

CHURCH TREASURER'S MANUAL

(December, 2010)



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Seventh-day Adventist Church (British Columbia Conference)

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ROLE OF CHURCH TREASURER

The church treasurer receives, counts, receipts, disburses, keeps account of and reports on all money that comes into the church in a timely manner. Tithes and offerings are sent to the conference monthly along with a financial report. Money given for the local church, money from the different entities within the church and any other finances handled by the local congregation are distributed as directed by the church budget or by the board or business meeting action. This includes the payment of accounts, insurance premiums, utilities, rents, departmental expenses purchased on behalf of the church and payment for services and maintenance. The treasurer will be called on to file a financial report at each board and business meeting indicating what money has been received and how it has been expended as well as the financial position (bank and fund balances). Pastors, elders and other church leaders should not ask the treasurer for money that the treasurer has not been authorized to give them. The position of treasurer is an office that serves on the church board, is a member on the church ministries council (if applicable) and on the Finance Committee (if applicable).

1.0 GENERAL

1.01 Confidentiality

The position of Treasurer is one that entails great trust. Donors are revealing personal information each time they turn in an offering envelope while others may be in a position of needing financial assistance from the church. It is the duty of the treasurer, pastor and elder to keep this type of information confidential. The ***Personal Information Protection Act*** requires that the church only use and disclose personal information with the consent of the individual involved, except in very limited circumstances. If you have any questions about the use or disclosure of personal information, contact Secretariat Department, BC Conference.

1.02 Safeguarding Donor Intent

It is the duty of the treasurer to safeguard the intent of all donors when any local, conference, or world offering is taken. It is a matter of trust for the treasurer and church board to ensure that all tithes, offerings, and other gifts are allocated and used for the purpose for which they were given. "Neither the treasurer nor the church has the authority to divert any funds from the objective for which they were given" (*Seventh-day Adventist Church Manual* (Revised 2005), pg 62).

1.03 Responsibilities for Reporting

A church treasurer has the following responsibilities for reporting:

To the Church Members: Reports can be made to the church members in two ways:

- (1) Annual receipts for donations from the previous year are to be given to the donors before January 31st.

- (2) In a duly called business meeting, the church needs to approve the budget and annual financial report. A report to the church should be given at that time, including information about the previous year's activities as well as the proposed budget for the New Year.

To the Church Board: A financial report should be made to the church board at each regular meeting, the report should include, as a minimum, cash balances, the status of any loans or payables, offering trends, and information about expenses. The church board is responsible for the operations of the church and needs timely financial information to assist in making decisions.

To the BC Conference:

- A) For those sending remittances by mail: the cheque, remittance report and data base transfer should be received by the 12th of each month.
- B) For those using the ACH Direct Payments (PAD) the data base transfer must be received at the conference on the 12th of each month.

1.04 Church Board Authorization

The church board is the operating committee of the church and carries the financial management of the church. It is the duty of the church board to establish approval criteria for the payment of expenses. Criteria should be developed for anyone who is authorized to make expenditures. Budgets should be established for department leaders. Authorization should be given for the treasurer to pay all standard bills such as rent, mortgage, utilities, insurance, etc., and all other budgeted items. **Any large or unusual amount should be approved by the church board.**

1.05 Stewardship Promotions

Treasurers are in a position to present information that can assist in promotion of stewardship within the church. The information shared can take the form of trend analysis of giving, number of giving units compared to membership, local offering compared to tithe, use of funds, etc. The information a treasurer can offer should be used in conjunction with an overall stewardship plan for the church. Churches are counselled to think carefully before embarking on fund-raising activities. The *Seventh-day Adventist Church Manual* (Revised 2005), pgs 167, 168, outlines several key principles to ponder as fund-raising methods are being considered.

1.06 Ownership of and Access to Records

All of the accumulated treasury records are the property of the local church. **The treasurer must deliver all the records to his/her successor.** Any supplies, manuals and equipment that are not the personal property of the treasurer should also be passed on to a new treasurer. Since most records held by a treasurer contain sensitive and confidential information, access to these records should be restricted to the treasurer, pastor, head elder, conference auditors and Canada Revenue Agency.

1.07 Necessity of an Assistant Treasurer

Whatever the size of your church, the various duties and responsibilities of the church treasurer are a large undertaking for one person. The election of one or more assistant treasurers should make the job much more manageable. This would allow duties to be divided in such a way that both the treasurer and assistant treasurer are not overly burdened. For example, many churches will have the assistant treasurer make deposits, with the treasurer handling the remaining duties.

Some churches argue that they are too small to need an assistant treasurer. Others may have treasurers who are willing to perform all the treasury duties. Even so, it is important that an assistant treasurer be elected. This person may be needed in the absence of the treasurer to perform certain essential duties, such as receiving, counting and depositing funds or writing cheques in an emergency. These situations often arise if the treasurer is ill or on an extended vacation.

The church should look for the same qualities in an assistant treasurer that it desires in the treasurer. The assistant treasurer should be a dedicated person with moral and spiritual fitness. It is important that all individuals responsible for handling the Lord's funds exercise the same integrity and confidentiality expected of the treasurer.

