

RPCNA Church Treasurer Recommended Guidelines and Instructions

The primary duty of a church treasurer is to manage their church's finances. However, the treasurer also has a number of other responsibilities such as processing the collected tithes and offerings from the congregation, paying bills and reimbursing congregants, processing tax forms, maintaining bank accounts with a local bank, and other related responsibilities. The position of church treasurer requires both financial acumen and the trust of the church leadership and congregation. The treasurer should be one who exhibits these gifts and abilities: administration, discernment, service, faith, trustworthiness, and helpfulness.

The church treasurer should always keep their personal finances strictly separated from the church's finances. It is important to have accountability safeguards in place, both to prevent fraud, and the perception of fraud. Proper documentation is a key component for accountability. It is highly recommended that a computer based accounting software is used for records keeping to ensure accuracy and for reports generation (e.g. year-end contribution statements, required financial reporting to presbytery and synod, etc.).

Weekly Duties (Best Practices)

Process the collected tithes and offerings from each Lord's Day

- Best practice is to have two people (preferably deacons for privacy issues) count the offerings after each service and record the count on a chit sheet (see Exhibits A or C for examples) that accompanies the monies to the treasurer. The recorded amounts should also be recorded in a log/journal that the deacons keep.
- Accurately record the deposit in an appropriate accounting software (e.g. QuickBooks, Aplos Accounting, Flockbase, or other similar accounting software). Note: Collected checks should be recorded individually for year-end reporting purposes.
- Keep accurate records of all chit sheets, deposit slips, bank deposit receipts, and other supporting documentation for each deposit.

Pay bills and make payments for necessary expenses, reimbursements, and employee payroll

- Keep accurate records of all expenses that are paid out. It is recommended that some form of an "Authorization for Expenses" form be utilized for all reimbursements to congregants or other non-preapproved expenses (see Exhibit B for an example), which expenses need to be approved by a deacon or session member.

- When practical, utilizing a bank's bill payment feature can be a help when processing regularly occurring payments, such as pastor's salary, mortgage payments, utility bills, etc. Again, supporting documentation for such transactions is necessary.

Monthly Duties (Best Practices)

Balance/reconcile the accounting software to the monthly bank statements for all account types (e.g. checking, savings, Certificates of Deposit, etc.).

Quarterly Duties (Best Practices/Legally Required)

- Process quarterly financial statements required by the IRS, state, and local governments as necessary (see "Form 941" below for more information).
- Pay synod and presbytery assessments. For 2018, Synod assessments are calculated at 2% of the previous year's "undesigned" receipts (i.e. regular giving through tithes and offerings). Examples of "designated" giving would be receipts for yearly RP Witness magazine subscriptions, receipts of funds from Pension Board for the pastor's pension, designated gifts to the congregation's mercy fund or building fund, etc. Note: Canadian congregations pay only 1.25%, as they are not eligible to participate in the U.S. based retirement plan for pastors. Synod assessment are to be sent to the denominational treasurer at 7408 Penn Ave., Pittsburgh, PA 15208 (see Exhibit E for the appropriate form to use). Presbytery assessment would be sent to appropriate presbytery's treasurer. (For 2019, Synod assessments are calculated at 2.2% of the previous year's "undesigned" receipts, and the Canadian congregations are calculated at 1.6%.)
- Voluntary contributions to RPM&M are encouraged by the synod in the "Congregational Giving Guidelines" (see the Minutes of Synod). Quarterly contributions to RPM&M should also be sent to the denominational treasurer as noted above.
- Voluntary contributions to other RPCNA programs and institutions can be sent directly to those entities (see Exhibit F for a list of address).

Yearly Duties (Best Practices/Legally Required)

- Provide congregants and other contributors a year-end contribution report which indicates their giving to the church the prior year for tax purposes. These reports should be processed by the end of January each year. The reports should note that no goods or services were provided for the funds that were received.
- Prepare appropriate tax documents such as W-2s and 1099-MISCs. All church employees (pastor/s and paid support staff) are required to have W-2s filed with the Social Security Administration to report their yearly wages and withholdings. 1099-MISCs are required

for anyone that the church has paid for services rendered to the church (such as custodial work) that totaled \$600 or more for the year. Both of these forms can be filed online, and should be processed by the end of January each year.

