a new, developing church should be in the name of First Alliance Church of the Central District of The Christian and Missionary Alliance, Warsaw, Ohio (contact the district office for further information). Use the district federal tax-exempt number on the church’s new account with their permission; then there will be no question about the tax-deductibility of the members’ contributions. This number should be used until the church is accredited.

The governance authority may authorize additional persons to sign checks. There are two important internal controls over the cash disbursement cycle—the governance authority should require two signatures on checks over a certain threshold, and disbursements should be made using pre-numbered checks.

Ideally, the church should have one checking account for all contributions to the General Fund, Great Commission Fund (missions), Benevolent Fund, Building Fund, and Sunday school. Funds for such auxiliary groups as C&MA Men’s Ministry, Alliance Women Ministries, and Alliance Youth may also be kept in this one account, or they may be kept in separate church checking accounts maintained by these groups and individually reconciled to the general ledger. Wherever possible, the church’s checking account should be an interest-bearing account.

If the church has excess funds, the governance authority should consider putting these funds in a savings account. There, it will earn more interest than is normally available in an interest-bearing checking account. An Orchard Alliance (OA) agreement account is a suitable alternative. It pays a higher rate of interest than most savings accounts, and has the added benefit that OA uses these funds to lend to other Alliance churches, colleges, and auxiliary organizations for the purchase or construction of church buildings and parsonages. Another advantage is that funds can be withdrawn at any time. For further information about opening an agreement account, please contact Orchard Alliance (contact information found in [Appendix B](#)).

Personnel

The manual of The Christian and Missionary Alliance outlines the roles of financial personnel. In new or small churches, one person may be doing several different tasks. As the church grows, it is best to have one person assigned to each office.

Treasurer: The treasurer is the chief financial officer of the church. He/she is one of at least two persons who have immediate responsibility for the church's funds and finances. In a small church, the treasurer is usually responsible for counting money with the assistant treasurer. The assistant treasurer works with other persons appointed by the church's governance authority to count the offerings. In large churches, the governance authority may appoint others to this task or employ a bookkeeper. There should always be at least two people present to receive and count the church offerings. Also be mindful of cash handling on the way from the offering to the counting room and from the counting room to the bank. Tamperproof bags and bag tags can be purchased to secure offerings.

The treasurer will likely:

- pay all the bills, on order of the governance authority.
- keep proper record of all transactions.
- be the chairperson of the finance or budget committee.
- direct the preparation of budgets.
- be responsible for all financial reporting.
- count or oversee the counting of all contributions.
- keep a careful record of all receipts.
- issue receipts to donors for income tax purposes.

A checklist of financial matters for church treasurers has been provided in [Appendix D](#). It includes tasks that should be performed weekly, monthly, quarterly, and annually, as well as things that a developing church and a newly accredited church should do.

CHAPTER TWO

Checks and Balances (Internal Controls)

Checks and balances (or internal controls) are procedures that safeguard the church from deliberate or accidental mishandling of money. They reassure contributors and the public that the church is trustworthy. They can also spare the financial team from accusations of mismanagement.

Alliance Manual Regulations

The manual of The Christian and Missionary Alliance specifies that official church records are church property. Church officers may change because of resignation. When the church elects or appoints a successor, the current records of the church pass to the new officer. Keep all records in a secure place selected by the governance authority.

All financial records should be reviewed annually through an internal audit. The church governance authority (or district church planting director) also may require internal audits more frequently.

The church needs a system of checks and balances (internal controls) in several areas, but procedures for the handling of cash are the most critical. Churches operate on a cash basis. The financial team handles money every week.

Basic Concepts

It is impossible to develop a complete list of checks and balances that will satisfy every situation in all churches. Churches are different in their size and make-up. However, all persons involved in the financial management of the church should understand the following basic concepts.

Segregation of Duties: Wherever possible, do not assign the same person responsibility for more than one of the following tasks:

- counting the offering
- recording individual contributions
- writing checks
- reconciling the bank statement

In a small church, the treasurer and assistant treasurer may have to handle all of these responsibilities. If this is the case, then the individual counting the offering should not record the contributions and the person writing checks should not reconcile the bank statement.

Confidentiality of Information: It is important that anyone who has access to the giving records of individual donors keeps this information strictly confidential. This includes the persons who count and record the offerings. It also includes the assistant treasurer, who transfers information to the individual donor records. Keep the number of people with access to individuals' giving records to a minimum.

Handling Offerings: At least two persons should always be present with an offering until it is counted and either a recording of the offering is made on a cash receipts summary form, or the bank deposit is prepared. It is easy to see why two or more people should be present while the offering is counted. It is just as important that two people be present to take the offering from the sanctuary to the counting room.

Counting the Offering: It has been previously noted that two or more people must be present when the church treasurer counts the offering. If these are not the treasurer and the assistant treasurer, they should be persons appointed by the governance authority, unless the church bylaws or governance authority policy specify differently.

Count the offering and record it on a cash receipts summary form (a sample of this form is available). Prepare a separate cash receipts summary for each offering that is taken by the church.

The governance authority may choose to use a computerized system of accounting records. If so, enter the offering information directly into the computer for each donor and for the loose cash contributions. See [Appendix C](#) for a list of computer software programs for churches.

Whichever method is used, determine the total. This may be the total of either the cash receipts summary or a summary report produced by the computer after the church treasurer has entered all the receipts. Compare this to the total of all cash and checks received. The two totals must agree. Find and correct any errors. The persons counting and recording the offering should sign and date the summary report. They then submit it to the assistant treasurer, who reviews and signs it.

Recording the Offering: Next, the totals for the envelope and cash offerings are transferred to the cash receipts journal. These totals are taken from the information on the cash receipts summary. A sample of a cash receipts journal is available.

The assistant treasurer also should record the individual giving information from the cash receipts summary to the individual donor records. He or she should do this within one week of receiving the offering. A sample of an individual donor record form is available.

The church should keep copies of the cash receipts summary reports and a copy of the year-end individual donor records for seven years. This will help to verify donor contributions if the IRS ever challenges the giving of an adherent in the church. See [Appendix E](#) for information on how long to keep records.

There are numerous online giving platforms available to aid in receiving online donations (see [Appendix B](#) for resources). To minimize cash handling, encourage the church give online or use personal checks rather than cash when making their offerings. Some churches use pre-numbered offering envelopes, assigning each donor an individual number to collect offerings.

Prompt Deposits: Count all offerings and deposit them promptly after the church treasurer receives them. Deposits can be made in the night deposit box or on the next banking day. This control reduces the amount of time the church treasurer keeps cash in the meeting place and reduces the chance of loss or theft.

Designated Gifts: Gifts that are designated for a particular exempt purpose should (morally and legally) be used for that purpose, if at all possible. If this is not possible or practical, the donor should be contacted, if identifiable, to determine whether he/she wants to designate an alternative use for the funds. Under IRS regulations, in order for any donation to be legitimate, it must be given without the donor retaining control, and therefore, it is normally inappropriate to return donations, even when designated, unless the donation can be returned in the current year given and the tax-deductible receipt corrected (see [Appendix B](#) for additional resources).

Weekly Reports: If requested by the governance authority, provide the congregation with a summary of the prior week's offering. A sample report is shown in chapter five.

Monthly Reports: Prepare and present monthly reports to the governance authority and to your church's congregation. Chapter five discusses monthly reports to the governance authority and the church congregation. Later, the importance of these reports will be discussed.

Monthly Bank Reconciliation: The bank will send monthly statements and they need to be reconciled to the accounting records. The reconciliation should list all items being accounted for. Follow up at once on all disputed charges or questioned items. This process ensures that errors are discovered quickly, and that the church's records agree with the actual cash in the bank. It also provides a useful tool for tracing receipts and disbursements during your church's annual internal audit. See chapter five for how-to instructions for preparing a bank reconciliation.

Whenever possible, the monthly bank reconciliation should be done by someone who has no responsibility for signing or issuing checks.

Annual Reports: The treasurer is required to prepare a complete financial report for the year and include it in the annual report of the church. This will often be formatted in three columns:

- the current year budget
- actual expenses for the year
- the proposed budget for the coming year

A sample report is available.

Annual Audit: The business world accepts an annual audit as a prudent practice. It is also a good practice for churches.

The audit consists of a variety of tests, questions, and review procedures. These help determine whether all financial transactions have been properly accounted for and represented fairly in the financial reports. Usually, the audit also evaluates the procedures the church is using to account for finances.

The audit is not a reflection on the competence or integrity of the treasurer. Rather, it is a routine procedure designed to protect both the treasurer and the church.

The governance authority will normally appoint several individuals to conduct the internal audit each year. It is helpful if the people who are appointed are knowledgeable in finance or accounting. However, this is not critical, especially if the auditors use the sample checklist provided in [Appendix F](#).

The church also may consider having a professional, independent audit or review performed by a certified public accountant. Many churches do this periodically, such as every two or three years. While this is expensive, it may be worthwhile if:

- the church treasurer values the suggestions this kind of audit can generate.
- the church's finances are complex (for example, if your church has a school, day care center, or investments).
- the church is obtaining bank financing or considering other transactions where independently audited financial statements are required.

Conclusion

Second Corinthians eight and nine outline basic principles of Christian giving. From God's perspective, giving to the Lord through the church is an act of worship to Him. It brings a variety of blessings, as does all obedience to God's principles. Those who serve as the caretakers of His offerings have great responsibility to safeguard the church's assets. This system of checks and balances helps the church treasurer serve God with excellence.

CHAPTER THREE

Eight Steps to Receipting Money

Step 1: If used, separate the church offering envelopes from all the cash (usually called the loose offering) and other checks. Put the offering envelopes in numerical order. The church treasurer should maintain lists of envelope numbers and donors organized two ways: by name and by number.

Have the lists available for the people who are recording the offering. Sometimes a check will be given without an envelope from someone who has an assigned envelope number. When this happens, insert the check in the proper place among the offering envelopes, and record the gift by number on the cash receipts summary, noting that there was no envelope. Other times, the church treasurer may receive checks from individuals who do not have envelopes. Record their name and address on the cash receipts summary, so the assistant treasurer can issue a receipt for them.

Step 2: Count the loose offering and enter the total on the loose offering line of the cash receipts summary. This is usually under the general fund column. An exception would be if a special offering were received for a designated purpose, in which case the church treasurer would place loose offerings in the proper column. A cash receipts summary is available.