1.08 Organization and Storage of Records

Your job as a church treasurer will be much easier if the treasury records are well organized. Also, the organization of records will facilitate the audit. It is highly recommended that the records be organized as follows:

- | | |
|---|--|
| Offering Envelopes | The offering envelopes should be organized alphabetically by week. Each group of envelopes should have an adding machine tape (or computer printout) on top that agrees with the week's deposit and offering worksheet, and be bundled with a rubber band. The offering envelopes for the week should match the donations recorded on the receipts and the amount posted for that week. The weeks are then banded according to month. Be sure to label each month properly. |
| Offering Worksheet | Sign and file offering worksheets in a folder, chronologically. |
| Deposit Slips | Keep all your deposit slips together, in a Shannon folder, a two-ringed binder or simply secured with a rubber band. |
| Copies of Donor's Receipts | File the church copies of donor's receipts in alphabetical order. |
| Cheques | Organize cancelled cheques (including the voided ones) in numerical order. |
| Paid bills | Organize the paid bills and receipts in the same order as the cancelled cheques; in other words, in the order in which they were paid. Each bill should show the date and the number of the cheque with which it was paid. Cheque numbers should be written on the bottom right-hand corner of the invoice, preferably with a red pen. Organize the bills, sequentially by year, in labelled folders. We urge you to use the journal vouchers and attach the paid bills or receipts to the back of the form. This will allow for orderly filing since some pieces of paper are very small. |
| Treasurer's copy of Remittance Reports | Keep the treasurer's copies of the monthly remittance reports to the conference in sequential order in a folder or notebook. Electronic storage is permissible as well. |
| Chequing Account Bank Statements | Keep the bank statements in a folder, separated by year. Include any notices from the bank of adjustments to your account for NSF cheques, etc. Be sure to reconcile the bank accounts each month on the Church Pal computer program. |
| Savings Account, Revolving Fund and Other Statements | Savings account bank statements and BC Conference revolving fund statements should be kept in a file. Passbooks, guaranteed income certificates, and other such records should be kept in a secure, locked area and be available at review time. |
| Church Board Minutes | The treasurer should keep copies of the board minutes in a folder or a notebook. These minutes are used as verification of board decisions, including annual budget, out-of-the-ordinary expenditures, opening and closing of bank accounts, authorization of signer's on bank accounts, etc. |

It is the responsibility of the church to provide a secure, locked storage area large enough to hold all of the treasurer's records. The treasurer and the pastor and/or head elder should have keys to this storage area.

1.09 Retention of Records

Keeping adequate books and records

A registered charity must keep adequate books and records in either English or French, for the prescribed time period, at an address in Canada that is on file with the Canada Revenue Agency (CRA). The following checklist gives an overview of the general requirements.

The books and records of the charity kept as follows (from CRA):

- **All records concerning 10-year gifts** kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked.
- **Minutes of meetings of the directors/trustees/executives** kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked or, in the case of a corporation, for two years after the day the corporation is dissolved.
- **Minutes of meetings of the members** kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked.
- **All governing documents and bylaws** kept for as long as the charity is registered and for two years after the date the registration of the charity is revoked.
- **General ledgers or other books of final entry containing summaries of year-to-year transactions and the vouchers and accounts necessary to verify the entries** kept for six years from the end of the last tax year to which they relate, for as long as the charity is registered, and for two years after the date the registration of a charity is revoked or, in the case of a corporation, for two years after the day the corporation is dissolved.
- **Financial statements, source documents, and copies of T3010 returns** kept for six years from the end of the last tax year to which they relate or, if the charity is revoked, for two years after the date of revocation. *Source documents may include items such as invoices, vouchers, formal contracts, work orders, delivery slips, purchase orders, or bank deposit slips.*

Notes

- The charity should keep all its key documents (constitution, bylaws, registration letter, etc.) along with its books and records in one area for easy access. This will make it easier for the charity in the case of an audit or when there is a change to the governing board.
- Copies of key documents and records should also be kept in a separate location (preferably off-site) for back-up purposes.

The schedule below shows how long certain church treasurer's records should be kept according to church policy. **Please note that no records should be disposed of until they are audited, even if they exceed the retention period criteria.**

Record	Retention Period
Audit Reports	Permanently
Ledgers	Permanently
Copies of Board Minutes	7 years (The church clerk or secretary is to maintain the original minutes and keep them permanently.)
Invoices and receipts for paid bills	7 years
Church's copies of donor's receipts	5 years (Donation records in the context of this schedule means duplicate receipts. While technically these documents need only be kept for three years. Practically, they should be kept for at least five years in the event a donor, who has not yet claimed the donation on their income tax return, has lost the receipt and requests a replacement.)
Bank statements, reconciliations and cancelled cheques	7 years
Offering Envelopes	Keep until after audit, then destroy by shredding or burning

Church records that have met the retention period and have been audited may be destroyed by shredding or burning. Advise the board before you destroy any records.

1.10 Audit Review by Conference Personnel

Denominational policy requires that the conference treasury department review each church's treasury records on a regular basis (i.e., at least once every two years). Please keep in mind that this is an audit of the church's records, not an audit of the treasurer.

