

CONGREGATION TREASURER'S MANUAL

LUTHERAN CHURCH-CANADA
ALBERTA BRITISH COLUMBIA DISTRICT

Revised October 2010

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Duties of the Treasurer and Financial Secretary

Treasurer

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

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

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

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

Financial Information

Financial Controls

We strongly suggest that our congregations follow these specific financial controls:

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

Special Purpose Funds

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

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

Special purpose accounts should only be set up after the congregational council has approved the purpose. Also, when the congregational council establishes a new special purpose fund, council should indicate where extra monies will be applied should the specific fund be over-subscribed or when the project is completed and funds are remaining in the account (essentially, how and when the specific fund can be closed).

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

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

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

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

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

Records Retention

Retain permanently:

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

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

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

Books and records may be destroyed at an earlier time than outlined above if CRA gives written permission for their disposal. To get such permission, complete and send in CRA Form T137 Request for Destruction of Books and Records, <http://www.cra-arc.gc.ca/E/pbg/tf/t137/README.html>.

Further information on record retention can be obtained in the CRA Information Circulars IT78-10R5 – Books and Records Retention/Destruction (<http://www.cra-arc.gc.ca/E/pub/tp/ic78-10r5/README.html>) and IC05-1R1 – Electronic Record Keeping (<http://www.cra-arc.gc.ca/E/pub/tp/ic05-1r1/README.html>).

Responsibility for the Oversight of Committees and Ministry

The Treasurer is responsible for the oversight of all church committee and ministry treasurers, for example: LWML, Sunday School, Youth etc. This includes ensuring all ministries of the church accurately report their finances and adhere to CRA's guidelines. As well as advising them on proper record keeping for donations, expenses and year end reviews.

Worker's Salary and Benefits Information

Church Worker's Compensation Guidelines

By September of each year the ABC District office posts a Church Workers Compensation Guide. These guidelines are the recommendations of the ABC District and are not to be construed as the official salary scale for all church workers

in the district. Rather they are intended to be a guide as to the minimum that pastors 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 pastor.

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

A copy of the current year's Church Workers Compensation Guide can be found at <http://www.lccabc.ca/resources#001>, under Congregations, Financial, 2011 Salary Guidelines.

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 (<http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/README.html>).
- 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 Pastor 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.

Pastors 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 Pastors 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 at <http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/README.html> OR

http://www.cccc.org/members_topic_show/clergy_residence_deduction (this is link is only for members of the CCCC. If you want more information about the benefits of membership in the CCCC, please contact the District Office.).

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) (<http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/README.html>)).

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 2010, the YMPE is \$47,200

CPP Rates	2010
Minimum Age	18
Maximum Age	70
Contribution Rate	4.95%
Annual Basic Exemption	\$3500.00
Maximum Pensionable Earnings	\$47,200.00
Maximum annual Contribution	\$2,165.15

Rates will experience increases again in 2011 and 2012. As always, contribution rates are divided between employees and employers.

Employment Insurance Rates

Basic EI rate (employee)	1.73%
Maximum insurable earnings	\$43,200.00
Maximum employee contribution	\$747.36
Employer contribution (1.4 x employee rate)	2.42%

LCC Worker Benefits

Lutheran Church-Canada (LCC) Worker Benefit Plans 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, congregation treasurers are encouraged to go to the LCC Worker Benefits website www.lccbenefts.ca. For information specific to treasurers, visit <http://www.lccbenefts.ca/employer/treasurer/index.html>. 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:

- If a congregation chooses to obtain LCC Worker Benefits for their employees, the following need to be enrolled in the Benefit Plans:
 - Full-time Workers (those who work more than 15 hours per week and more than five months per year)
 - Part-time workers who met the following requirements:
 - earned at least 35% of the Year's Maximum Pensionable Earnings
 - worked at least 700 hours in each of the preceding two calendar years

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

Billing notices are mailed at the beginning of each month with payment due by the 15th of the month, and include the amount of taxable benefit to be included in payroll income tax calculation

Worker Benefit Premiums can be paid by electronic funds transfer.

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.

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.

For pastors who live in a parsonage, LCC Worker Benefits uses his basic cash salary plus 30% in determining his average earnings for the LCC Pension Plan.

Record of Employment Forms

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

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

Payroll Information

Information is available on the CRA website at <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/menu-eng.html> or from any tax office.

T4001 – Employers' Guide – Payroll Deductions (Basic Information)

T4130 – Employers' Guide – Taxable Benefits

T4032 – Payroll Deductions Tables for your province for the current year

Also available is a Payroll Deductions Online Calculator (<http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/pdoc-eng.html>) that can be used in payroll preparations.

Taxable Benefits

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

Housing Equity Allowance

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

Telephone and Internet Allowance

If the congregation requires the pastor to be accessible by telephone and to have Internet access in his 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 pastor or other 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 pastor. This then represents a personal gift from the congregation member to the pastor.

Summary of Taxable Benefits

Taxable Benefit	Benefits Subject to Deduction			T4 Requirements	
	Pensionable CPP	Insurable EI	Taxable Income Tax	Income Box	Taxable Benefit Box
Life Insurance Premiums	Yes	No	Yes	Box 14	Box 40
Housing Benefit*	No	Yes	No	Box 14	Box 30
Utilities Allowance*	No	Yes	No	Box 14	Box 30
Housing Equity Allowance	Yes	Yes	Yes	Box 14	Box 40
Book Allowance	Yes	Yes	Yes	Box 14	Box 40
Auto Allowance-flat monthly allowance amount	Yes	Yes	Yes	Box 14	Box 40
Auto Allowance-reimbursed for actual business kilometers	No	No	No	N/A	N/A
Telephone/Internet-personal use portion if paid by church	Yes	Yes	Yes	Box 14	Box 40

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

Annual T4 Preparation

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

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

Completing the T4 Information Return

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

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

A T4 information return includes the T4 slips and the related T4 summary form. For more information on how to file a T4 return, see the Employer's Guide – Filing the T4 Slip and Summary Form available on the CRA website (<http://www.cra-arc.gc.ca/E/pub/tg/rc4120/>).

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

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

An electronic amendments service is also available to filers to cancel or amend information slips. For information on these electronic services, check out the CRA website (<http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/menu-eng.html>).

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

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

Completing the T4 Statement of Remuneration Paid

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

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

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

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

BC – British Columbia

AB – Alberta

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Box 29 – Employment Code:

This is normally not applicable to charities.

Box 50 – RPP Registration Number:

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

Box 52 – Pension Adjustment:

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

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

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

Box 30 – Housing, Boarding and Lodging: If a parsonage was provided, enter the fair market (rental) value of the housing provided plus utilities paid. The amount reported in Box 30 is also included in Box 14 “Employment Income”. Otherwise, report the cash paid housing allowance in this box and box 14.

Box 40 – Other Taxable Allowances and Benefits: Report the total of all taxable benefits such as life insurance premiums, personal use of telephone/internet, book allowance, gift certificates and taxable auto allowance. The total amount reported in Box 40 is also included in Box 14 “Employment Income”.

Completing the T4 Summary Form

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supplementary Unemployment Benefit Plan

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).

If a situation arises where an employee is incapable of working for an extended period of time due to illness, the employee can apply for unemployment insurance

benefits. However, due to the 2 week waiting period, as well as the maximum benefits of \$413 per week (55% of the employee's weekly insurable wage), this may be financially difficult for the employee. The Supplementary Unemployment Benefit (SUB) Plan allows the employer (congregation) to pay 95% of the employee's weekly insurable wage during the 2 week waiting period (when EI is not being paid), as well as top up the employee's pay to 95% for the remainder of the waiting period (40% of the employee's weekly insurable wage).

The Guide for Supplemental Unemployment Benefit Program that outlines the details of how the program works can be viewed at http://www.servicecanada.gc.ca/eng/cs/sub/0200/0200_010.shtml.

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. Coverage is mandatory in British Columbia, and it is optional in Alberta for clergy.

Alberta - <http://www.wcb.ab.ca/>

British Columbia - <http://www.worksafebc.com/>

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 - <http://employment.alberta.ca/SFW/1224.html>

British Columbia -

http://www.workbc.ca/employers/workplace_regulations/employment_standards.htm

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.

Federal Personal Tax Credits Return Form - <http://www.cra-arc.gc.ca/E/pbg/tf/td1/README.html>

Alberta Personal Tax Credits Return Form - <http://www.cra-arc.gc.ca/E/pbg/tf/td1ab/README.html>

British Columbia Personal Tax Credits Return Form - <http://www.cra-arc.gc.ca/E/pbg/tf/td1ab/README.html>.

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 http://www.cra-arc.gc.ca/E/pub/tg/rc4110/README.html](http://www.cra-arc.gc.ca/E/pub/tg/rc4110/README.html)), which provides examples and guidance on this issue. The following are some basic principles, which can be used to determine if someone working for the church is an “employee”:

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

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

Business Expenses and Travel Reimbursement

In order for the auto allowance to be non-taxable, it must be a re-imbusement based upon actual kilometres driven for clergy duties, and the re-imbusement rate on a per kilometre basis must be reasonable. A logbook must be maintained by the clergy, and a copy submitted when requesting re-imbusement. The District sets out mileage re-imbusement 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”.

Canada Revenue Agency Requirements and Allowances

Contact information

General Web Site	www.cra-arc.gc.ca
Charities Directorate	1.800.267.2384 www.cra-arc.gc.ca/charities
Forms and Publications	1.800.959.22 www.cra-arc.gc.ca/formspubs/menu-e.html
GST, Payroll Deductions	1.800.959.5525
Other Business Inquiries	http://www.cra-arc.gc.ca/tx/bsnss/menu-eng.html http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/menu-eng.html
Electronic Mailing Lists	http://www.cra-arc.gc.ca/esrvc-srvce/mlst/menu-eng.html
Personal Tax Inquiries	1.800.959.8281

HST/GST Rebate

GST Rebate

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

Total payment x 5/105

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

The GST rebate claim form, GST 66, can be submitted annually for the period of January to December. For further information, visit <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/bspsbch/rtrns/menu-eng.html>.

HST Rebate

As of July 1, 2010, British Columbia instituted a Harmonized Sales Tax (HST) by combining the PST of 7% and the GST of 5% for a total of 12% HST. Registered charities are entitled to claim 57% of the PST back as a rebate. In order to calculate this amount, you must first separate out the provincial portion of the tax.

Total HST Paid x 7% x 57% = Total Rebate

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:

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

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

Following are some examples of special situations:

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

with another charity, or may include the funding of charitable activities carried on by other charities, including foreign charities.

Information Appearing on Official Donation Receipts

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

Cash Gifts

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

Non-Cash Gifts – must also include the following:

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

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

- total amount received (cash or fair market value)
- value of advantage (cash or fair market value of property or services)
- eligible amount of gift for tax purposes (total amount received less value of advantage)

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

Each receipt must be prepared in duplicate, must be signed by an authorized person, and must bear its own serial number. In preparing official donation receipts, a congregation must indicate the year in which it actually received a gift. If a gift is

dated, mailed, and postmarked in one year and received in the next year, the congregation can issue a receipt indicating the year appearing on the postmark as the date it received the gift. A charity must keep on file a copy of all official receipts that it issues.

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

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

CRA indicates that a registered charity can issue computer-generated electronic official donation receipts as long as they are readable and the reliability of the computer data entries is sufficiently protected. Protection against unauthorized changes to the data entries is the key security concern. An ideal computer system should incorporate user authentication (user-identifications validated by passwords) with access controls to restrict entry to and modification of donor contribution records. CRA recommends that donor records be stored on nonerasable 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.

Required Items on an Official Donation Receipt

These things are required to be present on your official donation receipt:

- Congregation Name
- Congregation Address (including city, province, postal code)
- Charity Registration Number
- Serial Number of Receipt
- Date Receipt Issued
- Location Receipt was Issued
- Date Donation was Received
- Eligible Amount of Gift for Tax Purposes
- Name of Donor
- Address of Donor (including city, province, postal code)
- Authorized Signature

Receipting Congregational Group Funds

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

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

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

Registered Charity Annual Return

All congregations that are registered charities are annually required to complete form T3010B (09), Registered Charity Information Return. The T3010 return and related schedules are sent directly to each registered charity by the Canada Revenue Agency. To complete the return, please refer to the guide (available on CRA's website, <http://www.cra-arc.gc.ca/E/pbg/ff/t3010b/README.html>) 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.

Disbursement Quotas

All registered Canadian charities were affected by substantial amendments to the disbursement quota in the federal Budget 2010, effective March 4, 2010. The most significant change is the elimination of the 80 per cent charitable expenditure rule or disbursement quota. It is no longer necessary to annually disburse an amount equal to at least 80% of the tax-receipted donations received by it in the previous year. For more information, please visit http://www.cccc.org/bulletin_article/287.

