

CONGREGATION TREASURER'S MANUAL

**LUTHERAN CHURCH-CANADA
ALBERTA BRITISH COLUMBIA DISTRICT**

Revised January 2012

We would like to express our gratitude to the Central District of Lutheran Church Canada and especially it's Treasurer Mr. Wally Dressler for allowing us to use all their hard work and effort in developing this Treasurer's Manual.

*"Two are better than one; because they have a good reward for their labour. For if they fall, the one will lift up his fellow: but woe to him that is alone when he falleth; for he hath not another to help him up."
Ecclesiastes*

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1. **Duties of the Treasurer and Financial Secretary**

A. Treasurer

Qualifications:

The Treasurer should be a voting member of the congregation. The individual should have experience in bookkeeping and accounting.

Responsibilities:

The Treasurer should serve as the financial officer for the congregation. He/she should be responsible for the following:

- Disbursing funds of the congregation in accordance with its resolutions, approved budgets, and as directed by the church council.
- Filing all of the tax forms (federal, provincial and city) by the appropriate due dates.
- Investing all funds as directed by the congregation or church council.
- Monitoring the cash flow of the operational budget and make prudent decisions in disbursing funds in periods of low receipts.
- Maintaining the accounting records.
- Giving complete financial reports at each church council or voters assembly.
- Providing other financial information as requested by the church body.
- Keeping informed as changes occur in requirements for reporting of tax and financial information.
- Maintaining the treasurer's manual with updates provided by the district office.
- Maintaining all records for the various designated funds and trusts and administering such monies as set forth by the church council, voter's assembly and the desires of the donors.

B. Financial Secretary

Qualifications:

The financial secretary should be a voting member of the congregation. He/she should have experience in the handling of receipts and the maintenance of orderly records.

Responsibilities:

- Oversee the counting of all service offerings and deposits to the bank account.
- Report to the Treasurer via the weekly offering form the total breakdown of contributions for the week.
- Oversee the posting of all contributions to individual member's contribution records and to resolve disputes in posting errors.
- Report to the church council and congregation monthly and year-to-date total contributions received for various purposes.

- Notify the church worker of any special contributions that might require a special acknowledgement to the donor.
- Make sure donors receive proper receipts for all gifts.

2. **Financial Information**

A. Financial Controls

Congregations should ensure the following basic financial controls are in place:

With Respect To Cash Receipts – Required Financial Controls

- Two persons should be responsible for counting and recording cash receipts. Both counters should sign off the record of cash receipts for each particular count.
- The two persons responsible for counting must not be related.
- Upon completing and recording the count, the bank deposit is prepared and placed in safekeeping until it can be taken directly to the bank.

With Respect To Cash Receipts – Desired Financial Controls

- The two-person counting teams should be rotated so the same two people do not always count together.
- The two-person team that counts and records the deposit should not include the Treasurer or Financial Secretary.
- If a deposit cannot be made immediately or if a night deposit is not available, a safe should be available to store the deposit until it can be taken to the bank.

With Respect To Cash Disbursements – Required Financial Controls

- Two signing officers for cheques are recommended.
- Signing officers must not be related.
- Cheques should not be signed in advance and left blank.
- Prior to signing cheques, supporting invoices and vouchers should be reviewed and initialed by cheque signatories where applicable.

With Respect To Cash Disbursements – Desired Financial Controls

- Cancelled cheques should be returned with bank statements.

Monthly Reporting

- Monthly review of Statement of Revenue and Expenditures compared to budget by the congregational council.
- Monthly review of Balance Sheet (Statement of Financial Position) showing bank balances and investments.

Other Reporting

- The Treasurer should periodically inform the church council that all statutory remittances have been made. Board members are personally liable if certain payments such as CPP, EI and incomes taxes are not submitted.
- The bank statement and bank reconciliation should be periodically reviewed by a representative of the congregation's board or council.

Annual Audit

Congregational councils should consider a formal audit when size and resources allow. However, if not financially feasible, an option is to have two unrelated individuals knowledgeable in finances to review the financial records.

The review of annual financial statements and records should be done on a timely basis by persons not involved in the day-to-day financial administration. The essential areas to be reviewed include the following:

- Cheques reviewed for two signatures, proper payee corresponding to related supporting documents (invoices or expense claims), and cheque endorsement corresponds to payee;
- Bank deposits compared to the bank statements, signed counting records, and monthly bank reconciliations; and
- Financial statements compared to the previous year and budget on a line-by-line basis and any unusual fluctuations explained.

B. Special Purpose Funds

By law, funds that are donated for specific purposes must be kept separate, e.g. building fund, synod benevolence, memorial fund, and cemetery fund. In theory, special bank accounts should be set up for each special fund. However, as this most often is impractical, it is essential that separate accounts be maintained in the church financial records for each special fund.

Once the gift has been accepted, the funds cannot be used for a purpose other than that stipulated by the donor. Depositing a cheque into the charity's bank account acknowledges acceptance. Therefore, if you are unsure of whether a directed gift can be spent as directed, do not deposit funds until this information is confirmed. If unable to fulfill the obligation of a directed gift, the gift must either be returned to the donor, or the donor must be asked to provide, in writing, alternative uses of the gift. The only legal way to change the purpose of the funds once they have been accepted is to obtain a court order. Even the donor cannot change the original intention once the gift has been accepted.

Special purpose accounts should only be set up after the congregational council has approved the purpose. Also, when the congregational council establishes a new special purpose fund, council should indicate where extra monies will be applied should the

specific fund be over-subscribed or when the project is completed and funds are remaining in the account (essentially, how and when the specific fund can be closed).

Borrowing from special funds should not be done. As well, interest on special funds being held cannot be allocated to a different purpose.

The following is suggested wording for a donor to modify the restrictions of a gift in order to give the congregation ultimate control over the use of the funds:

“The donor hereby authorizes the church to use the designated funds for other church programs if the program or project for which the enclosed gift is designated has been fully funded or if the church council, in its sole discretion, decides that the program or project for which the funds are designated will not be carried out.”

An example of wording for the council to use in establishing a new special purpose fund or for promoting donations to an existing fund in the event the purpose is over-subscribed is:

“If the new organ fund is over-subscribed, all extra donations will be applied to the general operating fund.”

C. Records Retention

Retain permanently:

- Ledgers, journals, current and old insurance policies, employment and payroll records, receipts and records applying to gifts where donor directed that funds be held for at least 10 years.

Retain for a minimum of 6 years after the yearend to which they pertain:

- Supplies invoices and expense vouchers, mileage logs, GST records, income tax receipts and all records backing up such gifts.
- Offering envelopes are no longer treated as source documents and can be destroyed after their contents and information is recorded in the accounting records. However, it is recommended that they be kept at least until one can be satisfied that no further discrepancy complaints will be received. That would possibly be at the end of April of the following year. Before having the envelopes destroyed, the Financial Secretary or Treasurer should discuss it with the board or council and have a subsequent decision recorded in the minutes.

Books and records may be destroyed at an earlier time than outlined above if CRA gives written permission for their disposal. To get such permission, complete and send in CRA Form T137, *Request for Destruction of Books and Records*.

Further information on record retention can be obtained in the CRA Information Circulars IT78-10R4 – *Books and Records Retention/Destruction* and IC05-1 – *Electronic Record Keeping*.

D. Charitable Organization Registration Numbers

Name	Registration No.
Lutheran Church-Canada, ABC District	1076 49667 RR0002
Lutheran Church-Canada, Winnipeg.....	13327 5479 RR0001
Concordia Lutheran Seminary,	10696 6575 RR0001
Edmonton, Alberta	
Concordia Lutheran Theological Seminary,	11887 1938 RR0001
St. Catharines, Ontario	
Concordia University College of Alberta,	10696 6468 RR0001
Edmonton, Alberta	
Canadian Lutheran World Relief, Winnipeg	10686 3038 RR0001
Lutheran Association of Missionaries and Pilots,	11900 4810 RR0001
Edmonton, Alberta (L.A.M.P.)	
L.W.M.L.	89291 6768 RR0001
L.L.L.	11902 6193 RR0001
Lutheran Church-Canada Financial Ministries.....	888 730 397RR0001

3. Worker's Salary and Benefits Information

A. Church Worker's Compensation Guide

By September of each year, the ABC District office posts a Church Worker's Compensation Guide. These guidelines are the recommendations of the ABC District and are not to be construed as the official salary scale for all church workers in the district. Rather they are intended to be a guide as to the minimum that church workers in the district should receive as compensation. Congregations should take into consideration other factors such as size of congregation, cost of living, responsibilities, and education when deciding on compensation for their church worker.

The guidelines are posted on the District web site by September of each year and include guidelines in regards to salary, housing allowance, travel mileage rates, and continuing education. In addition, it includes salaries for vicars and DPS interns as well as compensation for vacancy pastors.

A copy of the current year's Church Worker's Compensation Guide can be found at www.lccabc.ca, under **Resources** – Congregation Resources – **Financial** – Salary – 2012 Salary Guidelines.

B. Clergy Residence Deduction (See Exhibit B.1 – B.3)

Definitions:

- "Deduction" is the amount a qualified clergy employee may deduct on his/her personal tax return according to the CRA regulations found in Interpretation Bulletin IT-141R for the Clergy Residence Deduction.

- In all cases, the “Deduction” is the fair market (rental) value of the housing plus the cost of the utilities of the home in which the clergy resides.
- Utilities include hydro, gas, water, sewer but not telephone or Internet.

If a parsonage is provided, the housing allowance benefit is the fair market (rental) value of the parsonage plus the utilities paid by the employer.

To claim a deduction from income for his or her residence an employee has to complete Parts A and C of Form T1223, Clergy Residence Deduction. The employer has to complete Parts B of Form T1223 that will certify the employee has met the required conditions. The church worker should file a copy of the form with his or her income tax return and keep a copy of the signed form for their records.

Church workers who own or rent their accommodation are required to file form T1213 Request to Reduce Deductions at Source (see Exhibit B.3) with CRA, and receive written approval from CRA, before being allowed a reduction of income tax and CPP premiums when being paid. The T1213 form should be filed by October or early November of the current year. For church workers that are in a parsonage, the T1213 is not required.

On the T4 slip, the housing allowance benefit must be included in Box 14 “Employment Income” and in Box 30 “Housing, Board and Lodging”. Although the rent and utilities can be excluded from income for the purposes of tax deductions, you still have to report it on the T4 slip. You should report both cash and non-cash housing benefits in Box 30 (as well as in Box 14).

For detailed information on the Clergy Housing Deduction, refer to Interpretation Bulletin IT-141R available in the forms and publication section of the CRA web site www.cra-arc.gc.ca OR Chapter 18 of the Canadian Council of Christian Charities Handbook.

For an individual to be eligible for the clergy residence deduction they must meet both the “status test” and “function test” as defined by CRA. Part B of Form T1223 must be completed by the employer to certify that the employee fits the criteria.

To satisfy the “status test”, the employee must belong to a recognized clergy group of their religious order. The recognized clergy groups in the LCC are the three recognized rosters: bishops, ordained ministers and diaconal ministers. The employee must be on one of these rosters to satisfy the status test.

To satisfy the “function test”, the rostered employee must minister to a congregation or be in full-time administration with the religious order and the clergy employee must be recognized by the religious order to provide the Sacraments. Chaplains in hospitals, correctional facilities and the military are considered to be ministering to congregations. (For further information, refer to CRA’s Interpretation Bulletin IT-141R (Consolidated).

C. Canada Pension Plan Contribution Rates

The amount you pay is based on your salary. You do not contribute on any other source of income, such as investment earnings. If, during a year, you contributed too much or earned less than a set minimum amount, you will receive a refund of contributions when you complete your income tax return.

You only pay contributions on your annual earnings between a minimum and a set maximum level (these are called your "pensionable" earnings). The minimum level is frozen at \$3,500. The maximum level is adjusted each January, based on increases in the average wage.

The table below can help you determine how much you contributed to the CPP in a given year.

*YMPE refers to the Year's Maximum Pensionable Earnings level determined by the Canada Pension Plan. In 2011, the YMPE is \$48,300

CPP Rates	2012
Minimum Age	18
Maximum Age	70
Contribution Rate	4.95%
Annual Basic Exemption	\$3500.00
Maximum Pensionable Earnings	\$50,100.00
Maximum annual Contribution	\$2,306.70

Rates will experience increases again in 2012 effective January 1st, 2012. As always, contribution rates are divided between employees and employers.

D. Employment Insurance Rates

EI Rates	2012
Basic EI rate (employee)	1.83%
Maximum insurable earnings	\$45,900.00
Maximum employee contribution	\$839.97
Employer contribution (1.4 x employee rate)	2.42%

E. LCC Worker Benefits

- Please refer to Appendix 1 - **Changes to the Worker Benefit Plans**

Lutheran Church-Canada (LCC) Worker Benefit Plan provides basic core coverage or equivalent credits to purchase coverage for the following:

- Health Care Benefits

- Dental Care Benefits
- Disability Benefits
- Survivor Benefits
- Retirement Benefits
- Travel Assistance
- Employee Assistance Program

LCC congregations are not required to participate in the plan but if they choose to participate, then all eligible employees must be enrolled.

For information on LCC Worker Benefit Programs, congregational treasurers are encouraged to go to the LCC Worker Benefits website www.lccbenefts.ca and click on LCC Employer and then go to Treasurer's Information. You can also call the Worker Benefits Plans office at 1-800-588-4226 or email: wbpinfo@lutheranchurch.ca

The following are some things for all congregation treasurers to keep in mind:

1. If a congregation chooses to obtain LCC Worker Benefits for employees, the following need to be enrolled in the Benefit Plans:
 - Full-time Workers (those who work more than 24 hours per week and more than five months per year)
2. Changes to an employee's status must be reported on a Request for Change form as soon as possible to the Worker Benefits office. Some of the most common changes are:
 - salary change
 - new employee
 - termination of employment
 - change of family status
 - change of coverage
 - change of Church & location
3. Billing notices are mailed at the beginning of each month with payment due by the 15th of the month, and include:
 - amount of taxable benefit to be included in payroll income tax calculation
 - Defined Contribution (DC) Pension Plan amount to be deducted from employee's pay cheque. (see Exhibit E.1)
4. Worker Benefit Premiums can be paid by electronic funds transfer.
5. Before the end of January you will receive a report that shows the Taxable Benefit, Pension Adjustment and DC pension plan contributions that are to be reported on the employee's T-4 information return.

6. If you submit your worker's payroll deduction for DC pension plan contribution by cheque, please note that the payment for the month of December must be received by LCC Worker Benefits on or before December 31.
7. For church workers who live in a parsonage, LCC Worker Benefits uses their basic cash salary plus 30% in determining his average earnings for the LCC Pension Plan.

F. Payroll Preparation and Records

Record of Employment Forms

Whenever an employee, including clergy, leaves their position, the employer must complete a Record of Employment form within five days of termination. One copy of the form is given to the employee, one copy is sent to Human Resources Development Canada, and one copy is kept by the employer.

These forms are serially numbered and must be requested from the Human Resources Development Canada office that is listed under the government contacts in the back of your local telephone directory. If you utilize the services of Ceridian, they will assist you in completing this form.

Payroll Information

Information is available on the CRA website at:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/menu-eng.html> or from any tax office.

- T4001 – Employers' Guide – Payroll Deductions (Basic Information)
- T4130 – Employers' Guide – Taxable Benefits
- T4032 – Payroll Deductions Tables for your province for the current year

Also available is a Payroll Deductions Online Calculator that can be used in payroll preparations.

G. Taxable Benefits

Taxable benefits are those benefits or allowances paid by the employer on behalf of the employee that must be recorded on the T4. The payment is made either to the employee or directly to the creditor who supplied the goods or services to the employee. If the employer pays an expense directly to a supplier on behalf of an employee, and the expense is not deductible on the employee's personal tax return, the total amount paid by the employer must be included in the income of the employee.

Housing Equity Allowance:

In the District's compensation guidelines, a housing equity allowance is suggested for those employees provided with a parsonage. Deduct income taxes, CPP and EI from this allowance. On the T4, include this amount in Box 14, "Employment Income".

Telephone and Internet Allowance:

If the congregation requires the church worker to be accessible by telephone and to have Internet access in his or her home, the congregation should pay the ministry usage

for these expenses. If the congregation pays the full cost of the home phone and Internet expenses, the ministry usage would not be taxable to the employee. However, the personal use of these expenses would be a taxable benefit and would be reported on the T4 slip and Box 40.

Taxable Life Insurance Premiums

According to CRA, any life insurance premiums paid by an employer on behalf of an employee are taxable and pensionable (CPP must be deducted) but are not insurable (EI is not deducted). On the T4 slip, this benefit would be reported in Box 14 "Employment Income" and also included in Box 40 "Other Information – Other Taxable Benefits & Allowances".

Gifts and Awards

Cash and near-cash (gift certificates) awards are considered a taxable benefit to an employee. Non-cash gifts and awards may be given tax-free under certain conditions and limits. For example, up to two non-cash special occasion gifts for events such as Christmas are not taxable if the total amount including taxes is limited to \$500.

A congregation may take a free will offering for their church worker (e.g. Christmas gift) that is not taxable. However, to be non-taxable, the offering (donations from members of the congregation) cannot be receipted by the congregation but must instead be given directly to the church worker. This then represents a personal gift from the congregation member to the church worker.

Summary of Taxable Benefits

Taxable Benefit	Benefits Subject to Deduction			T4 Requirements	
	Pensionable CPP	Insurable EI	Taxable Income Tax	Income Box	Taxable Benefit Box
Life Insurance Premiums	Yes	No	Yes	Box 14	Box 40
Housing Benefit*	No	Yes	No	Box 14	Box 30
Utilities Allowance*	No	Yes	No	Box 14	Box 30
Housing Equity Allowance	Yes	Yes	Yes	Box 14	Box 40
Book Allowance	Yes	Yes	Yes	Box 14	Box 40
Auto Allowance-flat monthly allowance amount	Yes	Yes	Yes	Box 14	Box 40

Auto Allowance-reimbursed for actual business kilometers	No	No	No	N/A	N/A
Telephone/Internet -personal use portion if paid by church	Yes	Yes	Yes	Box 14	Box 40

* Written notice received from clergy that they are claiming Clergy Residence Deduction.