If all reports have been submitted accurately and on time, and if all records and files have been maintained and held available, there should be no question of "getting ready" for the auditor. The following are suggestions as to what the auditor will ask for and examine:

- Weekly offering envelopes with adding machine tapes showing total funds received.
- Validated carbon copies of weekly deposits of funds in the bank, each one agreeing with the weekly totals of envelopes. Dates on deposit tickets, usually for the Monday following the Sabbath covered by the offering.
- Receipt journals for each week's receipts written, totals agreeing with envelopes and deposits.
- Disbursement journal listing all cheques accurately with proper distribution, all entries supported by invoices or vouchers, preferably originating *outside* the local church organization (vendor invoices properly approved, conference remittance forms promptly drawn and receipted by conference treasurer, etc.).
- A separate numerical file of cancelled cheques. (Do not attach cancelled cheques to the supporting vouchers or file them with the bank statements. They should be kept in a separate file in numerical order.)
- A file of bank reconciliations and bank statements (one for each month of the year) evidencing that reconciliations have been prepared promptly and regularly and have been reviewed by someone other than the treasurer.
- Church board minutes containing authorizations for the annual budget, for all out-of-the-ordinary expenditures, for opening and closing of bank or investment accounts, and authorizing signatures and signature changes on accounts.

1.11 AdventistGiving

Following is a list of requirements to activate AdventistGiving account for a church:

1. Complete enrolment form with all the signatures from the Pastor, the treasurer, and the Conference Treasurer. Go to www.adventistgiving.ca and sign up.
2. Copy of a voided cheque or deposit slip with the church's name and account number clearly printed and matching the account number on the enrolment form.
3. Questions? help@adventistgiving.org

On the first day of each month, "view pending transactions" for the previous month. Then, print report and enter all donations into Church Pal. Keep as though "one large offering envelope" for all donors.

2.0 REGISTERED CHARITY

2.01 Registered Charity Checklist (from CRA):

- ENGAGE ONLY IN ALLOWABLE ACTIVITIES (see 2.02 below)
- KEEP ADEQUATE BOOKS AND RECORDS - A registered charity must keep adequate books and records for the prescribed time period, in either English or French, at an address in Canada that is on file with the Canada Revenue Agency (CRA).
- ISSUE COMPLETE AND ACCURATE DONATION RECEIPTS - A registered charity may only issue official receipts for donations that legally qualify as gifts. An official receipt must contain all the information specified in Reg. 3501 of the *Income Tax Act*.
- GIFTS IN KIND-Gifts in kind of a taxpayer include capital property, depreciable property, personal-use property including listed personal property (see the current version of IT-332), a leasehold interest, a residual interest

(see the current version of IT-226), a right of any kind whatever, a licence, a share, a chose in action and inventory of a business. A gift in kind, however, does not include a gift of services. (see also **IT-297R2**)

- **MEET ANNUAL SPENDING REQUIREMENT (DISBURSEMENT QUOTA)** - A registered charity must spend the minimum amount calculated for its disbursement quota each year on its own charitable activities, or on gifts to qualified donees. (BC Conference will normally indicate if there is a potential problem.)
- **FILE ANNUAL T3010 INFORMATION RETURN** (Done by BC Conference)

2.02 Engaging in Allowable Activities

A registered charity must be created for charitable purposes and must devote its resources (funds, personnel, and property) to charitable activities. A registered charity is permitted to carry out its charitable purposes, both inside and outside Canada, in only two ways: by carrying on its own charitable activities, and by gifting to qualified donees. A registered charity **must** maintain direction and control over its activities (whether carried out by the charity, or by an agent or contractor on its behalf) and must not engage in prohibited political activities or unrelated business activities. Registered charities must fit into one of four categories of charitable purposes: the relief of poverty, the advancement of education, the advancement of religion, or other purposes that benefit the community in a way the courts have said are charitable.

- If working through intermediaries such as an agent, a contractor, or any other non-qualified donee, the charity **must** be able to demonstrate that it retains direction and control over the use of its resources. (For example, the charity should enter into a formal written agreement with the intermediary body.)
- Do not engage in any activities that may directly or indirectly support or facilitate an act of terrorism.
- Do not engage in any prohibited political activities, such as supporting or opposing a political party or candidate for public office.
- Gift only to qualified donees (for example, other registered charities).
- Engage in only related business activities that accomplish or promote the charity's purposes, if the charity is designated as a charitable organization or a public foundation.

Limit using the charity's resources for social activities and fundraising activities as they generally are not considered charitable.

- **Social activities:** As a rule, social activities are not charitable at law. However, a registered charity that is established for exclusively charitable purposes can devote some of its resources to social activities as long as: the activities are held to raise funds for its charitable purposes and are not so frequent to be considered as a primary purpose themselves; or the activities are incidental to the charity's charitable purposes. Generally, a registered charity should not devote more than 10% of its resources (funds, personnel, and property) to social activities. A registered charity that engages in frequent social activities is putting its registered status in jeopardy for failing to devote its resources to charitable activities.
- **Fundraising activities:** The CRA accepts that registered charities may incur costs in their efforts to raise funds for their charitable work. However, our expectation is that these expenses will be reasonable. Fundraising is not a charitable activity. A registered charity can raise funds to support its charitable purposes, but: If the fundraising activity becomes the primary emphasis of the charity, then it is not operating for exclusively charitable purposes; and if a substantial portion of the charity's revenues is devoted to the fundraising activity, it is not considered to be devoting its resources to charitable activities. Spending excessive amounts on fundraising could also result in the charity not meeting its disbursement quota (spending requirement). A registered charity that engages in fundraising as a primary activity, or that devotes a substantial portion of its revenue to fundraising activities, is putting its registered status in jeopardy.