Step 3: After the loose offering is counted and recorded, open each envelope. Record on the cash receipts summary next to the proper pre-printed envelope number:

- the total amount of the contribution
- the amounts designated by the donor for each fund (general fund, Great Commission Fund (missions), building fund, etc.)

Recording these individual contributions may seem unnecessary, but it will make the assistant treasurer's job much easier when he/she records the information in the individual giving records.

Sometimes, a donor may not write on the envelope the funds for which their offering is designated but has put that information in the envelope or on the check. Enter this information on the envelope. The church treasurer should assume that money, which the donors do not designate, is for the church's general fund. An exception would be if the governance authority sets a different policy and communicates it to the church.

Now make sure that the check is negotiable (able to be cashed). Check to see that:

- the numeric and written amounts agree.
- the date is current.
- there is a proper signature.

Make sure the contents of the envelope (whether cash or check) agree with the amount written on it—the offering envelopes are the documents that the church treasurer may need later to balance the bank deposit. Keep envelopes in the same order as the church treasurer record them on the cash receipts summary.

Count the offering as soon as possible after received. If it is stolen before the church treasurer counts it, some insurance policies will not cover the loss, because they cannot determine the amount of the offering.

Step 4: After all the receipts are recorded on the cash receipts summary form, total each of the columns. Then enter the total for each column at the bottom of the page. If the church treasurer needs more than one

page to record an offering, write the total of each column at the bottom of the page. Then record a grand total at the bottom of the last page. When the church treasurer adds each of the individual column totals together, that amount should be the same as adding together all of the amounts in the total column. If it is not, find the error and correct it.

Step 5: Using a 10-key or calculator, make a tape that includes all of the checks and their total. Next, make a second adding machine tape, this time making a subtotal of all the checks. If this amount is the same as the total on the first tape, then add the amount of cash (currency and coin) and make a new total on the second tape. This total should match the total on the cash receipts summary. If it doesn't, find the error and correct it. Staple this tape to the cash receipts summary.

Step 6: Prepare the bank deposit using the bank's pre-printed deposit form. Write the total amount of the first adding machine tape the church treasurer made (in step five above) on the first line for checks. Then staple that tape to the deposit form, as a record of all the checks. Write the amount of currency and coin on the proper lines, then total the deposit form. This total must match the total on the cash receipts summary.

Each check should be restrictively endorsed on the back of the left end of the check. "Restrictively endorsed" means that the church treasurer writes or stamps:

- "for deposit only"
- church name
- church bank account number

An endorsement stamp is the easiest way to do this. The church treasurer can purchase one from the bank or from a local stationery store. Take the deposit to the bank as soon as possible.

Step 7: From the cash receipts summary, the assistant treasurer can copy the amounts of the itemized donor contributions to their individual donor records (sample available). Do this at once, rather than letting several reports pile up.

Step 8: Soon afterward, enter totals from the cash receipts summary into the cash receipts journal (see chapter five, Budgeting, Recordkeeping and Reporting). At the end of each month, summarize the receipts for that month and report them to the governance authority and the congregation.

Remember to follow the proper procedures for processing cash receipts. Proper controls will ensure that all offerings are used for their intended purpose. Proper records also will enable your treasurer to aid the church members if the Internal Revenue Service ever questions the church members' contributions. Improper receipting procedures that result in the consistent violation of IRS tax deductibility requirements could result in your church losing its tax-exempt status.

Donor Receipts

The Revenue Reconciliation Act of 1993 (RRA 93) contained substantiation requirements for documenting certain charitable contributions. No deduction is allowed under section 170 of the Internal Revenue Code for any charitable contribution of \$250 or more unless the donor has contemporaneous written substantiation from the charity. In cases where the charity has provided goods or services to the donor in exchange for making the contribution, this contemporaneous written acknowledgment must include a good faith estimate of the value of such goods or services. Thus, taxpayers may no longer rely solely on a canceled check to substantiate a cash contribution of \$250 or more (see resources in [Appendix B](#)).

The substantiation must be contemporaneous. That is, the donor must obtain it no later than the date the donor actually files a return for the tax year in which the contribution was made. While the new law states

that it is the donor's responsibility for obtaining this substantiation from the charity, most charities recognize their need to provide this substantiation automatically as a part of their receipting process, whether it is on an annual reporting or individual receipt basis.

Most churches issue an annual report of giving to each donor. When this is done, the annual report should itemize each individual gift of \$250 or more. This is a good practice and allows donors to detect errors and reconcile discrepancies. An individual gift is defined as the total amount given on a particular day, and not as amounts given to individual "funds" on a particular date. In addition, if nothing was given to the donor, the receipt, whether on an annual statement or individual gift basis, must include a statement to the effect that, "No goods or services of value were given in exchange for this contribution."

If the church receives a specific donation that is greater than \$75 and includes some tangible good or service (i.e., book, dinner) then additional substantiation requirements apply. These are termed by the IRS as "quid pro quo" contributions.

Additionally, consider informing volunteers that unreimbursed out-of-pocket expenses related to volunteer services may be deductible.

Additional information about proper substantiation of donations may be found in the Church and Clergy Tax Guide (see [Appendix B](#)), or in I.R.S. Publication 1771 (11-93).

It is up to the volunteer to substantiate the actual costs, and to determine whether the costs qualify as charitable contributions.

Tax-Deductibility Questions

To assure compliance with Internal Revenue Service regulations, all gifts need to be clearly identified as tax-deductible or non-deductible. Note any gift that is non-deductible in the cash receipts summary and individual donor record.

How does a person determine if a gift is tax-deductible or non-deductible? There are six conditions that a contribution must meet to be tax-deductible:

- a gift of cash or other property (not services)
- made before the close of the tax year for which the contribution is claimed
- unconditional and without personal benefit to the donor
- made "to or for the use of" a qualified organization
- not in excess of the amounts allowed by law
- properly substantiated

The IRS has also ruled that one of the main determining factors for tax-deductibility is who controls the use of the funds. In Revenue ruling 62-113, the IRS states:

"The test in each case is whether the organization has full control of the donated funds, and the discretion as to their use, so as to ensure that they will be used to carry out its functions and purposes."

The ruling continues:

"If contributions are earmarked by the donor for a particular individual, they are treated, in effect, as being gifts to the designated individual and are not tax-deductible. However, a deduction will be

allowable when it is established that a gift is intended by a donor for use of the organization and not as a gift to an individual.”

Gifts for designated or special projects are deductible if the governance authority approves those special projects before the church issues the tax-deductible receipt. Gifts for the support, work, or outfit of an Alliance international worker are also deductible. So are gifts that are “approved specials”—these are projects approved by Alliance Missions or Church Ministries at the N.O. See the section on common designations in chapter four—there, the church treasurer will find a more complete definition of some of the types of gifts that are sent to the N.O.

Gifts for the support of youth participating in LIFE and short-term missions and similar programs are usually tax-deductible. There is some question as to whether gifts from parents for their own children in these programs are tax-deductible. If the parents generally support other youth in the church, if their support is only a portion of the total given, or the church maintains control over the funds and disburses them for appropriate ministry costs, the church treasurer could issue a tax-deductible receipt to them. Since it has already spoken on the issue of control, the IRS will probably challenge the governance authority’s approval of a special project if it is based on the specific request of the only donor.

Gifts that may be tax-deductible also include love offerings or benevolent gifts designated for specific people. For example, suppose the church treasurer takes a love offering for the church pastor at Christmas. The gifts would be tax-deductible only if they are reported as income to the pastor. Love offerings are discussed in more detail in chapter six. The governance authority (or other designated church body, such as the deacons) may instead approve a benevolent fund for a specific individual—gifts to that fund are also tax-deductible.

Non-Cash Gifts

The church may receive contributions in property or other non-cash items. In general, a receipt for a specific amount is not appropriate. Instead, send a letter to the donor acknowledging that the church received the gift. Include a complete description of the item.

The burden of determining and supporting the value of this type of gift rests primarily on the donor. IRS regulations specify special reporting requirements for some non-cash gifts (“gifts in kind”) valued at more than \$500. If the amount of the deduction for all non-cash gifts exceeds \$500, the donor is required to file Form 8283 with their federal income tax return. For gifts, other than marketable securities, valued at more than \$5,000, the donor usually has to obtain a qualified appraisal of the item.

If the church sells the item within two years, additional information must be provided to the IRS. If this happens, the church treasurer is required to complete Form 8282. Both Form 8282 and 8283 may be obtained from the IRS.

Exercise care in accepting non-cash gifts, especially land and buildings. By accepting these gifts, the church may be liable for environmental or legal issues, such as pollution problems or asbestos in buildings.

Fundraising

There are also IRS regulations covering fundraising events. If the church treasurer provides some type of gift or benefit to the donor, the fair market value of that benefit is not tax-deductible (“quid pro quo” rules). Examples of such benefits include meals, concerts, books, and other “give-away” items. The IRS requires that the value of the benefit be printed on tickets and other promotional literature. The church treasurer may want to consult with a tax advisor when planning a fundraising event. See additional information in the Church and Clergy Tax Guide.

CHAPTER FOUR

Sending Money to the N.O.

The Great Commission Fund is the financial dimension of The Christian and Missionary Alliance’s response to the instruction and promise of our Lord in Matthew 28:18-20, “...Go and make disciples of all nations...”

The treasurer’s job is to receive the gifts to the Great Commission Fund as they come in, receipt them in the manner the church has established, and send the total to the N.O. on a timely basis. Support of our missionaries and missions program is dependent on the regular flow of gifts from the churches. The special remittance form and envelope provided by Operations/Finance should be used to send the missions offerings.

The Remittance Form

When the church’s contributions are received at the N.O., they are processed according to the directions on the special remittance form. The official receipt is then sent to the church, indicating how the contributions have been designated. Attached to the receipt is another remittance form to be used when sending in the next contribution.

A sample of the receipt/remittance form provided by the N.O. is available. These remittance forms speed up the processing of funds at the N.O. They also ensure that the contributions are properly recorded. Thousands of receipts are issued each month, representing millions of dollars in contributions. The remittance form is very important in this process.

Common Designations

Great Commission Fund: Money given to missions becomes a part of the Great Commission Fund (GCF). The money in the Great Commission Fund is used for the worldwide work of the C&MA. This includes the financial support of Alliance missionaries, overseas church planting, radio and medical work, and Bible translation. The GCF also supports the Alliance work in the United States including church planting, intercultural ministries, education ministries, and denominational administration. This is the “bread and butter” fund of the

Alliance—it is essential to the denomination’s ministry of world evangelization. Show the amount for the Great Commission Fund on the first line of the remittance form.

Occasionally a donor may designate that his/her contribution be used in a more specific way. Listed below are other common designations that donors may specify in their giving.

International worker: Frequently a church or an individual gives to the work/support of a particular international worker as a way of personalizing their contributions to the Great Commission Fund. This money is placed into the worker’s “My Ministry” account. My Ministry accounts are part of the Great Commission Fund budget. Workers are informed of the contributions and names of the donors. My Ministry accounts are used to help pay for the worker’s compensation, benefits, housing, strategic needs (worker-specific projects/ministry expenses), outfit*, and vehicle needs. My Ministry accounts are also used to help cover worker-specific items in the Great Commission Fund budget.

Note on outfit donations: When a donor designates money for the “outfit of” a worker, the contribution is considered taxable income to the worker and is included in their payroll the month

following the receipt of the contribution. An outfit consists of items approved by the field administration to meet the needs of the worker. Outfit includes appliances, linens, living supplies, and other items used by the worker in their residence on the field.

Projects: A donor may designate money for one or more projects. Projects are strategic programs that are included in the Great Commission Fund budget and are an extension of Alliance missionary work around the world. International projects are approved by local field administration and Alliance Missions leadership. Projects for U.S./domestic/intercultural ministries are approved by Church Ministries. Projects stipulate a maximum amount for each strategic program. If the amount received for a project exceeds the approved maximum amount, the amount is held until the donor can be contacted and another designation is determined.

Projects include things such as buildings for Bible institutes, funding and equipment for evangelism, translation projects, leadership development, youth conferences, disaster relief, etc. Project lists are updated regularly. A copy of the lists may be obtained by writing to Alliance Missions or Church Ministries at the N.O.

Personal gifts: The C&MA N.O. is positioned to serve both our churches and workers. In limited circumstances, the C&MA may facilitate non-taxable personal gifts from church members intended for our missionaries/international workers and their family members.

- Personal gifts must be one-time gifts for the international worker/family member. Common examples of personal gifts include special occasions such as birthday, holiday, or anniversary.
- One-time, personal gifts may not exceed \$250.
- Personal gifts are not tax-deductible.
- When funds are designated as a personal gift for an international worker, please use the worker's full name and international location where they serve.

The C&MA is solely responsible for determining and reporting taxable compensation and personal gift processing to the IRS for our workers on either Form W-2 for employees or Form 1099 for non-employees. This personal gift policy is necessary to protect the C&MA's contribution receipting processes under IRS regulations and ECFA (Evangelical Council for Financial Accountability) guidance. When appropriate, the C&MA reserves the right to process personal gifts as support/work (My Ministry) or to return the funds to the donor.

Corrections and Questions

Finance personnel at the N.O. strive for accuracy and promptness as they process each monthly remittance. Occasionally, however, someone may make a mistake. If the church treasurer ever has a question about the processing of receipts or about a previous remittance, please address the inquiry to C&MA Operations/Finance.

Email:
receipt@cmalliance.org

Address:
ATTN: Finance
One Alliance Place
Reynoldsburg, OH 43068
(380) 208-6200

CHAPTER FIVE

Budgeting, Recordkeeping and Reporting

- This chapter covers the “nuts and bolts” of the ministry of the treasurer. It includes:
- the process of preparing an annual church budget
- maintaining accurate and complete records
- reporting the financial status of the church to the congregation, the governance authority, and others

These tasks are essential for the running of the church in a God-honoring way. They provide the structures for:

- accountability to God, the congregation, the evangelical community, and civil authorities
- protection of the church’s assets
- planning and management of the church’s programs and resources

No part of this process needs to be elaborate or complicated. However, certain traits such as accuracy, timeliness, completeness, and clarity are a part of all good financial records and reports.

The suggested methods in this chapter provide simple, effective means to accomplish these objectives. All of these methods may be used manually (handwritten or typed) or on a computer (see [Appendix C](#) for suggested computer programs).

The focus of this chapter is on the church’s records. However, the same principles and procedures apply to the church’s auxiliary groups that may keep their own records (Sunday school, C&MA men’s ministry, Alliance women’s ministries, Alliance youth group).

Budgeting

General

The annual church budget is a key tool for planning and control. Only God knows the “end from the beginning,” but it is wise to have plans for the church’s future. Scripture tells us, “Suppose one of you wants to build a tower. Won’t you first sit down and estimate the cost to see if you have enough money to complete it?” (Luke 14:28).

Church leaders will regularly assess where it “has been” and where the Lord intends for it “to go.” A budget translates the church’s goals into the financial resources needed in order to accomplish these goals. It requires a balance between faith and realistic expectations. Expectations are based on the church’s history, size, unique opportunities, major community changes, etc.

The treasurer, with the governance authority (or possibly a finance or budget committee appointed by them), will prepare the church budget for the coming year. It needs to be completed before the church’s annual meeting. Encourage each department and major ministry to provide his/her input to the budget committee. If the church is accredited and has a governance authority, it will hold an annual meeting. At that time, the budget will be presented to the congregation for its approval. If the church is a developing church, the budget will need the approval of the district superintendent or director—this approval should be secured before the budget is presented to the congregation for its approval.

Budgets can cover any twelve-month period, which is known as the fiscal year. The N.O. of the C&MA operates on a July 1 to June 30 fiscal year that corresponds with the cycle of sending missionaries. Unless the church has a special need, the N.O. suggests that the church operate its budget on the calendar year, January 1 through December 31.

Once established, the budget will provide the church treasurer with an important navigation tool. It helps the church determine if it is accomplishing its goals within the available resources. It also enables the leadership to take corrective action during the year. The budget lets the leadership monitor how the planned receipts and disbursements compare to what was actually received and spent.

Sunday school and the church youth ministries sometimes have separate budgets. If they do, the Sunday school or youth ministry may be responsible for raising all of its own support through offerings or fundraising endeavors. However, it is becoming more frequent for churches to have a Sunday school budget, but not require the Sunday school to raise all of its own income. In this case, a portion of the Sunday school budget comes from offerings received by these groups. An additional portion comes from the general operating expenses of the church.

If the Sunday school or the church youth program operates on a self-supporting basis, treat it as a separate fund with its own set of receipts and disbursements accounts. Give the fund its own line on the condensed monthly (or annual) financial report.

There is a third way of handling auxiliary groups. The church may not count Sunday school and the church youth offerings separately. Instead, they are placed in the general fund income as a gift or offering received from the Sunday school or the church youth group. These expenses are included in the general church budget.

Budget Preparation

To prepare the budget, the church treasurer needs a framework for summarizing the anticipated revenues and expenses. This framework, which is also used for recordkeeping and reporting, is called a chart of accounts. Usually, a number is assigned to each account in a logical sequence or pattern. Then funds and accounts within those funds can be clearly separated and identified.

There is a sample chart of accounts available. The chart of accounts may be tailored to fit the needs of the church.

A sample of the annual report and proposed budget using sample accounts shown is available. Current year actual receipts and disbursements can be a useful tool in projecting the expenses for the year. However, do not base the budget solely on past experience, but on the future goals and objectives.

In the sample, the church treasurer will see that the amount budgeted was what was expected to be received (receipts) so it is equal to what was expected to be spent (disbursements). Do not budget disbursements to exceed receipts. Likewise, do not let actual expenses exceed actual receipts. The church may, however, plan more receipts than disbursements. The planned excess amount could provide savings for future projects or as a cushion for unexpected expenses. Separately state expenses and contributions related to capital projects as these are non-routine costs that will not carry forward each year.

Recordkeeping

A central part of the role of the treasurer is to keep up-to-date, accurate records of all receipts and disbursements of the year. There are many ways to set up the church treasurer accounting records or books. The method described below is easy to use and adequate for most churches. Periodically, the details will need to be summarized into a financial report. This will be discussed later in this chapter.

Cash Receipts

When the people who count the money receive an offering, they record how each donor has designated his/her money on the cash receipts summary (as described in chapter three). The totals need to be recorded by account from the cash receipts summary in the record of transactions known as the cash receipts journal. They should be recorded as soon as possible after depositing the offering. Often, other funds will come in, such as checks for the reimbursement of expenses (for example, Bible study books) or miscellaneous gifts. Normally, these will be held until the next deposit is made.

There is a sample cash receipts journal, including sample transactions available. The cash receipts journal will require several pages for each grouping of accounts. Use the same format as shown on the sample for each group of accounts. This is an example only. The same information may be captured in the general ledger.

At the end of each month, total all the columns. A year-to-date total should also be made. Calculate this total by taking the year-to-date total from the previous month and adding to it the current month total. For example, suppose the church's fiscal year is the calendar year (January through December). In January, the year-to-date and monthly totals will be equal. Add February's total to this amount to find the year-to-date amount for that month. Next month, add March's total to the February year-to-date figure. Continue this process throughout the year. It will make it easier to prepare the church's financial reports at the end of any period.

In addition to the cash receipts journal, the deposits should be recorded in the church's checkbook, so the church treasurer can keep a running balance.

Cash Disbursements

Before discussing the recording of cash disbursements, there are several important guidelines for disbursing funds:

- Except for cash disbursed from a petty cash fund (described below), all payments should be made by EFT, check, or credit card. This provides the best record of payments and is safer than keeping cash on hand.
- Use pre-numbered checks and keep track of how each number is used. This is an important safeguard. If the church treasurer needs to void a check, keep it, so that each check is properly accounted for.
- Support all payments by appropriate documents, such as invoices or governance authority minutes (for salaries). File the supporting documents in a logical way (for example, by date or vendor for invoices).
- Mark paid invoices as "paid." Write the date of the payment, the check number, and the account number(s) the church treasurer charged the payment to on the invoice.
- Require two (dual) signatures on all checks over a certain dollar amount (for example, \$2,500). The church treasurer can easily arrange this with your church's bank.
- Always keep checks in a secure place.
- Never pre-sign blank checks.

The treasurer and assistant treasurer (and possibly one other person approved by the governance authority) will have signing authority on the church's bank accounts. Although the treasurer is the primary person to disburse funds, at least one other person should have the same authority, in case of an emergency. Another person also will be necessary if the governance authority requires dual signatures on checks.

Write checks only when proper documentation is received, such as receipts or invoices. Make only those payments that the budget (which the congregation approved) authorizes. The governance authority should approve unbudgeted items or expenses that exceed budgeted amounts.

Write the purpose of the check and the account number(s) to which the church treasurer will charge the amount on the check stub or in the check register. Do it when the church treasurer writes the check. This will make it easier to record the item in the cash disbursements journal and avoid questions and confusion later.