H. Annual T4 Preparation

Employment Income is the base salary plus all taxable benefits that include life insurance premiums, housing allowance benefit, utilities allowance, housing equity allowance, book allowance, taxable auto allowance, and personal use portion of telephone and internet if paid for by the congregation.

The exclusions from “Employment Income” are the non-taxable benefits that include contributions paid into the Continuing Education Plan (CEP), and the pension, health and dental premiums paid by the employer.

Completing the T4 Information Return

Employers have to file their T4 information return by the last day of February following the calendar year to which the information return applies, (for example, you have to file the 2007 T4 or T4A Information Return by the last day of February 2008). If the last day of February is a Saturday, Sunday or a statutory holiday, your information return is due the next business day.

You have to give two copies of the slips to your employees by the last day of February following the calendar year to which the slips apply.

A T4 information return includes the T4 slips and the related T4 summary form. For more information on how to file a T4 return, see the Employer’s Guide – Filing the T4 Slip and Summary Form available on the CRA website.

T4 internet/electronic filing service are available to businesses that file 70 or fewer T4 slips. There are three Internet filing options available:

- T4 Web forms are available to employers that have to file three slips or less;
- T4 Desktop application is a downloadable CRA software, available to employers that file 70 or fewer T4 slips;
- T4 Internet file transfer (XML) is available to employers using compatible payroll software to transmit 70 or fewer T4 slips.

An electronic amendments service is also available to filers to cancel or amend information slips. For information on these electronic services, check out the CRA website.

Employers can file paper T4 information returns that contain fewer than 500 slips. These returns should be mailed to the Ottawa Technology Centre.

If the T4 slips are handwritten, the forms must be completed using blue or black ink. When entering information in boxes that have framed spaces, print the characters within the lines of the frame and ensure that numbers or letters are legible written and do not touch each other.

Completing the T4 Statement of Remuneration Paid (see Exhibit H.1)

Employer's Name: Enter the name of the employer as registered with CRA and used to remit employee deductions. Generally, this will be the name of your congregation.

Employee's Name and Address: Print or type the employee's last name in capital letters, followed by the first name and initials. Do not enter the title of office or courtesy title of the employee. Enter the employee's address, including the province, postal code, and country if other than Canada.

Year: Enter the four digits of the calendar year in which you paid the remuneration to the employee.

Box 10 – Province of Employment: Enter one of the following abbreviations to indicate the province in which the employee reported to work.

MB – Manitoba

ON – Ontario

SK – Saskatchewan

Box 12 – Social Insurance Number: Enter the employee's social insurance number (SIN) as it appears on the employee's SIN card.

Box 14 – Employment Income: Report the total employment income paid before deductions. This includes the total of all salary, wages, bonuses, vacation pay, allowances and the value of all taxable benefits. Include each of the amounts that are also reported in the "Other Information" area of the T4 supplementary.

Box 16 – Employee's CPP Contributions: Enter the amount deducted from the employee's earnings for contributions to the Canada Pension Plan (CPP). Do not enter the employer's share of premiums.

Box 18 – Employee's EI Premiums: Enter the amount of Employment Insurance (EI) deducted from the employee's earnings. Do not enter the employer's share of premiums.

Box 20 – Registered Pension Plan (RPP) Contributions: Enter the total amount deducted from the employee's earnings for voluntary contributions during the year.

Box 22 – Income Tax Deducted: Enter the total income tax deducted from the employee's earnings. This includes federal and provincial taxes that apply. Do not include any amount withheld under the authority of a "garnishee" or a "requirement to pay" which applies to the employee's previously assessed tax arrears.

Box 24 – EI Insurable Earnings: Enter the amount of insurable earnings you used to calculate the employee's EI premiums. Leave this box blank if:

- Insurable earnings are the same as employment income in Box 14; or
- Insurable earnings are over the maximum for the year.

For congregations, the amount of insurable earnings shown here is generally the total Employment Income shown in Box 14 less the Lutheran Church – Canada Worker Benefits Life Insurance Taxable Benefit shown in Box 40 (not exceeding the maximum insurable amount).

Box 26 – CPP Pensionable Earnings: Leave this box blank if:

- Pensionable earnings are the same as employment income reported in Box 14, or
- The CPP Year's Maximum Pensionable Earnings (YMPE) has been reached.

For congregations, the amount of pensionable earnings shown here is generally employment income shown in Box 14 less the housing benefit shown in Box 30 (not exceeding the maximum pensionable amount).

Box 28 – Exempt CPP or EI (PPIP only applies to Quebec):

This box to be check-marked only if the remuneration paid is not subject to the deductions (e.g. employee receiving CP pension is exempt from making CPP contributions).

Box 29 – Employment Code:

This is normally not applicable to charities.

Box 50 – RPP Registration Number:

Enter the number provided by LCC Worker Benefits on the Pension Adjustment statement (0355610).

Box 52 – Pension Adjustment:

Leave Box 52 blank if the employee died during the year. Otherwise, enter the Defined Benefits Pension Adjustment amount provided on the LCC Worker Benefits Pension Adjustment statement.

Box 54 – Business Number: Enter the 15-digit Business Number (BN) that you use when remitting employee deductions.

Other Information Area: At the bottom of the T4 supplementary, additional information regarding taxable benefits is reported for government statistical purposes. On the back of the T4, there is a listing of benefits and the corresponding box numbers. Most congregations will need to note the following two benefits in particular:

- Box 30 – Housing, Boarding and Lodging: If a parsonage was provided, enter the fair market (rental) value of the housing provided plus utilities paid. The amount reported in Box 30 is also included in Box 14 “Employment Income”. Otherwise, report the cash paid housing allowance in this box and box 14.
- Box 40 – Other Taxable Allowances and Benefits: Report the total of all taxable benefits such as life insurance premiums, personal use of telephone/internet, book allowance, gift certificates and taxable auto allowance. The total amount reported in Box 40 is also included in Box 14 “Employment Income”.

Completing the T4 Summary Form (see Exhibit H.2)

In the boxes at the top of the form, enter the 15-digit Business Number (BN), your organization’s name and address information.

Year: Enter the two last digits of the calendar year for which you are filing the return.

Line 14 – Employment Income: Add the amounts reported in Box 14 of all the T4 slips and enter the total on line 14.

Line 16 – Employees CPP Contributions: Add the amounts reported in Box 16 of all T4 slips and enter the total on line 16.

Line 18 – Employees EI Premiums: Add the amounts reported in Box 18 of all T4 slips and enter the total on line 18.

Line 19 – Employer EI Premiums: Enter the employer’s share of Employment Insurance premiums. Multiply the employees’ total premiums reported on line 18 by 1.4 and enter this amount on line 19.

Line 20 – Registered Pension Plan Contributions: Add the amounts reported in Box 20 of all T4 slips and enter the total on line 20.

Line 22 – Income Tax Deducted: Add the amounts reported in Box 22 of all T4 slips and enter the total on line 22.

Line 27 – Employer CPP Contributions: Enter the employer’s share of CPP contributions. The employer’s premiums are equal to the employees’ premiums as reported on line 16.

Line 52 – Pension Adjustment: Add the amounts reported in Box 52 of all the T4 slips and enter the total on line 52.

Line 76 and 78 – Person to Contact: Enter the name and telephone number of a person who can be contacted to clarify any of the information on the T4 Summary or T4 slips.

Line 80 – Total Deductions Reported: Add the amounts reported on line 16, 18, 19, 22 and 27 of the T4 Summary form and enter the total on line 80.

Line 82 – Remittances: Enter the total amount of remittances to the Receiver General for the year.

Difference: Subtract line 82 from line 80 and enter the amount under “Difference”. If the result on line “Difference” is zero, leave lines 84 and 86 blank.

Line 84 – Overpayment: If the result on line “Difference” is negative, enter the result on line 84, “Overpayment”. Attach a note indicating the reason for the overpayment.

Line 86 – Balance Due: If the result on line “Difference” is positive, enter it on line 86, “Balance Due”.

Amount Enclosed: If there is a balance due, attach a cheque made payable to “Receiver General for Canada”.

Line 88 – Total Number of T4 Slips Filed: Enter the total number of T4 slips that are included with the T4 Summary form.

Certification: A current officer of the organization must sign the T4 information return.

I. Supplementary Unemployment Benefits (SUB) Program

All congregations should be aware of the Supplemental Unemployment Benefit Program that is available through Human Resources and Skills Development Canada. This is a program that can be used to supplement sick leave benefits that are available through employment insurance. If your congregation participates in the LCC Worker Benefits Program, it will assist in providing benefits to a staff member during a period of illness until such time as Long Term Disability benefits are available under LCC Worker Benefits (after 13 weeks of illness).

