

CHURCH FINANCES

2008 Financial Review

A resource provided by the
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Why have a financial review?

THEOLOGICAL REASONS

There are several theological reasons why an annual financial review is appropriate for congregations:

STEWARDSHIP: God has called us to be good stewards of the gifts that God gives us. A steward is a manager of someone else's possessions. In the church, we are called to be good stewards of other's possessions which have been given to be used for the building of God's Kingdom.

WORK OF THE CHURCH: All church members have a responsibility to work toward building up the congregation. The use of financial resources is a way by which the church's work advances. In order to do the work of the church, we are called to be faithful workers in God's Kingdom.

TRUST: Our trust in God is central in our faith. We trust implicitly in God because of God's faithfulness and everlasting love for us. In a similar fashion, we are called as church members to build trust among the members to provide for the peace, unity, and purity of the church.

RIGHTEOUSNESS: Right relationship with God is the desire of each Christian. This theological concept of righteousness is a practice which we are called to practice with one another. Through providing accurate, regular reporting of our financial status is one means of maintaining personal righteousness as well as our commitment to God.

CONSTITUTIONAL REASONS

The Book of Order of the Presbyterian Church (USA) has explicit requirements for Church Finances. G-10.0400 is devoted to this topic. It reads:

G-10.0400 4. Church Finances

G-10.0401 Finances

The treasurer shall be elected annually by the session, if permitted by the state in which the church is located, and his or her work shall be supervised by the session, or by specific assignment to the board of deacons or trustees. Those in charge of the various funds in the church shall report at least annually to the session, and more often when requested. The following minimum standards of financial procedure shall be observed:

- a. The counting and recording of all offerings by at least two duly appointed persons, or a fidelity bonded person;
- b. The keeping of adequate books and records to reflect all financial transactions, open to inspection by authorized church officers at reasonable times;
- c. Periodic reporting of the financial activities to the board or boards vested with financial oversight at least annually, preferably more often;
- d. A full financial review of all books and records relating to finances once each year by a public accountant or public accounting firm or a committee of members versed in accounting procedures. Such auditors should not be related to the treasurer (or treasurers). Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.

How do we get started?

A. SESSION DECISION

The Book of Order requires an annual financial review of the congregation's records. The first decision by the Session is whether to

- a. hire a public accountant or public accounting firm
- or
- b. appoint a committee of church members to handle the review

If a committee is appointed, here are some suggestions:

- + Session appoints 3 or 4 people to this committee
- + Session gives report date deadline to the committee
- + No one related to the treasurer(s) may be on this committee
- + This committee reports directly to the Session

B. CONVENING OF THE COMMITTEE

The Financial Review Committee is convened. The Committee may review the materials in this resource for a suggested process to follow.

The Committee needs to collect certain materials, including but not limited to:

- Check book
- Monthly bank statements
- Written and unwritten financial policies
- Documentation or vouchers for expenses
- Reports made during the year by the treasurer
- Other materials such as bills or receipts.

Financial Review Process (suggested)

This Financial Review Process is a suggested way to proceed. Each of the sections can be tasks assigned to various members of the committee. Then, when the committee convenes, reports can be made and a final report generated for the Session.

INCOME REVIEW QUESTIONS:

1. Does someone(s) other than the treasurer count the money?
2. Do two duly appointed persons or a fidelity bonded person count the income?
(G-10.0401a)
3. Is an income report prepared each week?
4. Are weekly income reports filed for easy retrieval?
5. Is the weekly income deposited in a timely fashion?
___ same day ___ next day ___ other
6. Are copies of deposit slips or other evidence of deposit, readily available for review and comparison with weekly income reports and checkbook entry?
7. When is the weekly income counted?
8. Using the Income Checklist, select 8 income statements (two from each quarter) for review.

EXPENSE REVIEW QUESTIONS:

1. Does documentation (i.e., voucher, invoice, bill, written note) exist for each check written?
2. Does a person other than the person authorizing the expense write the check?
3. Is the expense in accord with the approved budget? Does the expense indicate which line item to be charged for the expense?
4. Is documentation for expenses filed in an easily retrievable manner?
5. Using the Expense Checklist, select 2 or 3 checks for each month and complete the checklist providing random review of the expense process.

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BANK STATEMENT QUESTIONS:

1. Are bank statements filed for easy retrieval?
2. Are bank statements reconciled monthly?
3. Are bank statements reconciled to the financial reports and checkbook?
4. Are cancelled checks easily retrievable?

REPORTING PRACTICES QUESTIONS:

1. Is there a Session approved budget for the year being reviewed?
2. When was the budget approved by the Session?
3. Was the budget reported to the congregation? When, how, where?
4. Does the treasurer provide regular financial reports to the Session?
5. Are the regularly provided reports made monthly, quarterly, annually?
6. Does the treasurer provide sufficient information and detail in reports to the Session?
7. Are financial reports to the Session written or oral?
8. Are the income/expenses of the church reported to the congregation on a regular basis? When, how, where?
9. Are there individual giving reports provided to church members?
_____ monthly _____ quarterly _____ semi-annual _____ annually
10. Is there a policy and/or procedure in place to provide confidentiality of church members' giving?

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EMPLOYEE QUESTIONS: (for churches with employees)

1. Are W-2's given by January 31 each year to each employee?
2. Are Forms 941 filed quarterly?
3. Have you determined if employees are classified appropriately?
(See Employee Checklist)
4. Are taxes withheld deposited timely?
5. Do you reconcile Form 941 to Form W-2's at year end?
6. Are copies of Form(s) W-2 and Form W-3 timely filed with the IRS and substantiated?
7. If a minister has properly exempted himself/herself from Social Security withholding, is there proper documentation on file in church records?

NON-EMPLOYEE QUESTIONS (for all churches)

1. Are Forms 1099 MISC (or other appropriate form 1099), prepared and sent to contractors as required?
2. Are copies of Forms 1099s and Form 1996 filed with the IRS timely?

WRITTEN POLICIES QUESTIONS:

1. Does the church have written financial policies?
2. Is the church treasurer elected annually (G-10.0401)?
3. Are the books and records available for inspection by authorized church officers at reasonable times (G-10.0401b)?

RECOMMENDATIONS TO SESSION:

The Financial Review Committee makes the following recommendations to the Session:

SEPARATION OF DUTIES WORKSHEET

It is important that different people handle different aspects of the financial management in the church. Complete this worksheet to see how your congregation separates financial management duties.

If a person's name appears in more than one category, there is a need to make some changes in the financial management of your congregation.

1. **Counting of the church's income:** List below any persons who count the church's offerings and weekly income

_____	_____
_____	_____
_____	_____

2. **Writing of checks:** List any person(s) who have authority to write and/or sign checks.

_____	_____
_____	_____
_____	_____

3. **Approval for paying bills:** Write any person who can give approval to pay bills or approve or expenditure of the church's funds.

_____	_____
_____	_____
_____	_____

Ideally, a person's name only appears in one of the three categories for a full separation of duties.

EXPENSE CHECKLIST WORKSHEET

Select 2 or 3 checks per month for review. Complete the following worksheet on each check:

Month & Check Number	Documentation available? Is it adequate?	Check signature different from person authorizing expense?	NOTES
1			
2			
3			
4			
5			
6			
7			
8			
9.			

General Notes:

INCOME CHECKLIST WORKSHEET

Select 8 income reports (2 from each quarter) for review. Complete the following worksheet on each income report.

Income Report Dated	Counters: 2 persons or 1 bonded person?	Day deposit made after being counted	Is the report clear about income?	NOTES
1				
2				
3				
4				
5				
6				
7				
8				

General Notes: