

CONGREGATION TREASURER'S MANUAL



LUTHERAN CHURCH-CANADA

ALBERTA - BRITISH COLUMBIA DISTRICT

Revised September 2014

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.

Important: This manual is a guideline only. Please do not rely on it in its entirety as each congregation is unique with different circumstances and things do change. You are encouraged to seek information through the various websites listed throughout this manual.

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 money's 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 a 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

Requirements for records

(found in CRA website: <http://www.cra-arc.gc.ca/chrts-gvng/menu-eng.html>

and IC78-10R5: <http://www.cra-arc.gc.ca/E/pub/tp/ic78-10r5/ic78-10r5-10e.pdf>)

Generally, the CRA does not specify the records you need to keep. However, your records, whether in paper or electronic format, have to:

- be reliable and complete;
- provide you with the correct information you need to assist you in fulfilling your tax obligations and to calculate the credits you are entitled to;
- be substantiated by supporting documents to verify the information contained in the records; and
- include other documents, such as appointment books, logbooks, income tax and GST/HST returns, scientific research and experimental development (SR&ED) vouchers and records, and certain accountants' working papers, that assist in determining your obligations and entitlements.

Additional records registered charities have to keep:

- that verify revenues including all charitable donations received;
- that verify that resources are spent on charitable programs;
- that verify that the charity's purposes and activities continue to be charitable;
- that allow the CRA to verify all donations that give donors tax credits or deductions;
- of the minutes of meetings of their executives;
- of the minutes of meetings of their members;

- of the documents and by-laws that govern them; and
- of a duplicate of each receipt containing prescribed information for each donation received.

How long records should be kept:

(see the CCCC website: <http://www.cccc.org/>), or

Revenue Canada website: <http://www.cra-arc.gc.ca/chrts-gvng/chrts/chcklsts/bks-eng.html>

The general rule is to keep records for six years after year end.

This applies, for example, to financial statements, T3010 information returns, and all supporting source documents. Some examples are supplies invoices, expense vouchers, mileage logs, GST records, income tax receipts, bank statements.

Some records are to be retained permanently. Some examples are instructions for restricted gifts, including 10 year gifts, Minutes of meetings and all governing documents and bylaws.

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 found in the Keeping Records Guide RC4409 including the CRA Information Circulars IC78-10R5 – *Books and Records Retention/Destruction* and IC05-1 – *Electronic Record Keeping*.

The chart on the next page is from Canadian Council of Christian Charities (CCCC) titled:
HOW LONG SHOULD RECORDS BE KEPT?

The following chart provides some common examples of records and suggested retention periods. Every attempt has been made to give accurate information in this schedule.

You may wish to check with your lawyer or other professional advisor for information specific to your situation.

Type of Record	Retention Period
Church Envelope Records	3 years
Official Receipts for Income Tax Purposes	6 years
Approved Budgets	7 years
Bank Reconciliations	7 years
Bank Statements/Cancelled Cheques	7 years
Donation Records	7 years
Financial Statement Working Papers	7 years
Inventory Records	7 years
Invoices/Receipts of payment	7 years
Monthly Trial Balance	7 years
*Payroll Records, T4's	7 years
Record of Employment (ROE's)	7 years
T3010 Annual Charity Information Return	7 years
General Ledger (7 years unless a Corporation, then permanent)	Permanent *
Governing Documents (Letters Patent, Certificate of Incorporation, Bylaws)	Permanent *
Minutes of Directors' Meetings	Permanent *
Minutes of Executive Committee Meetings	Permanent *
Minutes of Members' Meetings	Permanent *
Official Receipts for Income Tax Purposes (Perpetual Endowment Gifts)	Permanent *
Official Receipts for Income Tax Purposes (10 year gifts)	Permanent *
Authorization and Consent for Minors	Recommended Permanent
Confidential Record of Reference Checks **	Recommended Permanent
Employment Applications	Recommended Permanent
Insurance Policies	Recommended Permanent
Performance Reviews	Recommended Permanent
Personnel Information: sick leave, time sheets, attendance, discipline, vacation	Recommended Permanent
Suspected Child Abuse Report	Recommended Permanent
Suspected Child Abuse Followup Report	Recommended Permanent
T-4 Summaries	Recommended Permanent
Volunteer Application Forms	Recommended Permanent
Year End Financial Statements	Recommended Permanent

Note: Records that are to be kept for a certain period (eg. 2 years or 6 years, after the end of the tax year to which they apply) are rounded up to the next year (eg. 3 years or 7 years).