The way the program works is that if an employee cannot be at work for an extended period of time due to illness and does not have sick leave coverage, the employee can apply for unemployment insurance benefits. However, there would be a two-week waiting period during which there would be no benefit coverage, after which the employee would be eligible for benefits up to 55% of the employee’s weekly insurable earnings up to a maximum of \$457.00 per week. The SUB would provide for unemployment insurance benefits to be topped up to 95% of the employee’s salary including the two-week waiting period. The cost of topping up the benefits would need to be paid for by the congregation.

The Guide for Supplemental Unemployment Benefit Program that outlines the details of how the program works can be viewed on the Human Resources and Skills Development Canada website <http://www.servicecanada.gc.ca/eng/cs/sub/010.shtml>

The Supporting Pooled Fund

- The ABC District maintains a supporting pooled fund to help congregations meet the financial obligations that the SUB plan allows for.
- Once a church has developed a plan, applied to, and been approved by the Human Resource and Skills Development Agency they are then able to apply to the District to participate in the Supporting Pooled Fund program.
- All churches that have been approved for the SUB plan through the government and choose to participate in the Supporting Pooled Fund are required to pay an initiation fee (based on the number of full time church workers) and a small monthly fee. These fees are placed into a collective pool.
- If/when a congregation must act on their EI-SUB plan, supporting a full time “Worker” during a time of illness or injury, they may **at the end** of the supporting period apply to be reimbursed for the monies they have paid out.

Cost of the Supporting Pooled Fund

- **Initiation Fee:** is based on the number of covered workers. The fee for 1-2 full time workers is \$200.00 and 3 or more workers is \$500.00.
- **Annual Fee:** \$180.00 - (\$15.00 x 12 months) per each full time church worker.

J. Workers Compensation

Coverage is provided through each Province's workers compensation board. Congregations should make themselves aware of their province's program and the applicable regulations. Even though coverage is generally mandatory, in some provinces it is optional (eg. Saskatchewan).

K. Provincial Labour Standards

When employing church workers, congregations should ensure that all provincial labour standards are followed in respect to minimum wage, vacation and stat holiday pay, and other employment issues. Information on labour legislation can be found at the following websites:

- Alberta - www.employment.alberta.ca
- British Columbia - www.labour.gov.bc.ca

L. TD1 Personal Tax Credits Return

These forms outline the credits that individuals can claim when filing their income tax returns. There are two forms – a federal one and a provincial one.

There should be a completed TD1 on file for each church worker that would initially be completed on hiring. Church workers do not have to complete a new TD1 each year if their personal tax credits have not changed for the year. However, church workers should complete new TD1 forms within seven days of any changes to a situation that will affect their income tax.

The completed TD1 forms should be used in determining the amount of income tax that should be deducted from a church workers pay on each payday. A copy of the form can be printed off the CRA website.

M. Employer/Employee Relationships

One of the things that congregations sometimes have trouble with is determining who should be treated as an employee (and therefore subject to statutory deductions) and who should be regarded as either being self-employed or paid on the basis of honorariums. Canada Revenue Agency has a publication available on their website called, *Employee or Self Employed* (RC4110), which provides examples and guidance on this issue. The following are some basic principles, which can be used to determine if someone working for the church is an “employee”:

- the relationship is one of subordination where the church controls the worker with respect to both the results of the work and the method used to do the work;
- the church supplies most of the tools, equipment and supplies to do the work;
- the worker cannot hire helpers and assistants;
- the worker is not financially at risk if the job is not done and is not in a position to realize a business profit or loss;
- the working relationship with the worker is continuous;

However, congregations are encouraged to review CRA’s RC4110 if in doubt as to whether a worker is an employee or not (or obtain a ruling from CRA).

4. Business Expenses and Travel Reimbursement

In order for the auto allowance to be non-taxable, it must be a reimbursement based upon actual kilometers driven for clergy duties, and the reimbursement rate on a per kilometer basis must be reasonable. A logbook must be maintained by the clergy, and a copy submitted when requesting reimbursement. The District sets out mileage reimbursement rates that are considered to be within CRA’s guidelines as “reasonable”. This rate reflects the key components of owning and operation an automobile such as depreciation, financing, and operating expenses (i.e. gas, maintenance, insurance and license fees).

The auto allowance will be considered taxable if the auto allowance is a flat monthly amount which is not based on actual mileage driven or if a logbook is not maintained by

the employee. If the allowance is taxable, income tax, CPP and EI must be deducted on this allowance. The allowance would be included in Box 14 "Employment Income" and in Box 40 "Other Information – Other Taxable Allowances and Benefits".

5. **Canada Revenue Agency Requirements and Allowances**

A. Contact information

General Web Site	www.cra-arc.gc.ca
Charities Directorate	Tel: 1.800.267.2384 www.cra-arc.gc.ca/charities
Forms & Publications	Tel: 1.800.959.2221 www.cra-arc.gc.ca/formspubs/menu-e.html
GST, Payroll Deductions & Other Business Inquiries	Tel: 1.800.959.5525 www.cra-arc.gc.ca/tax/business www.cra-arc.gc.ca/tax/business/topics/payroll
Electronic Mailing Lists	http://www.cra-arc.gc.ca/esrvc-srvce/mlst/menu-eng.html
Personal Tax Inquiries	Tel: 1.800.959.8281

B. GST Rebate

Registered charities are entitled to claim a 50% rebate of the GST paid on expenses for charitable purposes. If the expense is one on which GST is normally paid, but the GST is not clearly shown on the receipt as a separate amount, the GST has most likely been included and can be calculated using this formula:

Total payment x 5/105

Example - \$15.00 x 5/105 = \$0.71 GST included in the \$15

The GST rebate claim form, GST 66, can be submitted annually for the period of January to December. For further information, contact the Canada Revenue Agency.

C. Official Donation Receipts

Issuing Official Donation Receipts

The congregation is responsible for issuing donation receipts for any donations received by the congregation, whether general or specified, and the funds are deposited into the congregation's bank account. Congregations must carefully evaluate all contributions to ensure the qualifications for an official receipt for income tax purposes are met.

To qualify to receive an official donation receipt, the donation of money or property must be an outright gift. A gift is made in any circumstance where all three of the following conditions are satisfied:

1. Property (usually cash) is transferred to a registered charity. Non-cash gifts such as stocks, real estate, used furniture, etc, must be appraised by a qualified independent appraiser.
2. The transfer of property is voluntary.
3. The transfer is made without expectation of return. No consideration, or benefit of any kind to the donor, or to anyone designated by the donor, may result from the payment.

In most cases, this rule can be applied relatively easily to determine whether a particular payment is a gift or some form of non-qualifying contribution. If the contribution does not qualify as a donation, an official receipt for income tax purposes cannot be issued. If doubt exists about a particular transaction, contact the district office or the Charities Directorate.

Following are some examples of special situations:

- Donation receipts cannot be issued for volunteer time. If a volunteer service is provided and the supplier wishes to receive a donation receipt, the supplier must present an invoice to the congregation; the congregation pays the invoice; the supplier then provides the cash donation back to the congregation. A donation must involve property, and "time" does not qualify as "property" until it has been paid for. The Charities Directorate states that the transfer of funds must flow through the bank accounts of both the charity and the donor. If donating out-of-pocket expenses, the provider should be reimbursed and then return the funds to the charity. In this way, the donation flows through the bank account of both the donor and the donee. If a volunteer has a right to reimbursement for expenses incurred, a charity may treat the right to reimbursement as a gift in kind and issue a receipt for income tax purposes. However, the charity should have written direction from the volunteer.
- If a donor directs funds to a specified person inside a specified program, the funds received by the charity might not qualify for an official receipt for income tax purposes. Donations made to charities can be subject to a general direction, but decisions regarding specific beneficiaries of one of its established programs must be the exclusive responsibility of the charity. The gift must be directed towards the charity and not towards the individual.
- A charity may not act as a conduit to simply transfer funds to a person or an organization whose activities, although charitable, are not considered to be related in any way to the activities of the charity. To qualify as a donation to a

charity, the amount must be given to the charity for its use in pursuing its own charitable objectives.

- Donations directed to a foreign agency might not be qualifying contributions. When a donor directs a charity to send a gift to another charity, that other charity must normally be a registered Canadian charity. A charity's charitable objectives may include activities carried on jointly with another charity, or may include the funding of charitable activities carried on by other charities, including foreign charities.

Information Appearing on Official Donation Receipts

Canada Revenue Agency indicates that an official donation receipt must include, in a manner that cannot be readily altered, the following information;

For cash gifts –

- statement "Official Receipt for Income Tax Purposes"
- serial number of receipt
- congregation's name
- congregation's address
- charity registration number
- date donation received
- eligible amount of gift for tax purposes
- name, initial and address of the donor
- date receipt was issued
- location receipt was issued
- authorized signature
- statement "For information on all registered charities in Canada under the Income Tax Act, please contact: Canada Revenue Agency www.cra-arc.gc.ca/charities

For non-cash gifts – in addition to the above, also include the following:

- description of property
- name and address of appraiser
- the eligible amount of gift for tax purposes is the fair market value of the property at the time the gift was made (should not include taxes paid by the donor).