2.03 Qualified Donee

A qualified donee is a registered Canadian Charity. A Canadian charity may transfer money or resources to a qualified donee and have the qualified donee's work be deemed their work. This means that a charity cannot simply send funds to a church or any other entity inside or outside Canada that is not a registered Canadian Charity. Therefore members wanting to make a donation to a non-Adventist entity or an Adventist entity that is not a Canadian charity should send

their donation directly to this entity. Examples of church entities that are not registered Canadian charities are: General Conference of Seventh-day Adventists and Adventist academies in the United States.

The following CRA web-site provides listings of qualified listings of Canadian charitable organizations: cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html

2.04 Revoking an Organization's Charitable Status

Revoking an organization's charity status is a serious step that is generally only used in cases of serious non-compliance. This includes, but is not limited to, instances where an audit identifies:

- significant non-charitable activity;
- private benefits directed towards directors and/or related persons;
- tax receipts issued in excess of actual gifts received or directed to specific persons;
- failure to spend sufficient amounts on charitable activities;
- gaps in or non-existent books and records; and/or
- lack of control and/or direction over expenditure of funds

2.05 Can a Registered Charity Return a Gift to a Donor? (from CRA)

In most cases, a registered charity cannot return a donor's gift. At law, a gift transfers ownership of the money or other gifted property from the donor to the charity. Once the transfer is made, the charity is obliged to use the gift in carrying out its charitable purposes. However, a charity may try to retain the goodwill of donors seeking the return of their gifts by offering to transfer the gifted property to another registered charity.

2.06 How to Avoid Having to Return Gifts to Donors—Designated Gift Policy

When a charity is seeking funds for a special project, we recommend that the charity clearly inform donors, and/or state in its fundraising material, before accepting any donations, what it will do with the money if the project cannot be carried out or if more money is collected than the project requires. The charity could state, for example, that it will apply any unused donations to its other programs.

For the purposes of goodwill, in the event that a project cannot be completed (due to various circumstances or it seems obvious that sufficient funds will not be donated or if there are excess funds than needed) then it is recommended at a church meeting that action be taken to transfer those funds elsewhere. Alternatively, if it seems practical, the original donors may be contacted as to where the unused funds may be transferred.

3.0 DONATIONS—TITHE AND OFFERINGS

Donations typically fall into one of two major classifications: tithe or offerings. Offerings are further sub-divided into three major categories: local church, local conference, and world church.

The Bible states that all the tithes are to be brought to the storehouse. The Seventh-day Adventist Church is the storehouse of God for all tithes and offerings given by its members. The financial plan developed by the church organization is to be a unifying and strengthening force within the Seventh-day Adventist Church. The preferred practice of giving is for donations to be given at the local church, from which appropriate funds will be remitted to the conference. Donated funds sent to the conference for work outside the territory will be sent on to the union, from the union to the division, and then to the General Conference as appropriate. Great care is taken at each level to ensure that specific offerings are used for their intended purpose.

3.01 Tithe

Tithe is defined as one-tenth of one's increase or personal income. All members are encouraged to return a faithful tithe to the treasury of the denomination. "The tithe is to be held sacred for the work of the ministry, for Bible

teaching, and for the support of the conference administration in the care of churches and of field missionary endeavours. The tithe is not to be spent on other work, or paying Church or institutional debt, or on building programs” (*Seventh-day Adventist Church Manual* (Revised 2005), pg 164).

3.02 Offerings

Offerings are non-tithe donations to provide further funding for local church, local conference, or world church operating budgets and/or special projects.

Local church offerings are non-tithe donations made to the church to provide funding for operations and capital needs. Categories printed on the offering envelope are “Church Budget”, “Building Fund” and “Church School”, with room for write-in additions. Operating expenses include: utilities, maintenance, Sabbath School supplies, secretarial and janitorial personnel, and church sponsored programs. Capital projects include such things as building project or an organ fund.

3.03 Conference and World Offerings

Local conference offerings (also referred to as British Columbia Conference Ministries) provide funding for a number of specific programs operated by the conference. The programs that receive funding are voted by the conference board of directors and are available from the conference Treasury Department.

World Church offerings provide funding for programs such as Mission offerings, Adventist Disaster Relief Agency, Adventist World Radio, various TV ministries, Christian Record Services, Canadian University College, Andrews and Loma Linda Universities.