Once again, total all columns at the end of each month. Carry forward year-to-date amounts. At the end of each month or other period, the church treasurer can get the total amount spent from a particular account. A summary of these amounts will be reported to the congregation (and others) along with the cash receipts.

Credit card disbursements should be reviewed and approved in accordance with a credit card use policy. Disbursements made by senior leadership should be reviewed by the church’s governing body (see [Appendix B](#) for resources).

The church may choose to keep a small amount of cash (for example, \$100) available at the church to cover small emergency expenses. Since the amount is small, it is referred to as petty cash. If the church decides to set up this fund, follow these procedures:

- Keep the cash in a safe place and accessible by only one or two people. They are responsible for the fund.
- Keep the money on an imprest basis. This means that the total of the cash and receipts in the fund should always equal the original amount. For example, suppose the original amount in petty cash is \$100. The person spending the cash will return a receipt for the purchase to the person responsible for the fund. The total of the actual cash in the fund plus the receipt should always equal \$100.
- The person responsible for petty cash should keep a log of disbursements. See the sample log on the next page. Have the person receiving the cash sign his/her name in the payee column.
- Eventually, the actual cash will fall below a certain amount (for example, \$20). The person responsible for the petty cash then totals the disbursements on the log. He/she submits it, along with the corresponding receipts, to the treasurer, who will give the petty cash person an equal amount to replenish the total cash to \$100. Usually, the treasurer will write a check for the amount needed to reimburse petty cash. Then the person responsible for the petty cash fund cashes the check.
- The expenses are then recorded in the cash disbursements journal, supporting the entries with the receipts.
- Petty cash should always be reimbursed to its full amount at the end of the church’s fiscal year.

Sample Petty Cash Log				
Date	Payee	Description of Expense	Account Number	Amount
Total				

Other Accounting Records

Accounting methods for cash receipts and disbursements have been described so far. These cover most of the transactions the church treasurer will need in the simplest method possible. However, there are other types of transactions for which the church treasurer needs to keep records, outlined below.

Assets: Assets are items of value that the church owns. These usually have an economic life that continues beyond the current fiscal year, such as buildings, furniture, and equipment. More elaborate accounting methods provide a way to record assets in the accounting records of the church. For our purposes, however, the church treasurer only needs a record of all relevant information on the assets. The record covers the time from when the church treasurer purchases the assets until the church treasurer disposes of them (sells or gives them away). This information should include:

- a description
- date of receipt or purchase (acquisition date)
- the original cost
- insured replacement cost
- invoices and other documents

Present a report containing this information to the congregation once a year (usually when the annual report is presented).

Liabilities: Liabilities are debts that the church must settle at a future date, such as mortgages and other types of loans. This information should include:

- a description
- date of the amount borrowed (date incurred)
- original amount borrowed
- interest rate
- monthly payment
- remaining balance due
- any other relevant information

This information should be reported annually. There is a sample statement of assets and liabilities (also known as a balance sheet or statement of financial position) available.

Transfers: Transfers include the amounts the church treasurer transfers between funds or bank accounts. Maintain a record of transfers in either the checkbook, a savings account record, or a separate record. Again, these should be reported to the congregation regularly.

Other Accounting Duties

Reconciling Bank Accounts

As noted in chapter two, the church should receive statements from the bank for all its accounts each month. These statements need to be reconciled with the church's records according to the date shown on the bank statement.

Reconciling requires the church treasurer to account for items that the bank has recorded, but the church treasurer has not yet recorded (for example, bank service charges). The church treasurer must also account for transactions that the treasurer has recorded, but the bank has not yet recorded (for example, outstanding checks). Most banks provide a reconciliation form and instructions on the back of the bank statement. The

church treasurer may use this form, or the church treasurer may use an adding machine tape. To use the tape, follow these steps:

1. Enter the amount of each outstanding check (not yet recorded by the bank) and total them.
2. Enter the bank balance shown on the statement and:
 - subtract the total of outstanding checks.
 - add any deposits that have been made which do not appear on the bank statement.
 - add any unrecorded charges (which the church treasurer must record).
 - subtract any unrecorded bank credits (the church treasurer must also record these later).
 - total the tape.
3. This total should equal the checkbook balance. If not, the church treasurer needs to search for errors in the checkbook or in the treasurer's calculations. For example, suppose the church treasurer entered the wrong amount in the checkbook for a check or a deposit, or suppose the church treasurer made a mistake in addition in calculating the checkbook balance. Include the amount of the error(s) on the reconciliation. This way, the ending total on the reconciliation will agree with the actual checkbook balance. The church treasurer will also need to make the appropriate correction(s) for these errors in the checkbook.
4. When the church treasurer has completed the tape so that it equals the checkbook balance, write the check numbers next to the amounts printed on the adding machine tape. This will help the church treasurer re-check the reconciliation. It will also help the church treasurer see the checks that clear on later bank statements.
5. If the church treasurer believes that the bank has made an error, contact them immediately. Some banks will not correct their errors if the church treasurer does not notify them within a certain time period after they issue the statements.
6. Attach the adding machine tape to the bank statement and keep it with the canceled checks.

Be sure to complete the bank reconciliation each month. This provides a review of bank transactions, and it helps ensure that the church's records are accurate and complete.

Closing Accounts at Year End

At the end of the fiscal year, temporary accounts need to be closed to net assets. Revenue, expense, gain, and loss accounts are temporary accounts that cover a period of time and close to net assets (also known as retained earnings). Statement of financial position accounts (also known as balance sheet accounts) are permanent accounts reported as of a single date—a snapshot (think of a bank statement). A good illustration for this is a bank statement—the ending balance is as of a point in time (balance sheet), but the transactions cover a period of time (income statement). This requires the church treasurer to total the receipt and disbursement accounts to their final year-to-date amounts.

Start all the church receipt (income/gain) and disbursement (expense/loss) accounts over at zero when the church treasurer begins the new fiscal year. Then the church treasurer can start accumulating balances again. Carry the cash and fund balances forward (continue where the church treasurer left off at the end of the previous year) in the checkbook and reports (sample condensed annual financial report available).

Another consideration is restricted and unrestricted donations. If the church receives restricted donations during the year, any unused balance at fiscal year-end will be closed to restricted net assets and will need to be released for use in the following period.

Normal retained earnings balance = credit.

There are two entries needed to release the net asset from restriction for use:

1. Entry to record expense:

DR expense account
CR accounts payable or cash

2. Entry to record release from restriction:

DR restricted expense
CR release from restriction

The accounts for entry two should be grouped with the expense grouping in the trial balance and reconciled monthly to ensure they net to \$0 so as not to double-count the expense already recorded in entry one.

Do not post to net assets (typically 3XXX-series accounts). Net assets must roll forward and agree to the ending balance of the most recent fiscal period until closed the following year. To illustrate, the accounting equation is $\text{asset} = \text{liabilities} + \text{owners' equity}$. For the church's trial balance to stay balanced, net assets must remain equal to the balance reported for the most recently closed annual period.

Record Retention

The civil authorities require that records be kept for certain periods of time. The church, too, needs to maintain records. These provide a ready reference for studying the church's history and for analyzing trends. There is a list of recommended retention periods in [Appendix E](#). The list does not include every type of record or document that should be kept. It should, however, serve as a guideline for similar records.

Reporting

The congregation and the governance authority need to be informed regularly on the status of the church's finances. This is done by summarizing the transactions that the church treasurer recorded in the detail accounting records into various financial reports.

Good reports help the church fulfill its mission by keeping everyone well informed. The reports must have the following characteristics to be useful:

- complete—no essential information is missing
- clear—they need to be understandable by persons who read them
- consistent—the transactions should be recorded the same way each time they are recorded
- comparable—the reports should be prepared in the same way so that accurate comparisons can be made with prior and later periods or with the budget
- accurate—there should be no significant errors
- timely—reports are presented often enough for them to be useful

Some suggested reports are described below. Reports will vary from church to church in their detail and frequency.

Weekly Reports

Many congregations find it helpful to receive a brief weekly report, such as the one below. This report could be published in the church bulletin, posted on the bulletin board, or included on a PowerPoint slide.

Sample Weekly Financial Report		
General Fund	Last Week	Year to Date
Actual	\$900	\$21,050
Budget	\$1,023	\$20,460
Great Commission Fund		
Actual	\$300	\$4,500
Faith Promise	\$225	\$4,200

This report could be expanded to include columns for other funds (example, building fund or instrument fund), as needed.

Monthly Reports

At a minimum, reports of receipts and disbursements should be presented to the governance authority and the congregation every month. Preparing a condensed report is easy using the cash receipts and cash disbursements journals. The amounts in the report are taken from their respective journals. A sample of a brief, condensed report is available.

This same report should be prepared for the entire year as part of the church's annual report (sample available). Show the balances at the beginning and end of the year, along with the total receipts, disbursements, and transfers for the year. The details of special funds can appear on a separate page, with a single line showing the totals on the summary page.

The bottom portion of the report shows where the church's funds are kept. This serves as a proof of the top portion of the report. The total cash must equal the total of the balances of all funds.

Suppose the total of the balances in the cash accounts (checkbook, savings account, and petty cash amount) does not equal the total ending (or beginning) balance of the funds in the church's records. This would reveal an error that must be resolved.

Most governance authorities will want a full report of receipts and disbursements for the previous month (sample available). Prepare a report for each fund based on the totals taken from the cash receipts and cash disbursements journals.

Some of the columns in this report could be left out. However, those included represent the most useful information. The treasurer and the governance authority (and finance committee) will find these reports helpful in preparing next year's budget.

As noted previously, the treasurer should not spend more than what is approved in the budget. Suppose this was to happen (for example, an unusually cold winter produces higher than expected fuel bills), the governance authority should approve the excess expenditure, or take some other action.

Annual Reports

Article V of the C&MA Uniform Constitution for Accredited Churches requires that a detailed financial report be presented to the congregation at the time of the annual meeting. At that point, the full year's budget and actual receipts and disbursements are reported. A sample is available. It uses the same accounts as the detail monthly report to the governance authority sample. Our sample uses three columns to show current year budget amounts, current year actual amounts, and the proposed budget amounts for the following year. As was noted above, the church treasurer should also prepare a condensed annual financial report.

The church treasurer should provide the congregation with one other document. This is a report of the assets that the church owns and the liabilities that the church is obligated to pay (sample available). More formal, sophisticated accounting systems provide this information as part of their financial statements. Our goal is to provide, simple, easy-to-prepare reports.