Please be aware that the following information is out of date as of Budget 2010 and only applies only to fiscal periods ending before March 4, 2010.

A registered charity must annually disburse an amount at least equal to 80% of the tax-receipted donations received by it in the previous year. Registered charities like churches do this by:

- expending amounts on the delivery of its own charitable programs
- transferring funds to other registered charities

Expenditures related to the overall management and administration of the congregation cannot be included in amounts expended on charitable programs. This includes office supplies and expenses, secretarial salaries and benefits, and an allocation of other salaries and expenses that apply to both the administration of the church and carrying out of it's religious or charitable programs.

A disbursement excess is created when a charity spends more on charitable activities, including gifts to qualified donees, than it is required to by its disbursement quota for that year. An excess can be carried back one year to offset a shortfall in that period. A charity can also draw on an excess for up to five of its following fiscal periods to help it meet its disbursement quota.

A disbursement shortfall is created when a charity spends less on charitable activities, including gifts to qualified donees, than its disbursement quota for that year. A charity can draw on previous years' excesses to cover a shortfall. If no excesses are available to draw on, a charity can try to spend enough the following year to create an excess that will make up for the shortfall. However, continuous shortfalls can lead to revocation of the charity's registration.

Special rules apply to endowments and other gifts (capital assets) transferred to a charity. If congregations have received gifts such as endowments, the CRA provisions that apply should be researched.

Congregations can also request in writing permission from CRA to accumulate funds for a specified purpose such as a future building project. The annual amount requested and approved will go towards reducing the minimum 80% disbursement quota. Again, special rules apply to the accumulation and subsequent disbursement of funds that congregations should make themselves aware of.

Once the Registered Charity Information Return has been processed by the CRA, the charity will receive a Registered Charity Information Return Summary. The summary will show the disbursement quota amount that the charity is required to spend in the succeeding year on charitable programs or transfers to other charities.

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" (<http://www.cra-arc.gc.ca/E/pbg/ef/xe8/README.html>).

Example:

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

Or

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

Book Allowance

Canada Revenue Agency considers all book allowances paid to pastors 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".

District and Synod Reporting

Forms are sent out to each congregation in early fall with a request that they be completed and sent in to the district office by January 15. This report is used to update the district's records. This information is needed so that district office staff, pastors and other congregations know who the contacts are for the various offices and ministries.

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 REPORTS ARE COMPLETED AND SUBMITTED ANNUALLY.
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Risk Management and Insurance

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 a 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.

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:

- Accountability
- Identifying Purposes
- Consent

- Limiting Collection
- Limiting Use, Disclosure and Retention
- Accuracy
- Safeguards
- Openness
- Individual Access
- Challenging Compliance

The District office's privacy policy and compliance practices are located on the ABC District's website <http://www.lccabc.ca/resources#001>.

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:

- The budget must be well conceived and prepared or approved by the board or council.

- The budget must be broken down into periods corresponding to the periodic financial statements and using the same accounts.
- Financial statements must be prepared on a timely basis throughout the year and a comparison made to the budget.
- 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.

Important Aspects to Consider When Budgeting

Convention and Conference Assessments

The Synod Convention is held every three years prior to which, each congregation is notified by the district office of the amount that the congregation will be assessed per communicant member to cover the costs of the convention. The District Convention is held every three years in the year following the Synod Convention and, again, each congregation will be notified of the amount they will be assessed to cover the costs of the convention. In the year after the District Convention there generally is the District Church Workers Conference where the congregation is expected to cover the costs of 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.

Salary and Benefits

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

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.

Workers Compensation Premiums

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

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, pastor 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

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, then seek them elsewhere (accountants from commercial firms or chartered accountant firms).

Purpose of the 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.

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.

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

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 by Concordia Publishing House
- Church Helpmate by Helpmate Technology Solutions
- Church Windows by Computer Helper's Publishing
- The Church Executive by Adminware Corporation
- Churchwatch by White Mountain Software

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

District Programs

Support of the District and Synod Work Programs

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 work programs. The donations that the district receives from congregations go towards the following programs and expenditures:

- district outreach efforts
- church worker support
- synod missions (includes overseas missions, seminaries and congregation services)
- district administration

Congregations are sent an annual Mission Commitment Form and asked to submit to the District Office the amount that they have pledged in support of the District

and Synod work programs for the coming year. Congregations are then expected to send in the pledged funds in 12 equal payments during the course of the year. This form is included with the treasurer mailing that is sent in the Fall.