For gifts with an advantage – when the donor receives something in return for the gift other than a nominal amount (i.e. meal, book, golf tournament, etc.), the receipt must also include:

- total amount received (cash or fair market value)
- value of advantage (cash or fair market value of property or services)

- eligible amount of gift for tax purposes (total amount received less value of advantage)

For example, a donor pays \$50 to attend a fundraising dinner where they receive a meal valued at \$20. The total amount received by the charity is \$50 and the value of the advantage (the meal) is \$20. Therefore the eligible amount of the gift is \$30. If the amount of the advantage exceeds the 80% of the fair market value of the gift, the charity is advised to contact the CRA before issuing a receipt.

Each receipt must be prepared in duplicate, must be signed by an authorized person, and must bear its own serial number. In preparing official donation receipts, a congregation must indicate the year in which it actually received a gift. If a gift is dated, mailed, and postmarked in one year and received in the next year, the congregation can issue a receipt indicating the year appearing on the postmark as the date it received the gift. A charity must keep on file a copy of all official receipts that it issues.

To replace a lost or spoiled receipt, a congregation can issue a replacement, which must contain all required information, plus a notation to the effect that it “cancels and replaces receipt No. XXX (insert the serial number of the lost receipt). The congregation’s copy of the lost receipt must be retained and marked “cancelled”. In the case of a spoiled receipt, all copies must be retained by the charity and marked “cancelled”. The congregation can then issue another receipt.

To correct printed receipts, a congregation can use a stamp that clearly shows a change of name, address, or BN/Registration number if you want to use the remaining stock of official donation receipts before ordering a new supply. Make sure that the incorrect information is crossed out, either by the stamp or by hand.

CRA indicates that a registered charity can issue computer-generated electronic official donation receipts as long as they are readable and the reliability of the computer data entries is sufficiently protected. Protection against unauthorized changes to the data entries is the key security concern. An ideal computer system should incorporate user authentication (user-identifications validated by passwords) with access controls to restrict entry to and modification of donor contribution records. CRA recommends that donor records be stored on non-erasable media, such as CD-ROMS, microfiche, or printouts, with copies kept off-site for recovery purposes. When electronically kept records are changed from one format to another, the record-keeper is responsible for ensuring that the change does not result in the loss, destruction, or alteration of the information.

A registered charity is required by law to keep adequate books and records. If it fails to adequately safeguard and maintain records in a readable and reliable manner, it could be considered to have failed to meet this requirement.

Sample Donation Receipt

Following is a sample of a donation receipt for a cash donation. Please note that this receipt contains the information that must be provided according to the Income Tax Act. However, this sample receipt is only a guide and your receipts do not have to appear exactly as presented but must contain all the relevant information. Adjustments to the receipt will be necessary to accommodate information requirements for non-cash donations or gifts with an advantage.

Official Donation Receipt for Income Tax Purposes	
Congregation Name	Serial No. of Receipt
Congregation Address	
City, Province, Postal Code	Date Receipt Issued
Charity Registration Number	Location Receipt Issued
	Date Donation Received
	Eligible Amount of Gift for Tax Purposes
Name of Donor (first name, initial, last name)	
Address of Donor	
City, Province, Postal Code	Authorized Signature
For information on all registered charities in Canada under the Income Tax Act, please contact: Canada Revenue Agency www.cra-arc.gc.ca/charities	

Receipting Congregational Group Funds

The congregation may issue official income tax receipts for gifts received by groups that are approved by the congregational voters assembly and whose ministry and activities are under the control of the voter's assembly.

In order to do this, the income and expenses of the group must be included in the financial statement of the congregation and the income and expenses reported on the Annual Return for Charities to Revenue Canada.

The congregation should have its official minutes or by-laws, a resolution stating that this particular group (i.e. LWML, youth group, etc.) is authorized to receive gifts designated for that group's ministry activities and that the group will submit regular financial accounting to the church council or voters assembly. This will demonstrate that the group is indeed responsible to the congregation and part of the congregation's ministry.

D. Registered Charity Annual Return (T3010)

All congregations that are registered charities are annually required to complete form T3010B (09), Registered Charity Information Return. The T3010 return and related schedules are sent directly to each registered charity by the Canada Revenue Agency. To complete the return, please refer to the guide (available on CRA's website) and to the copy of the prior year's return for your congregation. A fillable PDF form is available on CRA's website. If you require assistance, contact your District Treasurer or the Charities Directorate.

The T3010 form is to be completed and filed annually within six months of your fiscal year-end and is to be accompanied by the congregation's financial statements. A copy of the return should be kept with the congregation's files for reference in the following year.

If the annual filing is not completed and submitted, the congregation will be subject to a \$500 penalty in addition to having the charitable registration status revoked. Your congregation will be required to pay this penalty before a request for re-registration is considered. If this happens, the donation receipts issued by the congregation will not be deductible on the income tax returns of the donors.

It is recommended that church council make a permanent agenda item for the same council meeting each year to approve the T3010 and authorize someone to sign it. This way, the church council will know it has been done and the charity's status is protected.

Be sure to have all important documents and forms mailed to the permanent address of the congregation so that filings won't be missed if a member is no longer involved with the congregation.

E. Disbursement Quotas

The new disbursement quota rule drops the 80% rule and is now a function of the extent to which the fair market value of property owned by the charity over the previous 24 months exceeds \$100,000 (for charitable organizations), or \$25,000 (if a charitable foundation). The disbursement quota is 3.5% of this amount. With this simplification, the definitions of enduring property, capital gains pool, and specified gifts are also repealed.

The reference to a \$100,000 threshold above is also a change. The current rule provides that charities can have \$25,000 or less in assets not used in charitable programs or administration. This amount will be increased to \$100,000, except for charitable foundations where the limit remains at \$25,000. Charities will be allowed to accumulate property in excess of the threshold for a particular purpose, such as a building project, upon receipt of written approval from the Minister of Revenue.

As of August 15th, Form T3010B, *Registered Charity Information Return*, had not been changed to reflect these proposals and the CRA has instead posted a page of instructions to adapt the old returns for the new rules. This page can be accessed at the following link:

<http://www.bdo.ca/library/publications/tax/taxfactors/2010-03/charities-disbursement-quota-reform.cfm>

In keeping with a simplified approach, broader anti-avoidance rules were introduced, especially for transactions between related charities. For example:

- Where a charity receives a gift from a charity with which it does not deal at arm's length, the receiving charity must spend an amount at least equal to the amount of the gift, over and above the disbursement quota. Unless the donor charity designates the gift, the failure to meet this rule creates a liability for the receiving charity of 110% of the amount by which the fair market value of the gift exceeds expenditures.
- Where a charity enters into a transaction, including a gift to another charity, and it may reasonably be concluded that a purpose of the transaction is to avoid or unduly delay the expenditure of amounts on charitable activities, there is a penalty of 110% of the amount avoided or delayed. Note that this rule previously referred to a "main purpose".

In either of these situations, the charity's charitable status could be revoked.

F. Federal Gasoline Excise Tax Refund

If a registered charity reimburses volunteers or employees for use of the individual's automobile, a federal gasoline excise tax refund may be claimed. The refund is either \$0.0015 per kilometer driven and reimbursed or \$0.015 per litre of gasoline purchased. The rebate may be applied for using the form "XE8 – Application for Refund of Federal Excise Tax on Gasoline". The form and instructions can be located in the forms and publications section of the CRA website.

Example:

If 50,000 km is reimbursed, the refund would be 50,000 km x \$0.0015 = \$75

Or

If 5,000 litres of gas is purchased, the refund would be 5,000 litres x \$0.015 = \$75

G. Book Allowance

Canada Revenue Agency considers all book allowances paid to church workers to be a taxable benefit. This includes either a monthly cash allowance or a reimbursement for the cost of books that are purchased for, and will be retained in the possession of, the employee. Income taxes, CPP and EI are to be deducted on the Book Allowance. On the T4 slip, this benefit will be included in Box 14 "Employment Income" and in Box 40 "Other Information – Other Taxable Benefits and Allowances".

6. **District and Synod Reporting**

A. District Annual Report

Forms are sent out to each congregation in early January with a request that they be completed and sent in to the district office by February 28. This report is used to update the district's records. This information is needed so that district office staff, church workers and other congregations know who the contacts are for the various offices and ministries.

B. Synod Statistical Report

This report is sent out by the LCC Synodical Office to all congregations at the end of the calendar year with the request that it be completed and mailed to the synodical and district offices by January 31. In addition to providing information on the health and status of your congregation, the report is used to set the assessment fee per communicant member for the synodical and district tri-annual conventions.

- **IT IS IMPORTANT THAT THE ABOVE TWO REPORTS ARE COMPLETED AND SUBMITTED ANNUALLY.**

7. **Risk Management and Insurance**

A. Insurance

Every congregation needs to determine their church's exposure to risk and ensure that steps are taken to mitigate those risks. An important part of this process is purchase of insurance coverage to cover risks identified.

