

CHURCH STEWARDSHIP: BEST PRACTICES

Does your church have a comprehensive written policy outlining how your ministry’s finances are to be handled?

Collection/Counting

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Do you have at least two people (not related to each other and not the treasurer) count the checks/cash received and sign off (on a simple form) the amount of cash and checks received?

Do you use a secure area for counting offerings. Are these funds kept in a secure place, not generally known by others in the congregation?

Counting should be done, if not immediately, at least the day after the offering is received.

Preparing the Deposit

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Do you have someone designated to record financial gifts name, amount, and date of those giving checks? Do you stamp checks “FOR DEPOSIT ONLY” when endorsing them? Do you make copies of all checks received that are part of the deposit? Do you make deposits as soon as possible to avoid having cash on the premises?

These tasks may be done by paid office staff or designated financial secretary (not the treasurer). This person must have integrity for he/she will know the details of personal giving.



Disbursements

General Ministry Expenses

Does the treasurer prepare disbursements only when someone has approved and documented payment? Are supporting documents marked “paid” to avoid resubmission?

Payroll

1. Have you verified whether or not your minister has dual tax status, needing to file as employees for federal income taxes and as self-employed for Social Security tax purposes?
2. Do you manage withholdings from your staff’s Social Security taxes and, as such, complete the necessary quarterly and annual payroll tax filings?
3. If any ministers on your staff are receiving a housing allowance, have you entered the exact amount of the allowance into their employment contract or in the church’s board meeting minutes? (This is necessary to comply with tax codes.)
4. If any ministers on your staff are receiving a housing allowance, do you make certain to designate this before the start of each year?
5. Do you include “special occasion gifts” in employees’ taxable income when applicable?
6. Does your ministry retain payroll records for at least seven years after the individual leaves the ministry’s employment?

Those charged with the collection of funds, preparing the deposit, and distributing funds should be handled by different individuals .





Accounting

Do you have someone (other than the treasurer) reconcile check registers to the bank statements regularly?

Do you send periodic statements to donors detailing the dates and amounts of gifts received?

IRS requires nonprofit groups to issue an annual statement of contributions to donors giving \$100 or more to the church/ organization.

There is accounting software that can be purchased to track receiving and distributing funds.

Quickbooks has a not-for-profit version that some churches find meets their needs.

Best Practices in Church Stewardship Personnel Required

Does your program for handling church finances involve more than one person— each having a specific role so that one person is not responsible for every aspect of your ministry's finances?

Minimum number of people needed for best practices in church stewardship....

- Two people to serve as counters.
- One financial secretary to record individual gifts and prepare deposits. This person (not the treasurer) may also balance the checkbook with bank statements; however, separating these tasks adds an additional level of accountability.
- One person serving as treasurer to pay bills/write payroll and reimbursement checks.

IRS: Churches with Employer Identification Numbers Must Keep Information Current

Prompt updates can help avoid unnecessary interest charges and penalties, deter fraudulent activity.

UPDATE



Citing what it calls “a key security issue,” the Internal Revenue Service (IRS) recently issued a statement reminding businesses and organizations with Employer Identification

Numbers (EIN) to update information on file within 60 days whenever a change occurs to a responsible party or a responsible party's contact information.

Any church possessing an EIN must comply with the updating requirements.

A failure to do so could mean the church may not receive timely notices of deficiencies or demands for taxes from the IRS, which can lead to penalties and additional interest charges.

<https://www.churchlawandtax.com/web/2021/august/irs-churches-update-employer-id-numbers.html>

accessed 2021.08.15

Detailed Audit Procedure for Churches

Compiled by Lloyd Stangeland

1. The audit committee should briefly review the audit file from the previous year. If there were any questions or advice for the next audit committee the notes should include this information. The audit committee will also need to review the previous year December bank statement reconciliation.

A copy should be in the previous year audit file. Check to make sure that the ending balances in the previous year are the same as the beginning balances for the current year. If the balances are not the same then the auditors need to determine the reasons for the difference and make appropriate adjustments and notes.

If the previous audit showed any outstanding checks from the December bank reconciliations that were still outstanding at the time of the prior audit then the audit committee needs to determine if those outstanding checks have now cleared.

2. The audit committee needs to randomly select two months other than December to audit in detail. Each auditor will take one of the months to examine in detail. Use the bank statement and bank reconciliation record as the basis for examining the month.

Each photocopy of the check or payment on the bank statement should be checked against the file containing the signed vouchers. Verify that each item is properly approved and assigned to the correct account. Any items that are questionable should be investigated more until the auditors have determined whether there are any problems with the transaction and all corrections or adjustments have been made.

Each of the checks should be compared to the check images on the bank statement to make sure that the check that cleared the bank was the same as it was entered in the books both in dollar amount and payee. It may also be helpful to have the treasurer print the report "Profit and Loss Detail" for the year. This report should be matched against the copy of the checks from the bank statement and the voucher files. Once all of the items have been matched and approved by the auditors this part of the audit is complete.

If there are any reasons to suspect that some of the transactions are not being handled correctly additional months of information should be examined until the auditors are satisfied with the accuracy of the financial reports and statements. Record in the audit file which months were audited in detail. If the auditors are unable to find acceptable answers to their questions they should request additional assistance from the Stewardship Committee.

3. The current audit year December bank statement needs to be examined in detail. Check to determine that all of the checks on the bank statement agree in name with the check images on the bank statement. Review the bank reconciliation report and take note of any checks that had not cleared the bank by the closing date of the bank statement. Each of these checks needs to be verified by checking future bank statements to make sure that the checks cleared as written. The audit is not complete until all checks included on the books at year-end can be verified as correct and cleared.

If there were checks written after the bank reconciliation was completed, an updated audit report should be made including any checks from previous year still outstanding as of the current audit date. The bursar needs to print a corrected financial report for the year including these adjustments.

4. The auditors should write a summary report of the audit noting any problems found in the audit, any concerns about the books and a statement indicating the financial records are correctly reported for the year and signed by the auditors. Notes about the audit of the individual months, auditor comments, the auditor report, a copy of the final correct bank reconciliation report and the final financial statements for the year should all be placed in the audit file.

5. Cash receipts need to be reconciled with deposits to determine that the cash was correctly deposited. Check at least three months.

6. The savings account balance from the banks statement needs to be reconciled with the savings account per the books.

7. The written report should be presented to the Stewardship Committee with detail and to Monthly Meeting as a general report.

Fundamental Principles of Church Stewardship

Checks and Balances

Make sure multiple people are involved in every part of the process of handling money. If one person takes the collection, another person should deposit it. If one person pays the bills, another person should reconcile the books. CT's *Church Law & Tax* recommends rotating responsibilities on a semi-regular basis.

Culture of Accountability

Cultivate a culture that values accountability. Too many Christian ministries rely on trust (and a sense of being "family"), ignoring the fact that we're all sinners prone to temptation. When *Church Law & Tax* asked churches that had suffered fraud why they hadn't instituted systems of accountability, the No. 1 explanation was fear of offending someone. If accountability is seen as offensive, instead of responsible stewardship, churches will be exposed to the risk of embezzlement.

Transparency

Secrecy is good for sin. Honesty encourages moral rectitude. Commit to transparency even when it's painful. *Church Law & Tax* found that more than a quarter of churches don't disclose embezzlement. That is a violation of the trust of donors and concealment of a serious crime.

Daniel Silliman, "Embezzlement Bedevils Global Church Giving" | Christianity Today 4/21/22