- Provide yearly financial statistics of the previous year's finances to the denominational treasurer's office. These statistics are usually requested by the treasurer's office in February, and are typically due by mid-March. The statistics are input via an online form that the denominational treasurer will send out to each congregational treasurer.
- Preparation of the treasurer's report of the church's finances to be reported to the congregation at their annual congregational meeting.
- Assist with the preparation of the annual church budget.
- Arrange for an annual audit of the church's finances. The results of this audit are to be reported to the presbytery's clerk or treasurer (depending on the policy of your presbytery), usually by the end of March (see Exhibit G for synod approved audit report form).
- Synod requires that each employing congregation provide a minimum retirement contribution (\$4,300/year beginning in 2019; reference the Minutes of Synod for yearly updates to this minimum amount) for each ordained and installed teaching elder. Each pastor may choose his own retirement plan. However, the Pension Board of Synod has recommended the Clergy Advantage 403(b) plan, as the funds in this retirement account will qualify as a non-taxable housing allowance for retired ministers. For more information, contact Clergy Advantage at (970) 667-5819.
- Church treasurers are encouraged to arrange for the special "One Great Day of Sharing" offering, usually around the Thanksgiving holiday in November, for contributions to RPM&M.

How to Handle Designated/Restricted Donations (Legal Definition per IRS Code):

Often donors want to give money to a specific individual or family, and give through the church, often for the purpose of remaining anonymous. This is permissible (but not encouraged). However, in this case, the donor is usually not entitled to a tax deduction for those donations, since the church does not retain control over the funds given. No gift acknowledgement should be provided to the donor in this situation. The recipient of such donations do not need to report this as income on their tax return, as it is a gift income.

Special appeals and charitable benevolence funds can be set up for the church, in which case donations to those funds may be tax-deductible if IRS guidelines are followed for the use of those funds.

Ministers and Taxes (Legal Definition per IRS Code)

By IRS definition, ministers are *employees* of the church with respect to income taxes (thus, they receive a W-2 form each year). However, for Social Security purposes, ministers are considered *self-employed*. Therefore, be sure to **never** withhold Social Security or Medicare taxes for ministers, **whether or not** he is exempt from Social Security taxes. You may withhold federal and/or state income taxes, if desired. However, the IRS does not require that churches withhold income taxes for ministers. If a minister does not have the church withhold and pay his income taxes, it is strongly recommended that he pay quarterly estimated taxes himself.

IRS Form 941 (Legal Requirement)

Each church that has paid employees, or who withholds a minister's income taxes, must send the income taxes withheld to the IRS once per quarter. The form that is used to report these funds in Form 941. Note that if the amount to be filed is greater than \$2,500, the church must file on a monthly basis instead. Form 941 should be filed by the last day of each calendar quarter. In some instances, a church may qualify to file Form 944 rather than Form 941. Form 944 is filed on a yearly basis, rather than quarterly. Contact the IRS to see if your church qualifies for Form 944.

Tax Forms for New Hires (Legal Requirements)

- I-9 Employment Eligibility Verification Form; this form ensures that a new hire is legally eligible to work in the U.S. To be kept on file.
- W-9 Request for Taxpayer Identification Number; this form is used to collect the SSN for an employee. To be kept on file.
- W-4 Employee Withholding Allowance Certification Form; when completed for a minister for voluntary payroll deductions for **federal** income taxes, place the amount to be deducted in line 6, and do not fill in the allowances line, line 5.
- Any necessary state tax forms (varies by state).

State Sales Tax Exemption (Best Practices)

Although many states offer sales tax exemptions to churches, most states that do offer this exemption will require that the church apply for the exemption. The benefit of obtaining state sales tax exemption is that the exemption pertains to any purchase made specifically for the church's use and purposes (this can include anything from office supplies, to major appliances, and even vehicle purchase). Therefore, depending on your state and local sales tax rates, this exemption could save your church 4% to 8.5% or more on your church's purchases of goods or services. It is recommended that all treasurers apply for and utilize sales tax exemption as good stewards of the church's finances.

Benefits of Incorporating a Church (Best Practices)

Many believe that churches should not be incorporated, fearing that doing so will give the government the ability to censor the church's message, or otherwise intrude into the affairs of the church. There may be valid reasons to be concerned about governmental intrusions, but incorporating does not give the government any increased access to the church's affairs, nor to censor the church's message and mission. Rather, incorporating adds a level of protection for the congregation that wouldn't be there otherwise. As an unincorporated association, if someone were to bring a lawsuit against the congregation, or were to abscond with church funds without their knowledge, there is no "entity level" protection. If there are any liabilities (from missed payments or lawsuits, for example), the members, collectively and individually, can be held liable if the church is unincorporated. Incorporating a church protects the individual members from liability that should rightly be attached to the organization, and will make it easier and safer to open bank accounts, engage in transactions such as real estate purchases, commercial loan, property leases, or any other such transactions. In order to incorporate, a church may need to retain the services of a lawyer, but the fees are usually fairly minimal. In order to maintain incorporation, a state may require that an annual report be submitted along with a registration fee.