There are many types of insurance that can be purchased but every congregation should have as a minimum the following:

- Property insurance
- General liability
- Directors and Officers liability
- Abuse and harassment liability
- Religious counseling liability
- Non-owned automobile liability

An essential component of risk management and often a requirement for abuse insurance coverage is the development and implementation of an Abuse Prevention Policy (sometimes called a Plan to Protect). The District office has available guidelines that congregations can use in formulating their abuse prevention policy. All congregations are encouraged to develop an abuse prevention policy. If an abuse claim is made against a congregation of the district, it is quite possible that both the ABC District and LCC Synod would also be named in the claim.

There are insurance agencies that have developed insurance programs specifically for churches, for example, Cherry Insurance out of Saskatoon. For a copy of the Cherry Insurance Church Program – Features and Benefits, you can contact Cindy Watson of Cherry Insurance (1-800-667-3919) or request a copy from the ABC District office.

B. Criminal Record Checks

As a good business practice, both staff and volunteers should have completed a criminal record check. In many cases this may be mandatory in order to receive certain certifications or for your insurance requirements. Confirm this in your employee handbook, policy manual and/or insurance policy. It is a good idea to have outlined whether criminal records checks are mandatory for your employees and volunteers as a condition of their employment.

A criminal record check can be done at the employees or volunteers local police station.

- There is a cost associated with a criminal record check for a person who will gain employment or a paid position with your organization.
- There is no cost for a criminal record to be completed for an unpaid volunteer. They will require a letter on your letter head from your organization stipulating that you have requested the criminal record check for this person to become a volunteer at your organization, in order for the fees to be waived.

C. Church Council Requirements

The 2011 budget recognizes a stronger need for the CRA to monitor the backgrounds of Directors, Trustees and Officers or (in the churches) Church council. Although they have not implemented mandatory criminal records checks, they had made it clear what they feel an Ineligible person is and have the right to revoke charitable status where an ineligible individual controls or manages a charity directly or indirectly in any manner whatsoever.

An ineligible individual is a person:

- with an unpardoned criminal record for financial dishonesty, including tax evasion, theft, fraud, or other offences involving breaches of the public trust; or
- Who has been found guilty of a relevant offence within the past five years. A relevant offence is a noncriminal offence either specifically relevant to the operation of a particular charity or is an offence of financial dishonesty contravening any law in Canada except the Criminal Code, including breaches of charitable fundraising, consumer protection, and securities legislation; or
- who was a promoter of a tax shelter for which a charity was revoked within the previous five years

Canadian Council of Christian Charities (CCCC) suggests that all current and future Church Councils sign an annual declaration stating they have not previously been engaged in any qualifying criminal or relevant offences. This form is available through

the CCCC if you are a member or from our District office. Please contact the District office at reception@lccabc.ca for a template that can be personalized for your organization. CCCC also recommends a policy be developed for the automatic removal of any Church Council member found to have violated the declaration.

D. Personal Information Protection and Electronic Documents Act (PIPEDA)

Effective January 1, 2004, the Personal and Information Protection and Electronic Documents Act (PIPEDA) came into force for all organizations. LCC ABC District adopted a Policy to Protect Personal Information in the District. This policy ensures that the personal information provided to us from District members is collected, used and protected appropriately. To ensure your congregation or organizations is properly protected; it is recommended the PIPEDA be followed.

Personal information covers all information an organization collects, retains or uses that can in any way identify or give information about an individual. It does not include the name, title and business address or business contact information of an organization's employee.

In order to protect personal information, PIPEDA lays out ten principles that an organization's privacy policy should reflect:

1. Accountability
2. Identifying Purposes
3. Consent
4. Limiting Collection
5. Limiting Use, Disclosure and Retention
6. Accuracy
7. Safeguards
8. Openness
9. Individual Access
10. Challenging Compliance

The District office privacy policy and compliance practices are located on the ABC District's website www.lccabc.ca.

8. Budgeting

Introduction

Advanced planning, whether for one, two or five years, is necessary to ensure the achievement of a goal. Within the church, planning is frequently done in the form of a budget. The budget is a tool to ensure that funds are available for continued operations and for the expansion of ministry. The budget is monitored through revenue received and expenditures made as compared to the budget.

Income is budgeted on the basis of pledge information received from members plus other income. Expenses are budgeted on the basis of input from all boards and

committees using the prior year's expenditures and needs for the future as guides. When adopted, the budget becomes the financial guide for the forthcoming year.

As budgets are reviewed each year, it is also important to look at balance-sheet changes. Changes in cash balances, capital expenditures, and both short-term debt (Accounts Payable) and long-term debt need to be considered when planning spending levels for future years.

Budget Preparation

Objectives of a Budget

The objectives of a budget are as follows:

- To be good stewards of the money with which the church has been entrusted.
- To develop a total congregational plan (budget) to facilitate and guide planning and expenditure decisions during the following year(s).
- To facilitate sharing of goals and budget considerations among leaders of the congregation.
- To harmonize church council (board of directors) goals with individual committee goals and congregational needs and concerns.
- To facilitate financial reporting to the congregation.

Elements of a Budget

For a budget to provide information and control, four elements must be present:

1. The budget must be well conceived and prepared or approved by the board or council.
2. The budget must be broken down into periods corresponding to the periodic financial statements and using the same accounts.
3. Financial statements must be prepared on a timely basis throughout the year and a comparison made to the budget.
4. The board (council) must be prepared to take action when the comparison with the budget indicates a significant deviation.

Budget Process

Suggested steps in preparing the congregational budget are as follows:

- The church council appoints the budget committee.
- The individual program and administrative committees are made aware of their responsible areas and are given a timetable for submitting a budget estimate to the budget committee.
- The committees evaluate their needs and goals for the coming year and prepare a budget estimate. Part of this process involves an evaluation of the effectiveness of the past year's programs.
- The committees forward their budgets and programs to the budget committee.

- The treasurer, financial secretary and stewardship committee compile the income budget based on member pledges or a historical analysis of the congregation's income.
- The individual committee chairpersons and the budget committee meet to review the budget and program recommendations of the committees. Here arguments are presented to remove or retain certain budget items.
- The budget committee compares all program, capital, construction and administrative budgets with the anticipated income and prepares a balanced budget, which it presents to the church council.
- The council reviews the budget, makes any final adjustments, and presents the approved budget to the voters' assembly.
- The budget is presented at the voters' assembly, discussed and eventually approved.

When preparing the budget, Treasurers should keep in mind the following:

a) Convention Assessments

The Synod Convention is held every three years prior to which, each congregation is notified by the district office of the amount that the congregation will be assessed per communicant member to cover the costs of the convention. The District Convention is held every three years in the year following the Synod Convention and, again, each congregation will be notified of the amount they will be assessed to cover the costs of the convention. In the year after the District Convention there generally is the District Church Workers Conference where the congregation is expected to cover the costs of their pastor and any other church workers that may be attending (the district office will again notify the Treasurer of the expected costs). Treasurers should ensure that their congregation's budget includes an amount each year for the expected convention/conference costs that will need to be paid.

b) Salary and Benefits

The Church Worker's Compensation Guide that is sent out in September of each year by the District Office can be used to determine increases to the church worker's salary, housing allowance and mileage rates. LCC Worker Benefits can be contacted to determine any expected increases in benefit costs in the coming year.

c) District Missions

Just as costs increase each year for congregations, the same is true of District and Synod expenditures. Congregations are asked to carefully consider this in setting the mission goal for the coming year and try to increase their mission giving accordingly so that current district and synod programs can be maintained.

d) Workers Compensation Premiums

For congregations in Saskatchewan, an amount for WCB premiums should be included in the budget for church worker benefit costs.

9. Audits

Purpose

The purpose of a financial review of the congregation's books of original entry is:

- To support the congregational treasurer in his/her duties;
- To help the treasurer to perform his/her duties effectively and efficiently through suggestions generated while in the financial review process;
- To verify that the financial records are being maintained in an acceptable and consistent manner;
- To verify that cash receipts and disbursements are posted consistently, correctly, and reconciled with the bank;
- To verify that the financial reports that have been issued to the congregation are in agreement with the official records (general ledger) of the congregation.

The results of the financial review should be shared with elders, church workers and church council before it is presented to the congregation.

Caution!

If you are not trained as a certified public accountant and you do not otherwise have the skills necessary to perform a certified audit, do not call this procedure an audit or refer to the congregation as having had an audit. The legal implications are significant. Do not place yourself in a position of having to defend the "audit" when you did not perform an audit. The procedure should instead be called a "financial review".

When Should a Financial Review be Performed?

A financial review should be performed when:

- A new treasurer is elected or appointed;
- The fiscal year ends;
- Misuse of funds is suspected; or
- Any other time the congregation's appropriate governing board so requests.

Independent Accounting Firms

The congregation may be large enough to justify a compilation, review, or audit by a qualified Public Accountant. Congregations may wish to have an independent audit performed. However, an audit by a qualified accountant can be expensive. Congregations could also consider independent review or compilation services. Consider obtaining fixed bids from firms to evaluate the cost/benefit of having an independent audit, review, or compilation engagement. An audit would be a verification of the financial reports of the congregation with a written report as to the audit findings.