**Permanent means for 2 years after the charity's registration is revoked*

***The police record check itself may be destroyed, but keep a permanent record that it was received and vetted. While duplicate receipts technically need only be kept for 2 years, practically they should be kept for at least 5 years in the event a donor who has not yet claimed the donation on their income tax return has lost the receipt and request a replacement. It may also be practical to keep these for a full 6 years as a source document backing up the general ledgers.*

D. Charitable Organization Registration Numbers

Name	Registration No.
Lutheran Church-Canada, ABC District	107649667 RR0002
Lutheran Church-Canada, Winnipeg.....	133275479 RR0001
Concordia Lutheran Seminary, Edmonton (CLS).....	106966575 RR0001
Concordia Lutheran Theological Seminary, St. Catharines.....	118871938 RR0001
Concordia University College of Alberta, Edmonton (CUCA)	106966468 RR0001
Concordia Lutheran Mission Society, Winnipeg (CLMS).....	897594826 RR0001
Canadian Lutheran World Relief, Winnipeg (CLWR)	106863038 RR0001
Crew Ministries, Quesnel.....	893728311 RR0001
Lutheran Association of Missionaries and Pilots, Edmonton (LAMP).....	119004810 RR0001
Lutheran Women’s Missionary League (LWML).....	892916768 RR0001
Lutheran Laymen’s League, Kitchener (LLL)	119026193 RR0001
Lutheran Church-Canada Financial Ministries (LCFM)	888730397 RR0001
Lutheran Bible Translators, Kitchener (LBT).....	107650129 RR0001
Lutheran Hospital Ministries of Southern AB, Calgary.....	107649931 RR0001
Lutheran Hospital Ministries of Northern AB, Edmonton.....	889009718 RR0001

3. Worker’s Salary and Benefits Information

A. Salary Compensation Guidelines

By September of each year, the ABC District office posts a Rostered Churchworkers’ Suggested Compensation Guidelines. 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 Salary Compensation Guidelines for rostered churchworkers’ can be found at <http://www.lccabc.ca/> , under **Resources** – District Resources – **Treasurer’s/Financial** – Salary Compensation Guidelines.

B. Clergy Residence Deduction

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 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 2014, the YMPE is \$52,500

CPP Rates	2014
Minimum Age	18
Maximum Age	70
Contribution Rate	4.95%
Annual Basic Exemption	\$3500.00
Maximum Pensionable Earnings	\$52,500.00
Maximum annual Contribution	\$2,425.50

Rates will experience increases again in 2015 effective in January 2015. As always, contribution rates (2014 = 9.9%) are divided between employees and employers (9.9/2=4.95%).

D. Employment Insurance Rates

EI Rates	2014
Basic EI rate (employee)	1.88%
Maximum insurable earnings	\$48,600.00
Maximum employee contribution	\$913.68
Employer contribution (1.4 x employee rate)	2.632%
Employer maximum contribution	1279.15

E. LCC Worker Benefits

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.
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:

Information is available on the Service Canada website, please access for more information:

<http://www.servicecanada.gc.ca/eng/services/ei/employers/roe/>

Whenever an employee receiving insurable earnings, including clergy, leaves their position or there is an interruption of earnings, the employer must complete a Record of Employment form either electronically or in paper form. The deadline for submitting an electronic ROE is based on the pay period type and the day on which the interruption of earnings occurred. If you issue electronic ROEs, you no longer need to provide a paper copy to your employees. The paper form needs to be done within five calendar days. See website for further information. One copy of the form is given to the employee, one copy is sent to Service Canada, and one copy is kept by the employer.

To order paper ROE forms, call the Employer Contact Centre at 1-800-367-5693 (TTY: 1-855-881-9874). When placing your order, please have your Canada Revenue Agency Payroll Account Number ready for identification purposes.

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. More information is in the "T4130 Employers' Guide – Taxable Benefits and Allowances" available on the CRA website at: <http://www.cra-arc.gc.ca/E/pub/tg/t4130/README.html>

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 must be received from the clergy that they are claiming the Clergy Residence Deduction along with the amount that will be claimed.

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 2014 T4 or T4A Information Return by the last day of February 2015). 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 (Statement of Remuneration Paid) and the related T4 summary form (Summary of Remuneration Paid). 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.

Guidelines for completing T4 slips:

- Complete the slips clearly.
- Report, in dollars and cents, all amounts you paid during the year, except pension adjustment amounts, which are reported in dollars only.
- Report all amounts in Canadian dollars, even if they were paid in another currency.
- Do not enter hyphens or dashes between numbers or names.
- Do not enter the dollar sign (\$).
- Do not show negative dollar amounts on slips; to make changes to previous years, send us amended slips for the years in question.
- If you do not have to enter an amount in a box, do not enter "nil" - leave the box blank.
- Do not change the headings of any of the boxes.

T4 internet/electronic filing services are available. There are two Internet filing options available:

- T4 Web forms (ideal for smaller returns up to 100 slips)
- T4 Internet file transfer (XML) is available to employers' using compatible payroll software. See CRA website for details.

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 50 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 CRA website “Employers’ Guide – Filing the T4 Slip and Summary):

<http://www.cra-arc.gc.ca/E/pub/tg/rc4120/rc4120-13e.pdf>

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 the provincial abbreviation code to indicate the province in which the employee reported to work. Example: AB = Alberta or BC = British Columbia. For any employee who had more than one province or territory of employment in the year, complete separate T4 slips.

Box 12 – Social Insurance Number: Enter the employee’s social insurance number (SIN) as provided by the employee.

Box 14 – Employment Income: Report the total employment income paid before deductions. This includes the total of all salary, wages, bonuses, vacation pay, honorariums etc... See CRA website for complete listing. Also include each of the amounts that are reported in the “Other Information” area of the T4 statement such as the value of all taxable benefits.

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: Box 24 must always be completed even if there are no insurable earnings. Enter the total amount of insurable earnings you used to calculate the employee’s EI premiums that you reported in box 18, up to the maximum insurable earnings for the year (48,600 for 2014). If there are no insurable earnings for the entire reporting year and box 18 is blank, enter “0” in box 24. In many cases, boxes 14 and 24 will be the same amount.

See chart in Guide T130 “Employers’ Guide Taxable Benefits and Allowances” for your specific situation: <http://www.cra-arc.gc.ca/E/pub/tg/t4130/t4130-13e.pdf>.

Box 26 – CPP Pensionable Earnings: Box 26 must always be completed even if there are no pensionable earnings. Enter the total amount of pensionable earnings paid to your employee, up to the maximum pensionable earnings for the year (YMPE for 2014 is 52,500), even if you did not withhold CPP contributions on all or any of those earnings. This may happen if you give a non-cash taxable benefit to an employee but do not pay cash earnings during the year. If there are no pensionable earnings for the entire reporting year and boxes 16 or 17 are blank, enter “0” in box 26. In many cases, boxes 14 and 26 will be the same 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 – Employers Account 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 for 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 of Remuneration Paid

In the boxes at the top of the form, enter the 15-digit Business Number (BN) and your organization’s name and address information. The BN number is the number you use to send CRA your employees’ deductions also called “payroll program account number”.

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

Line 20 – Registered Pension Plan (RPP) 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’s 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 – Minus: Remittances: Enter the total amount of remittances you made to the Receiver General for the year under your BN (or payroll program account number).