Conclusion

The church must keep copies of all financial reports for various lengths of time (see suggested retention periods in [Appendix E](#)). This provides historical information necessary for future needs and to answer questions that may arise. A bank may also require them if the church ever needs to apply for a loan.

Clearly note any changes in the way the church treasurer presents data in the financial reports so the church treasurer can compare information with other years. For example, suppose the church reports telephone expenses under "utilities" for several years. Later, the church treasurer decides to show these costs on a separate line. A comparison of those lines in the financial reports would be misleading without a note explaining the change. It would appear as though the church had no telephone expense in previous years, or that it is buried in some unknown category. The cost of utilities would also appear to decrease from previous years. A simple note would clarify the change. It would also provide better information for projecting future costs during the budget process.

CHAPTER SIX

Risk Management

Risk management is recognizing that insurance can only do so much and go so far in protecting the church. Realistically, insurance is mostly about financial loss, while risk management is about financial, emotional, and physical loss. Risk management for the church is about making sure that children are as safe and secure as reasonably possible. It is about making sure individuals are not injured, harmed, or even killed because of a hazard in the church or on the church property that has not been identified and taken care of in a timely manner. It is about making sure that the property is not needlessly destroyed because someone did not take the time to inspect the church for hazards or because the church was unwilling to spend the needed amount of maintenance dollars. It is about making sure the church's employees know that the church treasurer cares enough about them to protect them, if at all possible, from injury, or that the church will address an injury quickly if it does occur.

There are three primary ways to manage the everyday risks inherent in the life of every church. The first, and probably most important, is to minimize risks whenever and wherever possible. This would entail a thorough safety audit of the church's property, people, policies, and procedures to identify where corrections should be made to minimize potential risks. Minimizing risks is a process of observing, imagining, and acting. Observe the things around the church or

the personnel policies that are in place; imagine what could happen; and then take steps to reduce the potential loss. This may include investing in safety equipment such as alarms, locks, or even surveillance cameras. It may include training employees to know what to do in an emergency or accident. It may mean helping employees understand the need to take appropriate steps to reasonably protect the assets God has provided to the church.

The second way is to transfer those risks to others by placing the responsibility on them. This may include contract provisions with vendors or contractors that make them responsible, but more commonly, it takes the form of a waiver of release for activities that the church may be sponsoring.

The final way is by procuring insurance coverage for potential losses and liabilities with the goal of protecting the church from a major financial loss.

Insurance

A good insurance program is a central part of the church's overall stewardship responsibility. If the church has unforeseen losses or expenses, insurance can:

- prevent severe financial hardship for the church and its staff.
- provide resources to help resume normal activities.
- compensate those who may be harmed in an accident involving church property or personnel.

Insurance does not ignore or replace God's provision. Rather, it is merely a prudent financial safeguard for God's people and property.

This chapter will discuss various types of insurance coverage available to the church. Each type should be considered in putting together the church's insurance program. The two general categories to consider are:

- personal insurance (for pastors and staff)
- property and casualty insurance

Personal Insurance

Today, a variety of personal insurance products are available. Consider the following factors to determine the types and amounts of coverage that the church will provide for the pastor and staff:

- marital status and family size
- base salary and other parts of their compensation
- availability of other resources to provide funds that insurance will not cover
- financial ability of the church

Give careful consideration to the types of coverage the pastor and staff will need when the church treasurer develops their salary and benefits package (see further discussion of this topic in chapter six).

The list below highlights the coverage that the church treasurer should consider.

Medical Insurance

With the high cost of health care in America, our coverage is extremely valuable. Even the most basic procedure today can be very costly. With increased premiums and procedure cost up, it is almost impossible to see any relief. That is what the N.O. is here for—to provide a plan that is financially feasible for our members and their loved ones.

The N.O. offers two plans—the silver and bronze plan, with the choice of either our premium or standard package. The premium plan includes both dental and vision coverage whereas the standard plan does not. The plans offered are believed to be comparable to those that the treasurer may find through an individual insurance company or on the marketplace, with the premiums in some cases being lower. This is a huge opportunity as the church looks for coverage for the pastor and other key leaders.

Employee Benefits

- The C&MA Retirement Plan is administered by Alliance Benefits and is managed by Empower. This includes receiving church contributions, paying benefits, managing fund assets, and overseeing the plan design and funding.
- A national 403(b) program is available to all Alliance official workers and is great for retirement savings.
- The N.O. plans are self-insured medical and dental insurance plans. A life insurance program is also offered and is available to official workers.

Life Insurance

As with medical insurance, life insurance products abound in the marketplace with a mind-boggling array of features. The important considerations are to:

- provide some coverage
- clearly understand the goal of the coverage

For example, is it the church's intent to provide income replacement for the family of the deceased? Or is it merely to provide funds to cover funeral costs?

Select a reliable agent or broker who will become fully aware of the church's objectives. Be sure they will meet those objectives at the lowest cost for the coverage desired. It is easy to let someone talk the church treasurer into buying coverage that is not needed. It is also easy to underestimate the cost of providing for a family or spouse.

Some medical plans also offer a life insurance feature. Usually, the life insurance is offered at a very minimal additional cost or as part of the medical insurance plan as is the case with the C&MA national plan. This could be a viable option for the church staff, especially if the church's goal is to provide a minimum amount of life insurance.

Disability Insurance

Some benefits are available to the pastor in the event of a disability through the Social Security system. This is available unless the pastor has elected not to participate in Social Security (through filing an official waiver notice with the IRS). However, the restrictions on the payment of Social Security benefits are severe. Also, disability is a greater likelihood than death for many years. The N.O. does not advise this election. This makes consideration of a disability insurance policy an important matter. Some states may require the church to provide disability insurance.

Once again, the features of the programs vary, and care should be exercised in selecting a program. A local insurance agent or broker can advise the church treasurer on the many options available. Note that the policies fall into two general categories:

- short-term (provides income up to 26 weeks)
- long-term (can provide benefits for life)

The church may be able to provide support to the pastor or staff on a short-term basis. Providing long-term disability income payments, however, is usually not possible. Therefore, long-term disability insurance is the more important consideration. Note that the C&MA national plan has a long-term disability feature.

Worker's Compensation Insurance

This type of insurance covers all work-related injuries or diseases for the pastor and church staff. It provides income replacement, medical costs, and financial compensation for certain injuries. It may also cover volunteer workers at the church and foreign travel.

Some states require certain levels of coverage. Discuss the need for this insurance and the proper amounts of coverage with a local insurance agent or broker. The state's worker's compensation fund may also offer coverage, sometimes at a significant savings.

Unemployment Insurance

Some states may require unemployment insurance. As with some of the other types of insurance described above, the church treasurer should find out what is required by the laws in the church treasurer state.

Property and Casualty Insurance

Property and casualty insurance can be a complex area. This is because due to the wide variety of coverage available and the variations and subtleties involved.

In this section, a brief overview of this subject will be discussed. Also listed will be some factors the church treasurer should consider in the development of the church's insurance program.

Cybersecurity Insurance

One of the recent concerns regarding risk management is cybersecurity. Cyber risks include data breaches, malware (including ransomware), viruses, phishing, spoofing, and more. Cybersecurity is the attempt to protect, detect, and mitigate against the attacks directed toward digital resources. It involves more than just the IT team and, often, churches do not have the policies and procedures in place to effectively protect their equipment and data resources. Good cybersecurity practices include:

- ongoing awareness and training
- assessment and testing to identify changing risks
- Security protocols: properly configured firewalls and wi-fi, endpoint protection for devices, complex passwords, changing default passwords, multi-factor authentication, disk encryption, and mobile device protection
- ensuring that all devices and software have updates applied regularly
- budgeting for security needs and consultation

An additional consideration for cybersecurity would be to add cyber insurance, or cyber liability, to existing insurance coverages. Cyber insurance helps protect the organization from the fallout of a cybersecurity event. A good cyber liability policy will cover expenses like ransom demands, notifying the victims of fraud or a data breach, credit monitoring, litigation and business disruption or data loss. Check with the church's insurance broker to determine what coverage would be adequate for the assessed risk.

For additional information:

[10 Vital Cybersecurity Tips for Churches](#) by Enable Church Ministry Partners

[Does Your Church Need Cyber Liability Insurance?](#) by Church Law Center

General

Obviously, the church treasurer's intent should always be to do everything in a manner that is above reproach. This includes being careful to protect the church's assets and being safety conscious. No matter how careful the church treasurer is, accidents will happen, for which others may try to hold the church responsible. This could be something hilarious, such as a pig bite at the annual greased-pig-catching contest (this really happened), or it could be a serious lawsuit for alleged mishandling of a counseling situation. Even if the church's representatives are innocent, the costs can be significant. They can include paying restitution, defending a lawsuit, or replacing property. Churches are not immune from lawsuits and are subject to civil law.

Insurance can be purchased, at a price, for just about any eventuality. Therefore, it is important to identify the types of insurance coverage that make the most sense for the church. The key is to find a balance between too little and too much coverage. It is helpful to have a knowledgeable, professional advisor assist the church treasurer in making decisions about the appropriate insurance package for the church.

Coverage	Description
Automobile Liability	Covers bodily injury, death, and property damage as a result of operating a vehicle.
Automobile Physical Damage	Covers damage to the vehicle.
Boiler and Machinery	Covers all pressure, electrical, and mechanical equipment damage resulting from an accident.
Crime	Insures against loss from theft, safe burglary, robbery, dishonest acts of employees, and forgery.
Cybersecurity	Insures against losses that are computer and technology related.
General Liability	Covers third party bodily or personal injury, death, property damage, and related costs.
Property	Includes all risks of damage to real or personal property. It may insure property damage from fire, sprinkler leakage, windstorm, explosion, vandalism, and collapse. This includes buildings and their contents.

Each of these types of coverage can have different exclusions, additions, and deductibles. Carefully consider the church’s resources and unique situation.

In addition to the basic coverage, there are special types of insurance that the church treasurer may need to consider. These can include:

- pastoral counseling (some pastors carry this kind of coverage on their own)
- coverage for special events (i.e., picnics, sports, camping)
- school or day-care facilities
- protection for church’s governance authority and trustees (director’s and officer’s liability insurance)
- employee practices (i.e., wrongful dismissal, harassment, discrimination)
- inappropriate contact (i.e., with children or the opposite sex)

Some districts already have church insurance programs. If the church treasurer is interested, please contact the district office.

Claims

No matter how minor, report all accidents promptly to the church treasurer insurance carrier. Send any notice of legal action against the church treasurer church or staff by registered mail to the church treasurer insurance carrier. Include a request for a returned acknowledgement.

Conclusion

As stated earlier, risk management is a critical part of church stewardship and insurance is a prudent, valuable component of any church's financial program. The church treasurer cannot avoid all accidents, but the church treasurer can prevent many problems. It requires the church treasurer to combine an awareness of situations that have risk and could result in an insurance claim with good old common sense. No list of considerations can be all-inclusive. Here are some examples of items that the church treasurer should consider:

- Maintain adequate security for the church's property.
- Screen people in particular areas of service, such as the church bus driver and children's/youth leaders.
- Maintain good internal controls (see chapter two).
- Get proof of adequate insurance (certificate of insurance) from those performing work for the church, such as contractors or service providers
- Ensure careful planning and supervision for special events (for example, church youth events)
- Keep property in good condition.
- Clearly identify exits from the church facilities.
- Keep an adequate number of operating fire extinguishers on hand.
- Maintain a current inventory of property and its value.

Most insurance agents or brokers will help the church treasurer identify risks, and the types of insurance that are right for the church. As with any product, shop around for the best price, service, and coverage.

CHAPTER SEVEN

Miscellaneous Matters

In this chapter, some important topics will be covered that have not been discussed elsewhere in this manual.

Tax Matters

Tax-Exempt Status

The church's tax-exempt status is extremely important for two reasons.

- It means that the church does not have to pay income taxes on its receipts, including contributions, interest, or investment income related to the church's tax-exempt purpose. Only unrelated business income is subject to federal income tax.
- It enables the church to issue tax-deductible receipts to its donors.

Refer to chapter one for instructions on getting the church treasurer's federal tax identification number and tax-exempt status.

Because of its importance, the church treasurer must take steps to preserve the church's tax-exempt status. These include:

- being careful when the church treasurer issue tax-deductible receipts (see chapter three).
- being careful when the church treasurer generate income that does not relate to the church's tax-exempt purpose.

It is not possible to give a complete list of unrelated activities. They include operations that generate revenues the IRS defines as "unrelated business income," as well as other income (for example, royalties). Certain activities seem obviously unrelated to the church's purposes while others do not. If in doubt, consult a knowledgeable person in the congregation or district office.

Some activities will not jeopardize the ability to issue tax-deductible receipts, but the church may be required to report and pay taxes on the amounts received.

Rental Property Income/Unrelated Business Income Tax

Generally, rent income received on real property is not unrelated business income. Unrelated business income is income from a business enterprise not related to the church's tax-exempt purpose. It must be derived from an activity that constitutes a trade or business that is regularly carried on and is not substantially related to the church's exempt purpose.

However, it can also come from passive income like interest, dividends, rents, and royalties that are debt-financed. Therefore, rents from debt-financed property are usually considered to be unrelated business income. Debt-financed property is defined as any property held to produce income and that is subject to "acquisition indebtedness," such as a mortgage, at any time during the year. However, rental income from debt-financed property is not considered unrelated business income if it fails within any of the following exceptions:

1. Substantially all (85% or more) of the property is used for exempt purposes. However, property is not considered to be used for exempt purposes simply because the income derived from the property is spent for exempt purposes. If less than 85% of the property is used for exempt purposes, only the portion of the property that is not used for exempt purposes is treated as unrelated debt-financed property. The church treasurer should also note that partial use of the property by other entities may have an impact on the property's real estate tax exemption, depending upon local laws and regulations.
2. If a church acquires land for the principal purpose of using it substantially for its exempt purposes within fifteen years of the date of acquisition, then the property is not treated as unrelated debt-financed property, even though it may otherwise meet the definition. This rule (the Neighborhood Land Rule) applies after the first five years of the 15-year period only if the church demonstrates to the IRS commissioner that it is reasonably certain that the land will be used in the described manner before the expiration of the 15-year period. In order to satisfy the commissioner, the organization does not necessarily have to show binding contracts. However, it must at least have a definite plan detailing a specific improvement and a completion date, and some affirmative action toward the fulfillment of such a plan. This information must be forwarded to the Commissioner of Internal Revenue, Washington, D.C. 20224, for a ruling at least 90 days before the end of the fifth year after acquisition of the land. In addition, the property does not need to be in the immediate neighborhood of the church, an exception to requirements for other exempt organizations.

A major limitation to the Neighborhood Land Rule is that it applies with respect to any structure on the land when acquired, or to the land occupied by the structure, only so long as the intended future use of the land requires that the structure be demolished or removed in order to use the land for exempt purposes. The Neighborhood Land Rule does not apply to structures built on the land after its acquisition. This significantly increases the probability that unrelated business income taxes will be due on rental of debt-financed real property. Note that rental income from personal property is taxed unless it is a minimal portion of the real property rental income.

3. Real property received as a gift that has debt on it is excluded from the debt-financed rules for five years. Real property received as a bequest that has debt on it is excluded from the debt-financed rule for ten years.

The first \$1,000 of gross unrelated business income is not subject to the tax. Gross unrelated business income is the amount of gross receipts reduced by cost of goods sold. If the gross unrelated business income exceeds \$1,000, an IRS Form 990-T must be filed on or before the fifteenth day of the fifth month following the close of the fiscal year. This is true even for organizations (such as churches) that are not required to file Form 990 with the IRS. For most churches, who have a fiscal year end of December 31, this due date would be May 15.

Property Tax Exemption

The church treasurer may be able to obtain an exemption from property taxes on the church building, parsonage, or church-run school. The church treasurer should apply for it as soon as the church purchases property.

Each state or local city grants property tax exemptions differently. They also differ in the restrictions they place on use of the property. For example, some states or cities may not permit the church to rent portions of the property to others. Consult with the district office or a local attorney when the church treasurer applies for property tax exemption.

Intermediate Sanctions

In 1996, Congress enacted a new law that imposed intermediate sanctions on excess benefit transactions related to disqualified persons. Simply put, if a key person in a tax-exempt organization, including churches, receives benefits from that organization that exceed the fair market value of the consideration (i.e. services rendered) received by the organization, then the IRS is authorized to assess excise taxes on the key person and members of the governance authority that approved the benefits. This generally relates to compensation but can also include other transactions, like sales or leasing of property. There is a safe harbor for compensation arrangements if certain procedures are followed. Even though it could be assumed that a pastor would never receive excess benefits from the church, it is important to analyze every transaction that could ultimately benefit the pastor to ensure that this does not occur. For more information, refer to the Church and Clergy Tax Guide mentioned in [Appendix B](#).

Legal Matters

Legislatures are considering churches and other nonprofit organizations more often today in the development and application of laws. Therefore, it is very important to keep up on legal developments. Several publications are available to aid the church treasurer (see [Appendix B](#)). It is also wise to maintain contact with an attorney who is knowledgeable in church legal matters.

Here are some important matters to consider.

Articles and Bylaws of the C&MA

The legal charters of the C&MA, its bylaws and many other documents governing our denomination are included in the Manual of The Christian and Missionary Alliance. You should obtain a copy and become familiar with its contents. You can download it from the website or you can request specific sections of it from the Office of the Corporate Secretary at corpsec@cmalliance.org.

Copyright Laws

The church's most common concern with copyright laws is in the area of church music. Most churches project and/or distribute music lyrics as a regular part of their worship experience. Because this music is almost always the property of someone else, use and rebroadcast of the music and lyrics in any form is carefully regulated.

Gaining blanket permission for use of copyrighted music is relatively affordable and an essential requirement in today's legal environment. A good starting point is Christian Copyright Licensing, Inc (CCLI) or Christian Copyright Solutions (CCS).

Labor Laws

The church has some special privileges in the hiring of staff. These include the right to hire only Christians. However, you are not exempt from all discrimination laws. The church should:

- Base all hiring practices on Christian principles
- Use common sense
- Document the church's policies of hiring, benefits, and procedures that affect the employees

Explain the policies to all the staff and have them available for reference. When you develop your policies, have the church's attorney or the district office review them.

All church staff, including pastors, must fill out form I-9. The United States Immigration and Naturalization Service (INS) requires this form for everyone, including native-born citizens. It must be kept on file at the church for three years after the date of hiring, or one year after the date that the employee leaves, whichever is later. The form requires the employee or pastor to present certain identification information to the church when you hire them. If these forms are not on file, have the pastor and staff complete them as soon as possible. You can download the form [here](#).

Annual Certification of Racial Nondiscrimination

Every organization that claims exemption from federal income taxes under section 501(c)(3) of the tax code AND that operates, supervises, or controls a PRIVATE SCHOOL (or schools) must file a certificate of racial nondiscrimination (Form 5578) each year. A “private school” is defined as an educational organization that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly conducted. The term includes preschools, primary, secondary, preparatory, high schools, and colleges and universities, whether operated as a separate legal entity or an activity of a church. [It does NOT include Sunday schools.] The certificate is due by the 15th day of the fifth month following the end of the organization’s fiscal year. Again, for most churches who have a fiscal year end of December 31, this due date would be May 15. For more information go to [Association of Christian Schools International \(ASCI\)](#).

Political Activities

It is possible for a church to lose its tax-exempt status because of its involvement in political activities. While this I.R.S. action is drastic and highly unusual, it is important to remember that churches are prohibited from participating or intervening in political campaigns on behalf of any candidate for public office (including the publishing or distributing of statements). This would include both statements for or against a particular candidate. These rules apply equally to national, state, and local elections and candidates.

A church can have political candidates address the congregation as long as overt campaign activities are avoided, the same opportunity is afforded all other qualified candidates for the same office, and the congregation is informed before or after the speech that the church does not endorse any candidate for public office. Other activities such as voter education are okay as long as they are neutral in content and format. The church may publicize its position on social issues but must not link that position to specific candidates.

The bottom line is that a church has to be very careful in walking the line between addressing an issue and endorsing or criticizing a particular candidate and his position on an issue. Pastors have to be particularly careful in making statements of this type since they may be viewed as an agent of the church. If the pastor does wish to make a political endorsement despite the risk, he should at least qualify his remarks by explicitly stating that they are being made in a private capacity and not as an agent of the church, and that the church has not taken any action to endorse or express its opposition to any candidate.

N.O. Resources and Services

Operations/Finance

The Operations/Finance area of ministry encompasses many functions that support the worldwide ministry of The Alliance. Some of these functions have been described elsewhere in this booklet and others are listed on the C&MA website. Church treasurers are encouraged to access the C&MA website for current information or updates not included in this manual.