Maintaining Federal Tax-Exempt Status (Best Practices)

By definition, all churches are automatically regarded as tax exempt under section 501(c)(3) of the Internal Revenue Code, whether they have applied for IRS recognition of their 501(c)(3) status or not. Churches may apply for IRS recognition of their exempt status (and receive what is called a "determination letter"), but they are not required to do so.

There are some advantages to seeking a letter from the IRS to determine their 501(c)(3) status. An IRS determination letter can aid the church in proving it qualifies for certain exemptions from local real estate transfer taxes, property taxes, or sales and use taxes. A determination letter can also be very useful to a member of the congregation who may get audited and must prove that his contributions to the church were tax deductible.

Obtaining Federal and State Tax ID (EIN) Numbers (Legal Requirement)

Tax ID numbers are different from sales tax exemptions. This ID number is used when reporting income taxes on W-2 and 1099-MISC forms. An EIN serves as an identification number for a business, similar to the way a Social Security number identifies an individual. Primarily, a church will use an EIN to identify themselves on income tax and employment tax returns. When a congregation organizes, it is important that the acting treasurer apply for both a federal and state tax ID numbers as soon as possible. Note that each governmental entity will each assign a tax ID number for the church. Acquiring both numbers is important for tax filing purposes and for applying for sales tax exemptions.

Applying for Building Loans and Grants from the Trustees of Synod

Church treasurers should be aware that there are funds available from the Trustees of Synod for purposes of purchasing church property, needed church upgrades and repairs, or other such expenditures. For more information, please contact the denominational treasurer at rptrustees@aol.com.

Handling Travel Reimbursements for Teaching & Ruling Elders Attending Synod

Travel reimbursements for delegates to synod are to be submitted, with appropriate supporting documentation (i.e. receipts) using the online synod travel reimbursement form. This form will change for each year's synod, but this link will show an example:

<https://form.jotform.com/81015117584149>

Insurance-are we covered?

In light of the litigious environment in which we find ourselves, it would be beneficial for churches to review the insurance coverage that they have. It is important to talk with an insurance agent to ensure that appropriate policies are **in** place. Laws vary from state to state, so it is important to be aware of the laws in your state regarding insurance. While the various types of insurance can be overwhelming, please take the time to consider the following to see if you need to make adjustments or additions to your policies.

Life Insurance

The RPCNA now has a self-funded life insurance program for all full-time employees of the denomination as well as pastors who are installed in a congregation and are participating in the retirement program. These individuals are automatically covered but a beneficiary form must be filled out and returned to the Trustees office. *It is important* that sessions contact the Trustees office as soon as a pastor is hired. All pastors and employees should consider purchasing *additional* life insurance to supplement this basic amount. Term life insurance is the most economical way to provide significant coverage for a family.

Property Insurance

If a congregation owns a building, then a property insurance policy will cover the material components. The church may want to consider securing an appraisal, in order to compare that figure to the coverage amount on the policy. A church property may have been purchased for far less than the actual replacement cost of the building. Ordinance Or Law coverage should be included in the property insurance. This ensures that the property can be rebuilt in accordance with the current building codes in the event of a covered loss.

Liability Insurance

All churches should have liability insurance; however, this is especially important for churches who do not own the property in which they are meeting. Rental agreements will likely require an insurance certificate to be given to the rental agency. A general liability policy can have many components. Make sure to review the list of inclusions and exclusions very carefully to be sure your policy meets the needs of your church.

Disability Insurance

A church may want to consider a long-term disability policy for its pastor. The denomination does not provide this coverage.

Workers Compensation Insurance

This type of insurance is required for employees. It is handled differently state by state. Each state has specified minimum limit requirements and some states may administer the insurance themselves. Most states do not exempt churches from workers' compensation laws.

Directors and Officers Insurance

This type of insurance specifically protects directors and officers, or officers of the church, from certain kinds of personal liability arising from their official roles.

Sexual Misconduct /Harassment Insurance

Our churches are not immune from these issues and should not pass over this category lightly. It is possible that this may be covered in a comprehensive general liability policy, but you should read through the detail to be sure. You may need to purchase a separate policy to get the coverage you need.

Religious Freedom Protection

This liability insurance will protect the church against claims of emotional injury that result from the church's religious acts, communications, activities, etc.

***As stewards of their congregations, the deacons and/or the elders should take a careful look at the need for each of these types of insurance and perhaps others as well.