WORLD BUDGET OFFERING DISTRIBUTION	
Offering Name	Percentage
Sabbath School – Regular	57
Sabbath School – Thirteenth Sabbath	16
Sabbath School – Birthday – Thank	4
Annual Sacrifice	4
Multi-Lingual Ministries	.375
Loma Linda University	.375
Andrews University	.375
Adventist World Radio	.75
Spring Mission Appeal	.75
Fall Mission Appeal	1
Canadian University College	5.75
ADRA/Disaster & Famine Canada (SDACC)	1.75
Adventist Chaplaincy – Canada	.375
Voice of Prophecy – Canada	3
Christian Record Services – Canada	.75
It Is Written Canada (SDACC)	3
Inner City	.75
TOTAL	100

3.04 Church Budget

Church Budget for Local Expenses—The most satisfactory method of providing for local church expenses is the budget plan. Before the beginning of the New Year, the church board should prepare a carefully drawn-up budget of expenses for the maintenance of church activities through the next annual period. This budget should make provision for all

repairs, heat, light, janitor service (if paid for), church school expense and teacher's salary (if applicable), fund for the poor and needy, et cetera. The budget should be presented to the church for its study and adoption, and for plans to assure that funds shall be provided to balance the budget during the coming year. Funds to meet the church expense budget may be raised by offerings. Every member in proportion to his/her financial circumstances should have a part in supporting the local church as well as the cause in general (*Seventh-day Adventist Church Manual* (Revised 2005), pg 166).

The budget should be formally approved by the church in a business session.

3.05 "Loose" and "Anonymous" Offerings

"Loose" offerings collected during church are to be applied to the offering for that day as indicated on the "Sabbath Offering Schedule" printed with the annual "Sunset Calendar". The *Seventh-day Adventist Church Manual* (Revised 2005), pg 62, states: "When an offering is taken for worldwide mission or for any general or local enterprise, all money placed in the offering plate (unless otherwise indicated by the donor) shall be counted as part of that particular offering". This policy is based on world mission concept on which the Seventh-day Adventist church was founded and flourishes, and is in accordance with the biblical model of spreading the Good News to the world.

"Anonymous" offerings are offerings received in an envelope (usually cash) where the purpose and amount is indicated but the donor has not identified themselves. The money is to be counted toward the offering indicated on the envelope.

3.06 Donations at Year End

A donor is entitled to an official tax receipt for donations made in the year. Therefore the timing is important. If the donor mails a cheque to the church, the gift is generally accepted to have been made when the cheque is mailed, i.e., post mark on envelope is dated in December even though cheque may not be received until January. (Keep envelope as proof that donation was made prior to year end.)

3.07 Not-Sufficient-Funds (NSF) Cheque

If a cheque is received from a donor and it is dishonored by the bank, the treasurer should immediately reverse the entry using the bank notification date. However, if a treasurer has already sent their remittance to the conference then the reversing entry should be made the first non-Sabbath day in the following month. If the donor makes a replacement cheque, then this should be treated as a new donation.

3.08 May We Help Members of the Church Who Are In Need As a Result of Fire, Death, Sickness or Unemployment? *Frequently Asked Questions #35* ("©Canadian Council of Christian Charities, www.cccc.org, Not to be used or further reproduced without permission")

A church may establish and operate a "Benevolence Fund," "Deacons Fund" or "Good Samaritan Fund" (or any other name that the relief fund might have) to support those who are poor or needy. However, it may not establish such funds exclusively for members because that would give the members a benefit for their membership. If the church offers this type of assistance, it must do so as part of its outreach ministry to the community as a whole. There is no requirement to place public notices or to advertise such funds but their availability must be generally known to all those attending the church.

With respect to all relief assistance, care should be taken to ensure that those who are being supported are not enriched as a result of receiving the support. For example, fire insurance may cover all the costs associated with a loss; the deceased might have purchased a life insurance policy that will meet all the needs of the family; the unemployed may be eligible for wage loss insurance such as Employment Insurance or other plans.

To provide relief assistance, the responsible individuals in the church must determine the amount of support to be given on a "needs and means test" basis. Needs are determined on the basis of total reasonable expenses less all sources of current income. Means are determined on the basis of non-essential assets that might be sold to meet the need.

For example, a person who has no current income, but who has substantial investments would be able to meet the need by selling some of such non-essential assets. However, a person in temporary need will not be required to liquidate retirement assets such as an RRSP, neither will the person normally be required to sell a family home, or a farm (or other active business) that will generate future family income.

If relief assistance is provided, that is called “social assistance” for purposes of the Income Tax Act. The church must issue a T5007 to the recipient, except in situations that are clearly exempted by Income Tax Act Regulation 233(2) as outlined below. The assistance must be reported as income by the recipient on the annual tax return but may be deducted before the taxable income line. Consequently, the individual’s net income line is affected but tax will not be paid on the relief assistance provided by the church.

As noted in the previous paragraph, there are certain exceptions where the church (or other charity) does not have to report the payment or benefit on a T5007. These exceptions, if paid to or on behalf of the relief assistance recipient, are:

- Medical expenses
- Child care expenses
- Funeral expenses
- Legal expenses
- Job training or counselling expenses
- A series of payments in the year that together do not exceed \$500, and
- Payments that are not part of a series.

3.09 Can This Gift Be Accepted & Receipted? 2010 *Charities Handbook*, pgs 138 & 139 (©Canadian Council of Christian Charities, www.cccc.org *Not to be used or further reproduced without permission.*)

Example 4.1: Can this gift be accepted and receipted?

A worker from outside Canada visits your church with stories of how God is working in his country to bring people to Christ. Afterward the church takes an offering and sends the money to his church in Peru.