Review or compilation services, while less expensive, do not provide the level of assurance associated with a complete audit. The audit, review, or compilation does not

give assurances that all transactions have been reviewed or that no misuse of funds took place.

Financial Review of Treasurer's Books – Suggested Procedures

Congregations should appoint a financial review committee annually to examine the books of their treasurer.

Qualifications

Basic qualifications are necessary for the individuals serving on the committee:

- Knowledge and experience in bookkeeping procedures.
- Able to prepare financial statements:
 - Balance Sheet
 - Current Income and Expenditures

If suitable candidates to serve on the committee are not available in the congregation, members are to seek them elsewhere (accountants from commercial firms or chartered accountant firms).

Purpose of Financial Review

The committee should make an independent examination of the accounts and report to the congregation in a formal statement of opinion concerning the reliability and fairness of the reports made by the treasurer and/or church council to the members of the congregation.

Financial Review Procedures

- Verification of income received
 - Receipt vouchers (cash inflow) reconciled with bank deposits and confirmation of accounts receivable.
- Verification of payments
 - Approved payment vouchers reconciled with cheques (cash outflow) issued on the general bank account and confirmation of accounts payable.
- Reconciliation of all liquid assets, such as cash, investment certificates, savings accounts, etc.
- Accounting for all legal documents, such as titles for properties, insurance policies, mortgage agreements, etc.
- Preparing or verifying drawn year-end financial statements.
- Preparing a formal statement of opinion concerning the reliability and fairness of the above-mentioned reports.

Audit Requirements – Charitable Organizations in Alberta and British Columbia

Congregations who are registered under the Charities Directorate are not required to perform an annual audit. Although they recommend that you do perform an audit if you have revenues in excess of over \$250,000 it is not an official requirement.

The charities directorate states: If the registered charity has income over \$250,000 the Charities Directorate recommends that financial statements be professionally audited, otherwise, the treasurer for the charity should sign them.

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rtrn/fnncl-eng.html>

Although the Charities directorate may not require you to do an audit, you may have to provide audited financial statements (as per your incorporation documents) if you are incorporated. You will need to check the requirements for audit with each society, incorporation or directorate you are involved with.

10. Automated Systems

Systems software that churches need can be broken down into two groups:

- Computerized accounting systems
- Church management software programs

In regard to computerized accounting systems, the following are some of the more common software programs that have been used by congregations and other auxiliary organizations:

- *Simply Accounting* by Sage
- *Quickbooks* by Intuit
- *Shepherd's Staff* by Concordia Publishing House
- *ACCPAC* by Best Software
- *Adajio* by Softrack Systems

The least costly of the above and easiest to use are *Simply Accounting* and *Quickbooks*, which can be purchased for \$200 - \$300. *Shepherd's Staff* financials are most costly but include church management programs (see below).

In regard to Church Management software programs, the following are some that are available:

- *Shepherd's Staff* (Concordia Publishing House)
- *Church Helpmate* from Helpmate Technology Solutions
- *Church Windows* from Computer Helper's Publishing
- *The Church Executive* by Adminware Corporation
- *Churchwatch* from White Mountain Software

All of the above have websites that provide information on the product being offered.

Shepherd's Staff was originally written for Lutheran Church Missouri Synod but is now used by virtually all denominations. Both *Shepherd's Staff* and *Shepherd's Staff Small Church Edition* are Windows-based programs. *Shepherd's Staff* tracks membership, attendance, contributions and finance.

11. District Programs

A. District Missions

Congregations within the ABC District are asked to send a portion of their member offerings to the district office in support of both district and synod missions. The mission donations that the district receives from congregations go towards the following programs and expenditures:

- district mission programs
- congregation services
- pastoral services
- synod missions (includes overseas missions, seminaries and congregation services)
- district administration

Congregations are each year sent a Mission Goal Form and asked to submit to the district office the amount that they have set as their mission goal for the coming year. Congregations are then expected to send in their monthly missions in twelve equal payments during the course of the year (if possible).

B. Mission Initiative Proposals

Congregations can apply to the District for financial assistance for one-time mission outreach programs. Applications for a Ministry Initiative Proposal can be sent in to the District Office at any time during the year. Guidelines and forms are available from the District Office).

E. Subsidy Requests Guidelines

Congregations that are experiencing serious financial difficulties or that are new mission congregations can apply for a subsidy from the Department of Missions and Congregational Services. Subsidy request guidelines and forms are available from the ABC District Office. Applications need to be sent in by September 30 of each year.

D. Pre-authorized Debit - Electronic Fund Payments (EFT)

Congregations can remit their monthly missions and, if applicable, CEF loan payments to the district office by electronic funds transfer. Congregations are encouraged to use this service for the following reasons:

- It saves congregation treasurers time by no longer needing to write cheques each month for missions and CEF loan payments;
- Saves time for district staff in processing payments and issuing receipts;
- Saves money for congregations by reducing costs for postage, cheques and envelopes;
- Ensures that missions and especially CEF loan payments are received on time.

The Electronic Funds Transfer (EFT) process will electronically forward the payment from the congregation's bank account to that of the ABC District on the 25th day of the

month. Congregations are able to change the amount or discontinue EFT payments at any time by advising the district office in writing prior to the date that the transfer is to take place (can be phoned or faxed in if necessary).

- It is easy to join the EFT program. It only requires the following initial steps:
- Complete and sign an authorization form.
- Attach a blank cheque marked "void" from your congregation's bank account to the form.
- Mail the authorization form and the void cheque to the district office.

To enroll in the program, contact the district office for the necessary forms.

12. Provincial Regulations

A. Incorporation

Various congregations in the district have chosen to incorporate under their province's corporation act. There are a number of benefits of incorporation with the main one being that members of the congregation are then not personally liable for the debts of the congregation. However, with incorporation also comes the obligation to file an annual return within the time required by the provincial act. Treasurers of congregations that have been incorporated should make themselves aware of the all the regulations that must be followed.

B. Reporting Requirements

The Corporations Act (Alberta) (not yet available)

Corporations Act (British Columbia) (not yet available)

13. Contact Information – LCC

LCC Synod Office – Winnipeg

Telephone 1-800-588-4226 or 204-895-3433
Fax 204-832-3018
E-mail info@lutheranchurch.ca
Address 3074 Portage Avenue, Winnipeg MB R3K 0Y2
Website www.lutheranchurch.ca

LCC ABC District Office - Edmonton

Telephone 1-888-474-0063 or 780-474-0063
Fax 780-474-9829
E-mail reception@lccabc.ca
Address 7100 Ada Blvd., Edmonton, AB T5B 4E4
Website www.lccabc.ca

14. **Other Resources and Services**

A. **FaithLife Financial Pre-authorized Offering Program**

If your congregation wishes to use a pre-authorized remittance plan for member donations, check with your financial institution to see if they can provide the service at a reasonable cost. FaithLife Financial has a Pre-authorized Offering Program (POP). Details can be found on their website www.faithlifefinancial.ca.

Today, most people enjoy the simplicity and convenience of electronic payments and a growing number of churches now offer the option of pre-authorized giving through automatic bank account deduction. FaithLife Financial can provide this service for your congregation at a low cost. Their Pre-authorized Offering Program can reduce your administrative overhead and help you regulate the flow of contributions. Only five participants are required to enroll in this program.

B. **Canadian Council for Christian Charities**

The Canadian Council of Christian Charities (CCCC) is a registered charitable organization (CRA#106844863RR0001). It is also an association, primarily of charities, within the Christian community. Its purpose is to minister to Christian charities and the public by integrating spiritual concerns of ministry with practical aspects of management, stewardship and accountability. The annual membership fee is \$400.00 and includes assistance to congregation treasurers in answering many of the legal and regulatory questions that come up.

C. **Church Treasurers of Canada**

The Church Treasurers of Canada has been formed to serve the needs of treasurers, bookkeepers and financial administrators by:

- Providing a place for them to go with their questions and concerns.
- Organizing seminars and training sessions.
- Providing a hardcopy quarterly newsletter.
- Providing an e-mailed newsletter for issues as they arise.
- Monitoring law and policy changes affecting churches and charities.
- Providing advice and support during Canada Revenue Agency (CRA) audits.
- Obtaining group discounts for church related products and services.

Contact info:

Church Treasurers of Canada

117 – 5929L Jeanne D'Arc Blvd.

Orleans, ON K1C 7K2

Phone: 613-824-5758

Fax: 613-824-1342

Website: www.churchtreasurers.ca

D. Church Extension Fund

Lutheran Church-Canada ABC District Church Extension Fund (CEF) was established by the ABC District to provide loans to congregations and other affiliated organizations for the following:

- land acquisition
- new construction of church facilities
- renovation and repair of existing church facilities
- purchase of equipment and furnishings

However, CEF does not provide operating loans to congregations.