Phone:
(380) 208-6200

Email:
cmafinance@cmalliance.org

The Office of the Corporate Secretary

A 501(c) organization is a tax-exempt nonprofit organization in the United States. Section 501(c) of the United States Internal Revenue Code (26 U.S.C. § 501(c)) provides that several types of nonprofit organizations are exempt from some federal income taxes. Many states refer to Section 501(c) for definitions of organizations exempt from state taxation as well. 501(c) organizations can receive unlimited contributions from individuals, corporations, and unions.

The most common type of tax-exempt nonprofit organization falls under category 501(c)(3), whereby a nonprofit organization is exempt from federal income tax if its activities have the following purposes: charitable, religious, educational, scientific, literary, testing for public safety, fostering amateur sports competition, or preventing cruelty to children or animals.

The Internal Revenue Service (IRS) has recognized The Christian and Missionary Alliance (National Office) as a central organization/parent that is authorized to maintain a group exemption based on Internal Revenue Code 501(c)3. This avoids the need for each C&MA district/church to apply for exemption individually with the IRS. When a church joins the C&MA group, a group exemption letter from the C&MA has the same effect as if the district/church had an individual determination letter from the IRS.

Districts and churches may apply to the C&MA in a simple process. There is a one-page application and copies of the Articles of Incorporation are required. The Articles of Incorporation must meet C&MA requirements. Once a district/church joins the C&MA group, it will receive a group letter. This letter is kept on file permanently and can be copied for vendors as proof of the federal tax exemption. An updated letter may be requested throughout the years in order to have a currently dated letter as needed. Each subordinate is listed within the group under their own Employer Identification Number (EIN). Contact corpsec@cmalliance.org for more information.

C&MA legal resources are available for your review and use on the [C&MA website](#).

Orchard Alliance

Orchard Alliance helps the members and ministries of the C&MA do immeasurably more with the financial resources entrusted to their care in three primary ways:

- Provides financial investments for Alliance members and churches to invest in God's work, using funds that are not available to be given.
- Lends the dollars your church invests exclusively to churches and other Alliance organizations looking to buy property or renovate and expand their facilities.
- Helps the treasurer live out the calling of stewardship with tools designed for today's complex financial world, including tax-wise, non-cash, and complex giving strategies.

Website

<https://orchardalliance.org/>

Email:

info@orchardalliance.org

Phone:

(833) 672-4255

Address:

8595 Explorer Drive
Colorado Springs, CO 80920

Data Management Office

Church Ministries keeps annual reports on file. Sometimes, churches lose this information during transitions. The church treasurer may need statistics on the history of the church in order to get bank loans. If you would like to request a copy of your church's annual report(s), please send an email to annualreport@cmalliance.org.

APPENDIX A

Glossary of Financial Terms

Accountable reimbursement plan: A method of reimbursing employees for business/ministry expenses that requires them to account for each expense by providing appropriate documentation (such as a receipt with the purpose, place, and other information). Using this plan, the church does not have to report the reimbursements as income to the employees. Without it, the reimbursements must be reported as income. While the employees may deduct some of the expenses on their tax returns, they end up paying taxes they would not have to pay if the church used an accountable reimbursement plan.

Assets: Resources, properties, rights, or claims against others that have future benefits. Assets belong to the church and normally have a useful life that extends beyond one year. Examples include buildings, furniture, equipment, and amounts due from others (loans).

Audit: An examination of the accounting records, reports, and procedures of the church by someone independent of the financial functions of the church. The audit will normally consist of a variety of tests, questions, and review procedures to determine whether all transactions have been properly recorded and summarized in reports. It may also test to see that established policies and procedures are being followed, and that they are appropriate and adequate.

Budget: A detailed projection of revenues and expenses for a future period of time. The budget provides a tool for measuring how actual results compare with expectations. This helps to monitor and manage the church's resources.

Calendar year: The church must select a 12-month period for the accounting year, known as a fiscal year. Annual reports and closing the books are done at the end of this period. If the church chooses the period from January 1 to December 31, records are being kept on a calendar year.

Chart of accounts: A logical sequence of numbers that are used to identify and segregate the accounts of the church. Transactions in the church records are recorded by type, according to the established account numbers and titles.

Closing: At the end of an accounting period (usually the fiscal year), all accounts need to be closed. No more entries should be recorded for that fiscal year. The balances of the accounts are reported as of that last day of the period (called the closing date) in the financial reports. Closing balances can be handled in two ways:

- Balances in the ongoing asset and liability accounts (such as cash, mortgages, and fund accounts) are carried forward. This means the closing balance for these accounts becomes the opening balance for the new period.
- Balances in the receipt and disbursement accounts start over at zero for the new period, and the net amount is carried forward in the fund balance.

Continuing resolution: A resolution that the church governance authority makes which continues year-to-year until it is formally changed. The governance authority's resolution regarding the housing allowance portion of the pastor's salary should be recorded in the form of a continuing resolution.

Designations: Contributions and gifts that donors give for a specific purpose, project or, in special situations, person. The back of the receipt form from the N.O. lists common designations. It is important that all gifts be used in accordance with the donor's designation, if at all possible.

Disbursements: The spending of funds from the church's resources for various purposes. These should be:

- for approved purposes only
- properly recorded in the church's records

Endorse: To sign or stamp the back of a check as the payee before cashing the check or transferring it to another party (including the bank). Checks should be restrictively endorsed as soon as possible. This prevents unauthorized persons from cashing or depositing the checks if they are lost or stolen. Endorsement restrictions typically state, "for deposit only" and show the church's account name and number.

Fiscal year: See "Calendar year" above.

Fringe benefits: Benefits provided to the church's pastor or employees in addition to salary. Medical insurance and life insurance are examples of fringe benefits.

Housing allowance: A portion of the pastor's salary designated to cover housing costs. This portion of the pastor's salary is not subject to federal income tax. Specific rules apply to determine the treatment of this amount. These rules are discussed in chapter six.

Imprest: An imprest account balance does not change as funds are withdrawn or replaced. For example, an imprest petty cash fund will be established with a certain amount of cash. At any point in time, the sum of all cash and receipts for expenditures from the fund will equal the original amount. The balance on the church's books will not change unless the amount of the fund itself is either increased or decreased.

Income replacement: Insurance payments intended to replace income lost due to injury or death.

Internal controls: A system of procedures and policies established to safeguard the church's assets and help ensure the integrity of the records. A full discussion of various internal controls recommended for churches is included in chapter two.

Invoice: A document received from vendors or service providers that describes the amount owed to them for goods or services provided.

Journal: A book or electronic file containing information regarding financial transactions, called entries.

Liabilities: Obligations that must be settled in the future through disbursement of funds or performance of services. Examples include mortgages, loans, and amounts due for credit purchases.

Negotiable: Money or a document representing money (such as a check or money order) that the bearer (person having it) can transfer to someone else freely, without restriction.

Pass-through account: An account in which the church treasurer record both revenues and expenditures. Use these when receiving designated funds, which must pass through in their entirety to the designated person or project.

Petty cash: Small (petty) amounts of cash held to cover small expenditures. Keeping a petty cash fund is often convenient for the church and the treasurer.

Receipts: Two meanings—funds received by the church, or a form given to a donor as evidence of his/her contribution.

Reconciliation: The process of identifying all items causing a difference between two balances that should agree once the differences are accounted for. For example, the balance shown in the checkbook or bank account usually will not agree with the balance shown on the monthly bank statement. This is because the bank may have recorded transactions that have not yet been recorded in the checkbook (interest accrued or a charge for printing checks). The opposite may also occur (outstanding checks the bank has not yet processed). Once all items are added and subtracted from one of the balances to account for all the differences, the balances should be equal. Missing items or unidentified differences must be followed up. The process is known as reconciliation (reconciliation is discussed in chapter five).

Remittance form: The form that accompanies the funds the church sends (remits) to the N.O. each month. The form identifies how the most recent contributions were designated and leaves room for additional designations for the next remittance to the N.O. A new remittance form is attached to the church treasurer's receipt from the N.O., to be used the next time funds are sent in remittance forms are discussed in chapter four).

Running balance: Continuation of the balance in a particular account or category. The balance is kept running by adding the current period activity to the balance at the end of the previous period.

Signing authority: Authority given by the church governance authority or district to persons in the church (such as the treasurer) to sign checks or other important documents.

Tax-deductible: The IRS and state taxing authorities allow taxpayers to deduct certain contributions from their income when determining the amount of taxes that the person must pay. The taxpayers must substantiate tax deductions. Therefore, the church should give contributors receipts so they can justify their deductions. Also, the church treasurer must distinguish between those contributions that are tax-deductible and from those that are not deductible (such as a personal gift for an international worker). Tax-exempt status is discussed in chapter one, and the issuance of receipts in chapter three.

Transfer: From time to time, it may be necessary to transfer funds from one fund or bank account to another. These transfers need to be recorded in the appropriate records and report them in the condensed monthly (or annual) financial report.

Vendor: A person or company which provides goods or services for payment.

APPENDIX B

Resources

Church Law and Tax

An excellent resource to address legal and tax issues is Church Law & Tax. This organization offers comprehensive legal and tax offers on managing finances, human resources, taxes, church law, child safety, and more.

Website: churchlawandtax.com

ECFA ChurchExcel

Each calendar year, ECFA publishes the Church & Nonprofit Tax & Financial Guide and Minister's Tax & Financial Guide. You can find them, along with additional resources, at the link below.

Website: ecfa.org/churchexcel.aspx?d=cma

Christian Legal Society

One source available, should you find your pastor or church in need of legal counsel, is the Christian Legal Society. This is an organization of Christian lawyers who may be able to assist you in a search for competent legal advice.

Website: christianlegalsociety.com

Phone: (703) 642-1070

Alliance Peacemaking

Alliance Peacemaking's mission is to change the culture of the Alliance family so we resolve conflict in a God-honoring way. To do this we use a biblical framework and common language to approach conflict.

Website: cmalliance.org/our-work/church-ministries/peacemaking/

Phone: (740) 789-0778

Conflict Management

A great resource concerning conflict management is the Institute for Christian Conciliation. This ministry is committed to resolving conflict biblically whenever and wherever it arises.

Website: aorhope.org/icc

Phone: (844) 447-2671

Charitable Contributions

Written acknowledgements:

Website: [irs.gov/charities-non-profits/charitable-organizations/charitable-contributions-written-acknowledgments](https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contributions-written-acknowledgments)

Stewarding Charitable Gifts:

Website: [ecfa.org/PDF/Stewarding Charitable Gifts 2023.pdf](https://ecfa.org/PDF/Stewarding_Charitable_Gifts_2023.pdf)

APPENDIX C

Computer Software Programs for Churches

Numerous software packages are available, ranging from generic business programs to customized, church-specific options.