Answer: The activity being funded is not that of the Canadian charity but the church in Peru. The Canadian church has no control over what happens in this foreign church. The Peruvian church is not a qualified donee so funds cannot simply be forwarded to it.

Possible Alternatives:

Sending funds is not possible but, according to CRA’s policy (CRA Newsletter #20), goods that could only be used for charitable purposes could be sent to the church. If the church needed Bibles or Sunday school supplies, the Canadian charity could send these items. Donations to the Canadian church to purchase these items could be receipted. Sending of the goods is the Canadian church’s own charitable activity.

Example 4.2: Can this gift be accepted and receipted?

The money collected in the offering described above is not receipted.

Answer: Any money received by the church becomes its property and resource to be used in accordance with the *ITA*. Regardless of the fact the money was not receipted, the church cannot send money to an entity that is not a qualified donee.

Possible Alternatives: (i) If individuals within the congregation are convinced of the need, they can act as a group of individuals and, apart from the church, decide to send personal funds as individuals directly to Peru without going through the church or the church accounts. These would be personal gifts.

(ii) Alternatively, if the church wanted to carry on work in Peru it could do so through its own employees or volunteers via contracts, agency agreements or joint ministry agreements. These agreements enable a charity to carry out foreign

activities and must be in place before funds are sent. Note that legal advice should be sought in establishing these agreements and, once established, they must be properly administered.

4.0 FUND ACCOUNTING

Churches use a method of accounting known as fund accounting. This approach is used predominantly in not-for-profit organizations and provides a method to associate specific expenses with restricted donations made to the organization. Fund accounting is unique as compared with other commercial types of accounting.

Functions: Financial information about each department of the church needs to be kept separately. A function should be established for each distinct area of the church. Incomes, expenses, transfers and fund balances for each department are then recorded in columns or sections known as functions. The purpose of these functions is to facilitate matching restricted income with appropriate expenses, to make sure donations are being used as intended. Examples of functions include the following: Building fund, and Pathfinders. The function balance is the accumulated balance of the activity function.

Income: Churches receive income to fund operations and capital expenditures primarily through donations. These incomes are recorded in the appropriate functions. Some donations must be used for specific purposes; other donations can be used in a general way; and still other, non-donated income, is used where most needed. Typically, cash to fund all the church's functions is deposited in a single-chequing account; but regardless of where the money is kept, its intended uses are carefully tracked in the computer ledger.

Restricted Donations: Donations earmarked by the donor for a specific purpose are known as restricted donations. These include donations for functions such as Church Expense, the Building Fund, Sabbath School Expense, or Evangelism. Restricted funds must be used for the purpose for which they were donated.

Unrestricted Donations: Donations given by a donor for general, unspecified uses are called unrestricted donations. These donations may be used for any purpose the church deems necessary. At times a local church, conference, or other entity may vote to allocate certain types of offerings to many different programs. Examples include "local church budget", "local conference offerings", and "world budget" offerings. Funds collected with these offerings are deemed "board allocated". The allocations associated with these "budget" offerings are sometimes adjusted to meet changing needs. The same governing body that approved the allocations may change them.

Other income: Proceeds from the sale of goods and interest earned on chequing and saving accounts are unrestricted income. These are not donations made by individuals but are monies received through actions taken by the church.

The church board has the responsibility to designate where these funds should be allocated, and has the authority to change these designations at any time.

Expenses: Payments made in exchange for goods and services are recorded as expenses. Expenses are recorded in the appropriate functions to match where income has been recorded. Funds that are sent to the conference are recorded as monies held in trust, not expenses.

Transfers: The procedures for allocating funds, such as, "church budget" offerings, are called transfers. Transfers can be on a dollar amount basis, a straight percentage, or a combination of percentage and flat dollar amounts. Transfers also provide a method of reallocating funds from one function to another. The net result of a transfer transaction is always zero. Transfers do not generate income for the church; they simply shift funds from one area to another.

Fund Balance: The net worth of an organization is the sum of the function balances. On the balance sheet, the fund balance is the sum of the assets minus the liabilities – or, in other words, the difference between what the organization has and what it owes. If the church has no liabilities or debt, the fund balance equals its assets (usually the chequing and saving account balances). The net gain or loss a church experiences for a defined period of time acts as an adjustment to the fund balance. Although a case can be made for distinguishing between them, the terms of fund balance, function balance, and account balance are used interchangeably throughout this manual.

4.01 Accounting for Auxiliary Organizations

Auxiliary organizations are entities that are related or subsidiary to the parent church such as Adventurer, and Pathfinder Clubs, Community Services, or a food pantry. Funds for these organizations should be accounted for in the church records, with the church treasurer serving as custodian of these funds. All monies received by the auxiliary organizations should be given to the church treasurer to be receipted. Disbursement of the monies for these organizations should be by request of the organization's leader to the church treasurer, and should be accompanied by the appropriate documentation. The church board sets the financial parameters within which the auxiliary organizations function. For example: In the Pathfinder Club, expenditures could be limited to funds available in the Pathfinder fund.

4.02 Receiving Funds and Custody of Funds

It is important that the church funds are held in such a manner that they will be secure until they are deposited in the bank. The treasurer's first contact with the church funds comes when he/she takes charge of church offerings on Sabbath. Ideally, offerings are collected by deacons and ushers and are carried by them to a specified, private location away from the sanctuary. The church treasurer or assistant should be waiting at that location to take possession of the offerings, both cash and envelopes, from the deacons. At this time it is necessary that the "loose" offerings be counted jointly by the deacons (or some other persons not related to the treasurer) and the treasurer. It is not appropriate for the treasurer to count the offerings while the other individuals are idly standing by, nor is it permissible for the treasurer to take control of any offering without the loose offering being counted. When the counting process is finished, the treasurer should complete the offering envelopes for the loose offering, indicating the amount and the designation of the offering. It is a good practice to write a temporary receipt for the total of the loose offering and have it signed by one or more of the attending deacons.

This procedure of dual custody should be followed in the handling of all loose offerings. For example, Sabbath School offerings should be counted jointly by the treasurer and the Sabbath School secretary, with a temporary receipt being signed by the Sabbath School secretary. A church treasurer should be particularly interested in seeing that this procedure is faithfully followed for his/her own protection. An immediate record of the cash received is witnessed by an individual other than the church treasurer, and when the formal receipt is written for the loose offering it can be checked against the temporary receipt to establish that all the funds received have been properly receipted.

During the church service, the offerings should be secured in a safe place. In cases where the treasurer has to take the funds home, the funds should also be kept in a safe, secure place, away from other individuals, until the monies can be deposited in the bank (some treasurers use a small, lockable, fireproof file box or safe for this purpose). It is important that the funds be deposited in the bank as soon as possible; preferably by the first business day following the Sabbath the offering was taken. An overnight deposit bag may be obtained from your bank for this purpose. In no case should the treasurer or other individuals put themselves at risk to protect the funds in case of a burglary or fire.

It is recommended that the treasurer and an assistant open the envelopes together. If the cash in the envelope doesn't equal the written amount on the envelope, both treasurer and assistant treasurer can document this.

4.03 Bank Accounts

No bank account (chequing, savings, GIC) should be opened, closed or changed without formal action by the church board, evidenced by written minutes. A bank account should only be opened in the name of the church. The board authorization must specifically include the names of persons authorized to sign cheques. The current names should be registered with the bank, at all times, as appropriate signers for the chequing and savings accounts. These names usually include the treasurer, the pastor, the head elder, or an assistant treasurer.

It is recommended that two signatures are required for each cheque. When the authorized signer drops membership in the church, leaves his/her position, or is otherwise de-authorized for any reason, the church board must take actions recording the removal of his/her authorization and replacement with another signer. The Seventh-day Adventist

Church in Canada has negotiated preferred rates of interest and bank charges for all churches and schools in Canada with the Royal Bank. Contact the conference for information regarding this option.

4.04 Savings Accounts/Investments

If a church has funds in a chequing account that will not be used in the near future, it is advisable to keep those funds in a savings account, or some other insured bank deposit (such as a Guaranteed Investment Certificate) to take advantage of earning additional interest. As stated previously, such accounts must be specifically authorized by the governing board. All funds received by the treasurer should be deposited in the organization's chequing account. Funds can then be transferred to a savings account by writing a cheque from the chequing account or an online transfer. Withdrawals from the savings accounts should be made only for the purpose of transferring funds to the chequing account; no expenditures should be made directly from any savings account. Please note that, in keeping with denominational policy, no loans of church funds may be made to any individual or business at any time for any purpose. Neither should funds be borrowed from a church member or from another church. See Appendix #1 for Conference Investment Policy.

Along with the chequing account balance, all savings accounts, or GIC balances should be reflected in the church's financial statement. The interest from the savings account is unrestricted and can be allocated by the organization. The church board should take official action designating which fund should receive the interest from the savings account(s).

5.0 HST

- **Tax Tips – Website**

- Explanation of how HST works – Revised August 28, 2010.
- British Columbia harmonized its provincial sales tax (Social Services Tax, aka PST) with the Federal goods and services tax (GST) effective July 1, 2010. The Consumption Tax Rebate and Transition Act, which eliminated the PST and prepared BC for the HST, passed in the BC legislature on April 29, 2010.
- The PST rate in BC was 7%, which, when combined with the GST resulted in a harmonized sales tax (HST) rate of 12%.
 - For more detail and further updates see the following website:
<http://www.taxtips.ca/gst/bchst.htm>

- **Recording and claiming rebates**

- To claim HST rebates, the charity claims 50% rebate on GST (Federal Component), and 57% on PST (Provincial Component).
- To record HST in your accounting books, open two accounts:
 - HST 5% (the GST or Federal Component)
 - HST 7% (the PST or Provincial Component)
 - Print out the brochure entitled "What's Taxable under the HST and What's Not?" from this website http://hst.blog.gov.bc.ca/wp-content/uploads/2010/05/GST_pst_hst_list_v04.pdf. This is not an exhaustive list of all goods and services, but use it as a guide. It is a list of what is taxable and what is not. Separate the GST and PST in Church Pal and enter the amounts into the appropriate boxes.
 - The formula to enter the 12% HST is:
 - $100\% \text{ HST} \times 7 / 12 = \text{Provincial Component (PST)}$
 - $100\% \text{ HST} \times 5 / 12 = \text{Federal Component (GST)}$
 - For example:
 - 12% is \$18.75
 - Calculate Provincial Component (was PST) as:
 - $\$18.75 \times 7 / 12 = \10.94
 - Calculate Federal Component (was GST) as:
 - $\$18.75 \times 5 / 12 = \7.82
 - Check: $\$10.94 \text{ (Provincial)} + \$7.82 \text{ (Federal)} = \$18.76 \text{ (Adjust } \$0.01 \text{ either way to balance to HST total of } \$18.75)$
 - More information on HST
 - Website: www.cra.gc.ca/harmonization