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. 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.

J. 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 (SPF)

- 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.

K. 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).

L. 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

M. 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.

N. 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 Guide 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 http://www.cra-arc.gc.ca/bsnsss/menu-eng.html
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 the Public Service Bodies (PSB) Rebate of 50% of the GST paid on expenses for charitable purposes. See website for more info at: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/glsry-eng.html#service>.

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, "GST66 Application for GST/HST Public Service Bodies' Rebate...", can be submitted annually for the period of January to December. See website for the form at <http://www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html>. 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. The gift must be made voluntarily;
2. There must be a transfer of property; and
3. There must be a financial sacrifice (ex: the donor's personal resources are reduced by the value of the gift. 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:

- Gifts of property include not only cash but also non-cash (referred to as “Gifts-in-Kind”. See page 45 for more info). Gifts-in-kind that a charity might receive include clothing, artwork, furniture, building materials, appliances, real estate and publicly listed securities. Since gifts-in-kind are gifts of property, a charity may issue receipts for them. However, a primary challenge with gifts-in-kind is how to determine the value of the gift. A charity is responsible for establishing the value for receipting purposes. If no public market exists for the gift-in-kind (e.g., real estate, art, furniture), or if the property value is greater than \$1,000, an appraisal should be obtained from a person competent and qualified to do so. Another challenge is liquidating them if the gift-in-kind is not useful to the charity. If the inconvenience and cost to the charity for establishing the value or for liquidating the gift-in-kind are too great, the charity should not accept the gift. If the value of a gift cannot be established, a receipt cannot be issued.

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.
- As with any gift, the amount that is receipted must be reduced by the amount of any consideration or advantage. There are also rules in the Income Tax Act (ITA), which apply primarily to gifts-in-kind that require the charity to receipt the lesser of the fair market value and the actual cost of the gift to the donor.
 - The ITA presumes that a person has made a financial sacrifice and intends to make a gift only when the consideration available to the donor in return for the transferred property does not exceed 80 percent of the fair market value of the property transferred. For example, a person who pays \$1,000 to a charity and receives back items worth \$800 is still considered to have intended to make a gift. This person could receive a receipt with an eligible amount of \$200. In such situations, no further evidence will be required to demonstrate that the donor had an intention to make a gift. If, however, the consideration that was given or available to the donor exceeds

80 percent of the fair market value of the property transferred, no receipt should be issued.

- 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. Since a Canadian registered charity must use all funds it receives to carry out its own activities, it may not accept funds directed toward a foreign charity which is not a qualified donee. This is the case even if the Canadian charity does not issue an official receipt for income tax purposes. Funds, even those not receipted, become the charity’s property the moment they are deposited in the bank account. A charity wishing to fund a project carried on by an individual outside Canada should formally adopt that program as part of its own program and retain the individual as either an employee or agent. If these steps are not taken, then the Canadian charity is simply channeling money to the individual because it has no direction and control over this person.

Why Every Charity Should Have a Donor Restricted Gift Policy:

Every charity should have a donor restricted gift policy and make donors aware of the policy whenever accepting restricted funds. The policy should state that the funds are being accepted on the condition they will be used for the specified purpose or project, unless that purpose or project has been completed, or for some reason cannot be completed, in which case the board may decide that the funds are to be used for another charitable activity. Without the donor agreeing to this condition at the time the gift is made, the charity may not be able to use the funds for a different purpose or project. In addition, once the gift has been made, the donor has no further right to, nor authority over, the funds. Once a policy is adopted, fundraising staff need to ensure it is clearly communicated and printed on all materials provided to prospective donors. It also must not be abused or taken advantage of by the charity to redirect monies/gifts unless absolutely necessary.

Sample Donor Restricted Gift Policy:

Spending of funds is confined to [board/charity] approved programs and projects. Each contribution directed toward an approved program or project will be used as restricted with the understanding that when the need for such a program or project has been met, or cannot be completed for any reason as determined by the [board/charity], the remaining restricted contributions will be used where most needed.