Program Funding Applications

ABC District congregations can apply to the Department of Outreach for funding. Guidelines and forms are available online on the District website. Funding requests should be received by October 15 so that they can be considered for the coming year.

Pre-Authorized Debit (EFT)

Congregations can forward their monthly missions, CEF/ABC District Ltd. loan payments and other remittances made 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 the regular remittances;
- Saves time for district staff in processing payments;
- Saves money for congregations by reducing costs for postage, cheques and envelopes;
- Ensures that payments are received on time.

The Electronic Funds Transfer (EFT) process will electronically forward the payment from the congregation's bank account to that of the ABC District on the 1st, 15th or last day of the month. Congregations are able to change the amount or discontinue EFT payments at any time by advising the district office in writing at least one week prior to the date that the transfer is to take place (can be phoned, emailed or faxed in if necessary).

It is easy to join the EFT program. It only requires the following steps:

1. Complete and sign a EFT authorization form.
2. Attach a blank cheque marked "void" from your congregation's bank account to the form.
3. Mail or fax the authorization form and the void cheque to the district office.

EFT forms can be obtained by contacting the ABC District Office by calling toll free 1.888.474.0063 (Edmonton local 780.474.0063)

Provincial Regulations

Incorporation

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

Treasurers of congregations that have been incorporated should make themselves aware of the all the regulations that must be followed.

Alberta

Alberta - Religious Society <http://www.servicealberta.ca/715.cfm>

Alberta - Non-Profit Alberta <http://www.servicealberta.ca/714.cfm>

British Columbia

<http://www.fin.gov.bc.ca/registries/>

Reporting Requirements

Alberta Maintenance of Incorporation

<http://www.servicealberta.ca/pdf/Forms/REG3062.pdf>

British Columbia Maintenance of Incorporation

<http://www.fin.gov.bc.ca/registries/corppg/forms/reg36.pdf>

Contact Information

LCC Synod Office – Winnipeg	Tel: 1.800.588.4226 or 204.895.3433 Fax: 204.832.3018 Email: info@lutheranchurch.ca Address: 3074 Portage Avenue, Winnipeg, MB, R3K 0Y2 Website: www.lutheranchurch.ca
LCC ABC District Office – Edmonton	Tel: 1.888.474.0063 or 780.474.0063 Fax: 780.477-9829 Email: info@lccabc.ca Address: 7100 Ada Blvd, Edmonton, AB, T5B 4E4 Website: www.lccabc.ca

Other Resources and Services

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

<http://www.faithlifefinancial.ca/en/pop.asp>.

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.

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 membership fee depends on the annual revenue that the congregation gathers. For a listing of the cost of membership, please visit http://www.cccc.org/membership_affiliate. For more information on the CCCC, please visit <http://www.cccc.org/>.

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, Ontario K4A 3V5

Phone: 613-824-5758

Fax: 613-824-1342

Website: www.churchtreasurers.ca

Church Extension Fund

Lutheran Church-Canada ABC District Church Extension Fund (CEF) was established by the ABC District in 1921 to provide loans to congregations, Lutheran schools 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

To apply for a loan, a congregation must complete a Loan Application 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, CEF Manager toll free 1.888.474.0063 extension 107 (Edmonton local 1.780.474.0063 extension 107) or email jruf@lccabc.ca. Additional information can also be obtained on the CEF Website www.cef.lccabc.ca.

Church Extension Fund also offers congregations the same investment opportunities as members of the congregation. Church Extension charges no fees for savings accounts and term investments. For more information visit our website at

www.cef.lccabc.ca, email cef@lccabc.ca or call toll free 1.888.474.0063 extension 1 (Edmonton local 780.474.0063 extension 1)

T4A Statement of Pension, Retirement, Annuity, and other Income

Congregations must complete a T4A slip 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.

Gifts in Kind (Non-cash) Reporting

Gifts in Kind should be recorded in the accounting records

- a. Record the donation as both a revenue and an expense (unless it is a capital item which then should be added to fixed assets) or;
- b. Report the donation in the Notes to the Financial Statements

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