- Phone: 1.800.959.5525 or 1.800.959.8287

6.0 COURTESY PAYROLL BY CONFERENCE – PAYROLL PROCESSED BY THE CONFERENCE ON BEHALF OF THE LOCAL CHURCH

Churches often hire people to perform certain functions. Duties for which individuals often get paid include accounting, secretarial, musical ministry, and janitorial services. The moment a church agrees to compensate an individual for services rendered, the church is entering into an employer/employee relationship. Employers are required to document employment eligibility, withhold and remit appropriate taxes, comply with age and hour regulations (including paying time and a half for any work over 8 hours per day or 40 hours per week).

Some churches have incorrectly classified certain workers as “independent contractors” and, therefore, have not felt the need to withhold taxes and perform the other necessary reporting. However, failure to comply with the law in this arena can place significant church assets in jeopardy. The conference and our churches must be very careful to ensure that all workers are being handled and reported correctly. Neither the employer nor the employee can simply “deem” the worker to be an independent contractor; and a signed contract does not necessarily free the employer from legal obligations of being an employer. The fact that the workers are part-time and/or temporary does not give the employer the right to treat them as though they were not employees.

Listed below are a few of the criteria that would indicate a worker is an employee and not an independent contractor. An employee typically:

- Performs services on a regular basis
- Receives instructions as to how and where the work is to be performed
- May have a set number of hours
- Is paid by the hour, week or month
- Uses the organization’s equipment
- Performs services only for your organization and does not make those services available to the general public
- Does not carry his or her own workers’ compensation insurance
- Has a set schedule or routine established by the organization
- Is not at risk for financial loss

If a worker in your church or school falls under any one of the descriptions above, more than likely that person is an employee and is not an independent contractor.

7.00 HONORARIUM

A T4A must be issued to all persons being paid more than \$500 per year and do not qualify as a general contractor.

7.01 HONORARIUM (For Non-Resident Individual)

For honorarium to non-resident individual, a Canada Revenue Agency **Regulation 105 Waiver Application** (tax waiver form) must be completed to waive the income tax deduction from any honorariums. (Income Tax Act requires that 15% taxes be withheld). This form must be applied for 30 days before the start of services or 30 days before the first payment for services. Whether or not application to waive taxes has been requested or not, a T4A-NR form must be completed at the end of the year. For more information, go to www.cra.gc.ca. For general inquiries, contact international tax office 1-800-561-7761, ext 9155 or contact Treasury Department, BC Conference.

8.0 INSURANCE—PROPERTY AND SHORT-TERM MISSION PROJECTS

8.01 Procedure for Reporting Property Loss Insurance Claims:

- Notify the appropriate authorities (police, fire department, local Conference office, Michael Wixwat and Andrew Myaing, Adventist Risk Management, (301) 680-6872)
- Submit Adventist Risk Management, Inc Property Loss Notice Form immediately (Appendix 2)

- Submit supporting documents (reports from the police, the fire department, estimates of damage, etc.)

Precautionary Steps:

- Take an inventory of contents and keep the list of inventory at a different location (Appendix 3)
- Mitigate the damage (protect your property from further damage from water, fire, wind, etc.)

Each insurance claim has a deductible of \$2,500.00. The Conference pays \$1,500.00 of this deductible and the church/school is responsible for the balance of this deductible which is \$1,000.00.

Claims may be denied if not reported in a timely manner. Claims after one year will be denied.

8.02 SHORT-TERM MISSION PROJECTS REQUIRE CONFERENCE APPROVAL

A short-term Mission Form, obtained from the conference Secretariat Department of the conference office, must be used by every Adventist-owned organization that undertakes a short-term mission trip outside of Canada. The form requires the following:

- a. Confirmation of insurance coverage for all participants. The insurance must provide travel, sickness and accident insurance coverage available through Adventist Risk Management or the equivalent coverage from another agency (<http://travel.adventistrisk.org/armtidnn/>)
- b. Complete legal names for all participants
- c. Upon approval, the Office of Volunteer Ministries will notify the General Conference Volunteer Center, who, in turn, will communicate with the receiving Division regarding the NAD short-term group visit to their field.

Please contact conference Secretariat Department at the conference office at least 60 days prior to the commencement of your short-term mission trip.

8.03 REPORTS AND RECORDS REQUIRED FROM MISSION TRIPS

The charity must have sufficient records in Canada of the mission trip to demonstrate compliance with the organization's charitable activities and use of resources. The direction, control and accounting requirement is of particular importance when carrying out activities in Canada or abroad. Records required should include:

- Records in English
- Operational reports and progress reports
- Receipts of expenditures
- Phone notes/emails
- Audit reports
- Site visit reports
- Project pictures