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 (or BN number)
- date donation received (or the Year)
- eligible amount of gift for tax purposes
- name, including middle initial, and address of the donor
- date receipt was issued
- location where the 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:

- brief description of property
- value of donor's advantage in respect to the gift
- name and address of appraiser (if done)
- the eligible amount of gift for tax purposes which is the fair market value of the property at the time the gift was made (should not include taxes paid by the donor) or the "deemed" FMV of the property.

For certain types of non-cash gifts (such as property acquired by the donor less than three years prior to the gift or as part of a tax shelter), a receipt must be issued for the lesser of the gift's fair market value and its cost to the donor. This is referred to as the "deemed fair market value rule." The rule also applies to gifts acquired less than ten years prior to the gift, if one of the main purposes of acquiring the property was to donate it to charity. Some exceptions apply.

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.

Replacing Official Receipts

If a charity issues a replacement for a lost receipt, the replacement receipt must be clearly identified with a notation to the effect that "this cancels and replaces receipt # [insert the serial number of the lost receipt]." The charity will also need to retain its duplicate copy of the lost receipt and mark it "cancelled."

If a receipt is spoiled, it must be marked "cancelled." The charity must retain both the original and duplicate as part of its records. If the donation amount, the date the donation was received or the year during which the donation was received, or the description/amount of any advantage is incorrectly or illegibly entered on an official receipt, it cannot be corrected. The receipt is deemed to be spoiled, and must be cancelled and replaced.

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 voter’s 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 T3010, 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

Background: The disbursement quota is the minimum yearly amount each registered charity must spend on charitable activities or as gifts to qualified donees. A gift by a registered charity to a qualified donee is considered to be charitable activity by the gifting charity. The purpose of the disbursement quota is to ensure spending rather than accumulating charitable funds. Prior to Budget, 2010, there were several components to the disbursement quota based on the designation of the charity, the type of property owned, and the funding source. These components fell into two main categories: charitable expenditure and capital accumulation. Post-Budget, 2010, only the capital accumulation component remains.

Post Budget: The only portion of the disbursement quota not eliminated is the capital accumulation rule. This portion requires charities to calculate and spend at least 3.5 per cent of the total value of assets not used in charitable activities or administration if these assets are greater than \$100,000 for charitable organizations or \$25,000 for charitable foundations. Enduring property and the capital gains pool are eliminated.

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.

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

- **The New “Designated” Gift**: 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.
- **A Reasonable Interpretation**: 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 $50,000 \text{ km} \times \$0.0015 = \$75$

Or

If 5,000 litres of gas is purchased, the refund would be $5,000 \text{ litres} \times \$0.015 = \$75$

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. Officers Roster

No longer using effective January 1, 2015

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 REPORT IS 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. This assessment will not only be calculated by a per-communicant rate but also a parish rate. 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 Commitment 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 missions during the course of the year on a monthly, quarterly or annual basis (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.

C. Program Funding Requests Guidelines

Congregations that are experiencing serious financial difficulties or that are new mission congregations can apply for a subsidy from the Department of Outreach. Subsidy request guidelines and forms are available on our website or by contacting the ABC District Office. Applications need to be sent in by October 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 your choice of the 1st, 15th or last day of each 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 all the regulations that must be followed.

B. Reporting Requirements

Business Corporations Act:

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/02057_00

The Corporations Act (Alberta): <http://www.qp.alberta.ca/documents/Acts/B09.pdf>

Corporations Act (British Columbia):

<http://www.pushormitchell.com/files/articles/THE%20BRITISH%20COLUMBIA%20BUSINESS%20CORPORATIONS%20ACT.pdf>

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 Inc.

305-2 2026 Lanthier Drive

Orleans, ON K4A 3V5

Phone: 613-824-5758

Fax: 613-824-1342

Email: info@churchtreasurers.ca

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