To apply for a loan, a congregation must complete a loan application form and send it in to the ABC District office. For information on the Church Extension Fund or to obtain a loan application form, please contact Janice Ruf, Manager of CEF 1-780-474-0063 X 107 or email jruf@lccabc.ca

15. T4A Statement of Pension, Retirement, Annuity and Other Income

Congregations must complete a T4A slip (see) for any payments for fees or other amounts for services in excess of \$500.00 made to individuals who do not fall into the category of employees. Examples would be honorariums paid to an organist, fees for a guest pastor, or payments for services made to other self-employed persons. A T4A slip must be completed and given to the recipient of the payment. The T4A slip must then be filed (usually at the end of the calendar year) with CRA by completing a T4A Summary (see examples of forms on succeeding pages). The "Other Income" category should generally be used on both the T4A slip and the T4A summary.

16. Gifts in Kind (Non-cash) Reporting

Gifts in Kind should be recorded in the accounting records

- a. Record the donation as both a revenue and an expense (unless it is a capital item which then should be added to fixed assets) or;
- b. Report the donation in the Notes to the Financial Statements
 - The rule of thumb is that if it is an item that you would normally purchase during the course of the year, then include it in both revenue and expense, especially if the amount is significant. However, CRA requires that whenever a charity issues a receipt for income tax purposes, it should report the amount of the gift on the Registered Charity Return (Form T3010) both as a revenue and an expenditure. Therefore, to keep it consistent, it would be simpler to always record a Gift in Kind receipt as both revenue and as an expense in the accounting records.

APPENDIX 1

Changes to the Worker Benefit Plans

As you may be aware, Lutheran Church–Canada’s Worker Benefit Plans (WBP) recently undertook a review of the pension plan, post-retirement benefits and benefits eligibility for permanent part-time members. As part of the review 16 focus groups were held across the country where design proposals were presented and plan members and employers then had an opportunity to comment and make other suggestions. The review of the design of the various plans was the result of numerous concerns that WBP received from employers who indicated that the plans were no longer affordable and increasing costs (often occurring at the same time that revenues were declining) were impacting their operations.

Based on the input received during the focus groups along with e-mails and letters from members and employers a final set of design changes was reviewed and approved at the June, 2010 Board of Managers (BOM) meeting. These were subsequently sent to LCC’s Board of Directors who approved the changes.

In considering design options, the BOM kept in mind the need to ensure the plans were cost sustainable for employers while having the least impact on members and saved the most benefits. This is a difficult balance to reach, however, we believe that the changes that have been approved are fair and represent the best possible outcomes for all stakeholders.

Pension – Changes apply to active members only

Effective January 1, 2011 the employer’s match to the contributions members make to the Defined Contribution (DC) component of the pension plan will be suspended. Members may still continue to build their retirement savings by making member contributions of up to 4% of pay to the DC plan but no further employer contributions will be made.

Changes to the Defined Benefit component of the pension plan are being postponed for one year as a result of focus group discussions and other communication received from members and employers. During this time other options and alternatives will be investigated. Any changes to the pension plan will apply to future service only and not affect benefits accrued up to the date of any changes.

We can say now, that regardless of what the pension design ultimately turns out to be, members will be required to contribute to it. Pension design changes will be finalized for July 2011 with an implementation date of January 2012. Further communication will be provided to members and employers as we work through the process.

Post-Retirement Benefits (PRBs) – Changes apply to both active members and retirees

The WBP like many Canadian employers has been struggling with the escalating costs of post-retirement benefit plans. These are the result of health and dental cost increases far in excess of inflation, increasing number of retirees, increased utilization, an aging population and cost shifting from government plans to private plans. Cost projections done over the next 20 years show an exponential increase in costs beyond what most employers consider to be sustainable. In addition, a reserve fund that was set up to help pay for retiree health and dental benefits will be depleted by the end of the year thus requiring further employer funding. To manage these

increasing costs the following changes are being introduced that will impact both current and future retirees:

Post-Retirement Benefits will no longer be offered to **future** retirees with the following exceptions:

- Members who qualify for PRBs and who retire before July 1, 2012, or who are age 60 with 15 years of service as of July 1, 2010. Continuation of PRBs for these members recognizes the limited time they have available to plan and budget for health care costs in retirement.
-
- Effective January 1, 2011, the PRBs offered to both current retirees and those qualifying for PRBs in the future (as outlined in the preceding paragraph) will be amended as follows:
 - All retirees will be required to pay a premium for their PRBs. For retirees who currently do not pay any premiums they will be required to pay 10% of the premium cost. For those retirees who currently make a premium contribution, costs will increase by a further 10% of premium costs. Since 2011 premiums have not yet been determined we cannot tell retirees the exact amount they will be required to pay. While not exact, we can, however, give you an indication of the amounts using 2010 premium rates. Please see attached Appendix A. We have also included the new schedule of the total premium percentage amounts that retirees will be required to pay based on their service.
 - Private duty nursing coverage will be capped at \$10,000 per year.
 - An annual deductible of \$50 for families and \$25 for single will be introduced on the medical plan. A deductible is the amount you must pay before the insurance company makes a payment on your claim.
 - The medical plan will now pay for the least cost alternative drug where interchangeable drugs can be used to fill prescriptions. Least cost alternative drugs are the lowest cost product within a set of interchangeable products. They are typically generic equivalent drugs (generic equivalent drugs are copies of brand name drugs), however, sometimes a brand name drug can be priced lower than a generic drug.
 - A dispensing fee cap up to maximum of \$7 per prescription will be introduced on the drug component of the medical plan. The cost of prescriptions includes not only the cost of the drug but the pharmacist professional or dispensing fee for evaluating, preparing, and packaging a drug. Dispensing fees can vary widely by pharmacy for the same prescription. Since the plan will only cover the dispensing fee up to the cap and the retiree must pay for any portion of the fee over and above the cap, it is to the retiree's advantage to shop around for a pharmacy with lower dispensing fees. A dispensing fee cap helps to reduce the overall cost of prescriptions being charged to the plan while at the same time retirees retain the

choice as to whether to pay the extra fee or shop at another pharmacy. Note dispensing fee caps do not apply to drugs purchased in Quebec where professional fees are included in the total drug cost.

- The Dental Plan will now pay for check-ups, x-rays, scaling and polishing once every nine months (previously coverage was once every six months). Many plan sponsors have moved to reimbursement levels of once every nine or twelve months since this is still considered a medically appropriate level of coverage.

Long-term Disability (LTD) Premiums – Applies to active members only

Effective January 1, 2011 members will pay the cost of Long Term Disability premiums rather than employers. This means that members will no longer receive credits from employers to pay for their long term disability premiums. While this results in an increase in costs to members it also provides an increase in LTD benefits coverage. This is because of the tax law governing LTD premiums. When an employer pays the long-term disability premium, benefits paid to a LTD claimant are taxable, when a member pays the LTD premium, benefits paid to a LTD claimant are non-taxable. Members will have LTD coverage options from which to choose.

Health and Dental Benefits – Applies to active members only

The medical plan will now pay for the least cost alternative drug where interchangeable drugs can be used to fill prescriptions. See the description under the retiree changes above for a full description of this change.

Employer Funding Option

While the health and dental plan designs for active members were not part of the initial review, we heard from a number of employers during the focus groups, and subsequently by e-mails and letters, expressing the need to also review these parts of the plan because of escalating costs. As a result we will be undertaking a full review of the group benefits design and funding arrangements with a target implementation of any changes to be January 1, 2012.

As a temporary interim measure, until these programs can be reviewed, and only where employers are under severe cost constraints, we will permit employers to negotiate a mutually agreeable cost sharing arrangement for health and dental benefits with members. We recommend that employers only do this if absolutely necessary and to be as generous as possible to members taking into account the other costs that we are now asking members to pay. Note this change only applies to health and dental benefits since other benefits may have tax implications if members pay for them.

Permanent Part-Time Employees (PPT) - Applies to active members only

Effective January 1, 2011 permanent part – time members will be required to work 24 or more hours a week (.6 of a week) to be eligible for the group benefit programs. Members who do not work the required number of hours will no longer be eligible for group benefits coverage. Current PPT workers participating in the WBP and remaining in employment will continue participating in the pension plan even if they no longer have group benefits coverage.

Summary and Contacts

While no plan sponsor wants to reduce benefit plans, the changes undertaken are necessary in the current environment. The BOM gave careful deliberation and undertook extensive consultation with stakeholders before deciding on these changes. While the decisions were not easy, the BOM believes they are fair and balanced and continue to meet our goal of meeting the members needs while balancing employer's ability to pay for the plans. We would like to ask for everyone's patience and understanding as we work through the challenges before us.

Further details on the above changes will be communicated prior to implementation. In the meantime if you have any questions or comments, please e-mail the following contacts or call WBP at 1-800-588-4226 at the extensions noted below:

Dwayne Cleave	treasurer@lutheranchurch.ca	Extension 2218
Cheryll Matthes	wbpbenefits@lutheranchurch.ca	Extension 2221
Janice Wiltshire	wbpinfojan@lutheranchurch.ca	Extension 2226
Lil Kozussek	wbpinfofil@lutheranchurch.ca	Extension 2223
Nancy Swerhun	nswerhun@telus.net	403-278-7506