Appendix: Supporting Documentation

Exhibit A

<p style="text-align: center;"><u>Tithe & Offering Count Slip</u></p> <p>Date: _____</p> <p>Coins: _____</p> <p>Currency: _____</p> <p>T/O Checks: _____</p> <p>Other Checks: _____</p> <p>Total: _____</p>
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Exhibit B

Date Paid: _____

Check #: _____

Authorization For Expenditure Form

The Treasurer of the _____ is requested to pay the following:

Date of Purchase: _____

Purchaser/Payee: _____

Item/s Purchased: _____

Budget Line Item (Treasurer): _____

Amount: _____

Authorized by: _____ (Signature)

By Session: _____ By Diaconate: _____

Date: _____

Exhibit C

Cash Receipts Journal

Offering Date: April 8, 2018

	Loose Offering	Cash	General Fund	57.00
Env #	Name	Check #	Cause	Amount
1	John Doe	1234	General Fund	150.00
2	Mary Brown	2345	General Fund	100.00
			Global Missions	50.00
3	Mark Walker	5678	General Fund	75.00
4	Linda Miller	Cash	General Fund	20.00

Totals 452.00

Total Cash 77.00

Total Checks 375.00

Total 452.00

Signatures

Exhibit D

**Broomall Reformed Presbyterian Church
Payment Request Form**

To receive payment for expenses, fill out this form and present it, with receipts attached, to the Treasurer.

Date Requested: _____

Make check out to:

Explanation:

Date	Amount	Category	Description

Total:

Requester's Signature: _____

Exhibit E

Treasurer Form to enclose with Checks mailed to the Denominational Treasurer's Office

Note: This form is not for contributions to the following.

Please send these payments separately to the addresses listed:

Geneva College	3200 College Ave., Beaver Falls, PA 15010
RP Global Missions	7408 Penn Ave., Pittsburgh, PA 15208
RP Home (RPWA)	2344 Perrysville, Ave., Pittsburgh, PA 15214
RP Missions (Short Term)	7408 Penn Ave., Pittsburgh, PA 15208
RP Theological Seminary	7418 Penn Ave., Pittsburgh, PA 15208

Make Checks Payable to:	RPCNA
Mail to:	RPCNA, 7408 Penn Ave., Pittsburgh, PA 15208

Apply the enclosed check to:

RP Missions & Ministry	(supports all boards and ministries of the RPCNA)	\$	
Synod Assessment		\$	
Building Loan		\$	
General Mortgage		\$	
Other Specific Contributions:			
	Home Missions	\$	
	Education & Publication (Crown & Covenant)	\$	
	Central & South Americas Committee (CASA)	\$	
	EA Commission	\$	
	Other, specify	\$	
Total Enclosed Check		\$	-

Congregation:

Treasurer:

Check Date:

Denominational Treasurer's Office: 412-731-1177

James K. McFarland, Treasurer: rptrustees@aol.com

Vida G. Brown, Controller: rpcnacontroller@gmail.com

Exhibit F

REFORMED PRESBYTERIAN CHURCH SUGGESTED INTERNAL REVIEW GUIDELINES FOR CONGREGATIONS AND MISSION CHURCHES AS REQUIRED BY SYNOD

Purpose: The purpose of an internal review is to ascertain the reliability and accuracy of financial statements prepared and records maintained by the congregational treasurer. It is also intended to provide constructive suggestions toward improvement of procedures, record keeping and reporting.

Who should perform the review: The congregation should appoint a review committee, preferably comprised of 2 to 3 independent people. These people should preferably be unrelated to the treasurer.

Frequency: A review should be performed annually and a copy of the committee report should be sent to the presbytery clerk.

Procedures:

- All financial records for the year should be gathered. This should include bank statements, cancelled checks, deposit slips, paid bills and treasurer's books.
- Two months picked at random in the cash receipts and cash disbursements journals should be footed and cross-footed (added down and across). A few of these totals should then be traced into the general ledger (if one is maintained).
- Trace the ending bank balance of two different months to the appropriate bank reconciliation. The bank reconciliation should be footed and agree to the books.
- Select two checks from each month and trace to the source document (i.e. invoice, employment agreement, congregational minutes, deacon board minutes, etc.). Check the amount of the check to the source document and review for proper endorsement.
- Trace the amounts on the year-end financial statements to the general ledger or other workpapers summarizing the monthly activity.
- Determine that the cash balance at the beginning of the year plus receipts minus disbursements equals the ending reconciled cash balance.
- Verify the existence of assets other than cash in checking (i.e. stock certificates, savings accounts, brokerage accounts, etc.). Review the earnings from investments to the amount of the assets for reasonableness.
- Trace balances of notes payables and other liabilities to supporting documents.
- Compare the income and expenses of the current year to those of the prior year for any significant fluctuations.
- Review procedures for counting and handling of funds. This should be done by someone other than the treasurer.

We have examined the financial records of the _____ Congregation and have found the following:

_____ 1. No problems or questions were noted.

_____ 2. The following error(s) or problem(s) were found and were resolved as follows:

Finding

Resolution

Congregation _____ **Date** _____

Review Committee Members:

_____	_____
_____	_____

Please send two copies of this report to your Clerk of Session to be submitted to your presbytery clerk along with your congregational reports.