If your church is thinking about converting to a computer system, the church treasurer should follow these steps:

Step 1: Define the church's needs. What kind of records does the church want to keep?

- Donor records: to record and report individual pledges and giving, and to provide summary information by account number
- General ledger: to record all income and expenses, and to provide periodic reports, usually monthly
- Church attendance: committees, spiritual gifts inventories, etc.; a general database for the church, providing various information on church members and adherents
- Word processing and desktop publishing used for church communications, weekly worship bulletin preparation, sermon preparation, etc.
- Other uses such as Bible study programs, property management and inventory, library and music filing, or graphics

Step 2: Determine what software best suits the church's needs. If multiple packages are needed, is there a need to transfer information between them? Are the packages compatible with one another? Is there appropriate software that some of the treasurer's financial team are already using at home or at work?

Step 3: After choosing the software, determine the hardware (equipment) needed to run the software. Be sure to plan sufficient space for future growth.

Because churches vary in size, style, and ministries, the N.O. does not endorse any one program as the "official" software. A few links are provided at the end of this appendix to use to begin your search. As you are evaluating options, criteria to consider includes:

- The software operates on standard hardware and is Windows/Mac compatible.
- The accounting structure used by the program has the required fields to support church accounting (restricted/unrestricted net assets and fund accounting).
- The program is composed of independent modules. This means the church can use only the software features they choose. Examples include cash receipts, cash disbursements, fixed assets, and budgets.
- There is integration with a database program for membership records. Having to learn different programs for accounting, membership, mailing lists, and attendance is usually impractical in the church setting. The listed programs all have these tasks integrated into the program and available as separate modules.
- It is expandable. As the church grows, the accounting needs will change. The program should allow for significant growth. Do not get locked into a program that fits now, but not later. A program should be able to export information to Excel and PDF.

- The program is menu-driven. This means the person using the program is prompted to make choices throughout the program. Most church treasurers are volunteers, rather than full-time employees of the church. The software must be learned easily and quickly. It should not require a great deal of memorization since some of the financial team may use it only monthly or quarterly.
- Support and help are available. Most churches do not have a full-time computer expert on hand. The program should provide assistance in starting and running itself, through both written manuals and on-screen help. In addition, it should have a telephone number (preferably toll-free) where the church treasurer can get assistance for specific problems.
- The program has password or other security features. The program should allow only authorized users to enter certain parts of the program. Membership files and financial giving records are very confidential. Only approved church officers should have access to those records. For example, the assistant treasurer or person recording individual contributions usually does not need access to the check-writing part of the program.

Links

ECFA Guide (comprehensive checklist)

Aplos (suite of church tools including accounting)

Quickbooks (accounting)

Blackbaud Financial Edge NXT (accounting, separate donor platform)

Sage Intacct (accounting)

Pushpay (church management, integrates with Aplos & Quickbooks)

Tithe.ly (church management, integrates with Quickbooks)

Nucleus (website and giving tool)

Ministry Brands (a collection of various church software tools)

APPENDIX D

Treasurer's Checklist

The checklist is organized in six sections:

- things that a developing church needs to do
- things that a newly organized church should do
- things that all churches should do weekly, monthly, quarterly, or annually

Note that the treasurer does not handle all of these items. They are included here, however, because they are important tasks in the financial process of the church.

Tasks for the Developing Church

- ✓ Appoint an advisory committee
- ✓ Appoint a treasurer and assistant treasurer
- ✓ Open a checking account in a local bank
- ✓ Apply for a federal employer identification number
- ✓ Establish a chart of accounts and a budget
- ✓ Advisory committee designates a portion of the pastor's salary as a housing allowance
- ✓ Purchase insurance
- ✓ Review information on copyright laws
- ✓ Prepare or order necessary forms:
 - ✓ Offering envelopes
 - ✓ Individual donor records
 - ✓ Cash receipts summary
 - ✓ Cash receipts journal
 - ✓ Cash disbursements journal
- ✓ Establish formats for the weekly, monthly, quarterly, and annual financial reports

Tasks for the Newly Accredited Church

- ✓ Complete and return papers for participation in the group exemption sent by the Office of the Corporate Secretary, or apply for individual church exemption with the IRS (group exemption is strongly recommended)
- ✓ File nonprofit corporation papers
- ✓ File for state and local sales tax exemptions, if available
- ✓ File for property tax exemption for church property, building(s), and parsonage(s), if available in the church treasurer's state or locality.

Weekly Tasks

- ✓ Receive and count the offerings
- ✓ Prepare a cash receipts summary for each offering
- ✓ Prepare the bank deposit and take it to the bank
- ✓ Transfer the offering information to the individual donor records and cash receipts journal

- ✓ Prepare a weekly financial report for the congregation
- ✓ Write checks as necessary and record them in the cash disbursements journal

Monthly Tasks

- ✓ Send checks to the N.O. with a related remittance form
- ✓ Prepare the bank reconciliation
- ✓ Total columns in cash receipts and cash disbursements journals, and prepare financial reports for the governance authority and the congregation
- ✓ Prepare payroll checks for the church staff (this may be done more frequently if desired) and maintain payroll records
- ✓ Submit payroll taxes as necessary

Quarterly Tasks

- ✓ Prepare Form 941 and send it to the IRS
- ✓ Review comparison of actual versus budgeted receipts and disbursements with the governance authority, noting any significant variations from the budget

Annual Tasks

- ✓ Order offering envelopes
- ✓ Prepare the budget
- ✓ The governance authority should appoint a committee to audit the financial records and prepare an audit report for the annual meeting
- ✓ The governance authority designates a portion of the pastor's salary as a housing allowance
- ✓ Prepare all necessary financial reports to be included in the annual report to the church
- ✓ Reconcile the quarterly 941 forms to the total payroll information for the year
- ✓ Prepare W-2 and W-3 forms for wages paid to the church staff
- ✓ Prepare 1099-Misc and 1096 forms for payments of \$600 or more made to independent contractors
- ✓ Complete the annual report and send a copy to the district office
 - Since annual report questions get updated every year, there will be a new hard copy version available from this website under "resource documents" at <https://churchar.cmalliance.org>. However, we prefer to have your church digitally submit the data for your annual report, as it makes it easier to integrate the data within our system.
 - The N.O. sends the login instructions to your church's annual report editor and the lead pastor every year in January. Here is the link to register a new annual report editor for your church: churchar.cmalliance.org/register

APPENDIX E

Record Retention Periods

Item	Recommended Retention Period
Asset/liability records	permanent
Audit reports	permanent
Bank statements and reconciliation	7 years
Canceled checks	10 years
Cash disbursement journal	5 years
Cash receipts journal	5 years
Cash receipts summary	7 years
Checkbook	7 years
Deposit slips	3 years
Financial statement: annual	permanent
Financial statement: monthly or quarterly	7 years
General ledgers	permanent
Individual donor records	7 years
Invoices, including expense reports	7 years
Payroll checks and records	5 years

Tax-related reports (W-2, 1099, etc.)	7 years
Bylaws	permanent
Contracts and agreements	permanent
Deeds and easements	permanent
Insurance matters: policies	permanent
Insurance matters: accident reports	7 years
Insurance matters: fire inspection reports	7 years
Insurance matters: claims	7 years after settlement
IRS examinations, rulings, comments	permanent
Minutes of governance, authority and congregational	permanent
Reports to the congregation/others	permanent
Tax exemption letter	permanent
Zoning variances or rulings	permanent

APPENDIX F

Sample Internal Audit Checklist

- ✓ Select several monthly bank statements, including the final statement for the fiscal year, and:
 - Ensure that reconciliations have been carefully completed.
 - Trace selected items from the reconciliation to the bank statement and the accounting records.
 - See that all voided checks are accounted for.
 - On a test/sample basis, see that checks are properly endorsed by the party they were issued to.
 - Sampling methods:
 - Judgmental: a non-probability sampling technique where the units are selected to be sampled based on existing knowledge or professional judgement
 - Haphazard: a nonstatistical technique used to approximate random sampling by selecting sample items without any conscious bias and without any specific reason for including or excluding items
 - Random: a sampling method that ensures all items within a population have equal chance of selection by the use of random number tables or number generators (these units could be items such as invoices or monetary units)
 - Check to see that outstanding checks and other items clear the bank or are otherwise disposed of on a timely basis.
 - Investigate the nature of miscellaneous or unusual reconciling items.
- ✓ Count the petty cash. The total of cash and receipts should equal the imprest amount. If it does not, investigate.
- ✓ On a test basis, trace cash receipts and disbursements from the original document (such as cash receipts summary or checks) through the accounting records, and summary totals to the various financial reports.
- ✓ Review cash receipts and disbursements journals for unusual items, such as backwards balances, corrections, and/or duplicates. Investigate any that are noted.
- ✓ On a test basis, check to see that there is proper authorization and documentation for each cash disbursement, such as an invoice or receipt, within approved budget lines, or with specific approval of the governance authority, for large or unbudgeted items.
- ✓ Review other documents and records (on a test basis) to see that they are being used in accordance with established policies and procedures. For example, are cash receipts summaries signed by the two individuals who counted the offerings?
- ✓ Check to see that all payroll and other tax reports were filed on a timely basis.
- ✓ Test weekly, monthly, and especially the annual reports to the congregation and governance authority for accuracy by tracing totals back to the accounting records.
- ✓ Check to see that all monies designated for the Great Commission Fund, or other purposes, are being sent on a timely basis for their intended receivers.

Reporting

The church treasurer report to the governance authority should be fairly detailed and may include recommendations. The church treasurer report to the congregation should be brief, stating that a review was performed, and whether or not the records and financial reports examined are fairly stated.

The church treasurer can and should expand it when special circumstances warrant it. In any case, the church treasurer must obtain the approval of the governance authority before presenting it to the congregation. The governance authority should record its response to the auditor's report and recommendations in the minutes.

APPENDIX G

Annual Report to the District

The church is required to prepare an annual report each year. Instructions and an electronic copy of the forms are sent out at the end of each year to all Alliance churches.

The treasurer will be asked to provide certain financial information for this report. The report is updated periodically, and detailed instructions are provided each year. Therefore, this manual does not provide these instructions.

The N.O. has designed the suggested chart of accounts in the available sample to help the church treasurer obtain the information that will be needed for the church health analysis. Income accounts are grouped according to the categories of information requested on the report.