**The Church Treasurer’s Orientation Guide**

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21. **Introduction**

This Church Treasurer’s Orientation Guide is designed to be a resource for existing or newly appointed church treasurers. For individuals in this position without any formal type of accounting training, assuming this role can be an overwhelming responsibility. In retrospect it is the intention of this resource guide, to alleviate some of the concerns which accompany this position.

1. **Role and Responsibilities**

The role of the treasurer in the local church is extremely important, and carries with it a weight of responsibility. The treasurer and the church board act as the guardians and/or the trustees of the local church and must protect all of its property and assets. These assets include not only the current monies on deposit in the church’s bank accounts, but also any designated funds in reserve, along with any future revenues and/or disbursements. One of the most important functions of the church treasurer is to ensure that sufficient controls are established that prevent fraud and dishonesty by the pastoral staff, the support staff, or volunteers of the local church. Individuals must be protected at all times from being placed in situations which might cause them to succumb to their own weaknesses and temptations, or from even the appearance of such instances.

1. **Education and Training**

One of the best resources a treasurer can use to prepare themselves for their new role, is to take a basic accounting course. Understanding debits and credits, balance sheets, incomes and expenditures will assist in preparing or presenting the monthly or annual church financial reports to the lead pastor, the church board, and the congregation. It may also ensure that accounting transactions are posted correctly by the book keeper or support staff.

Another valuable resource is to take a basic course in excel. Spreadsheets can be very useful to assimilate or to analyze accounting information. They are also helpful in tracking donations and/or staff payroll and benefits in the absence of any related software.

Microsoft Office including word and power point are also advantageous software packages. Word can be used to create donation receipts in the absence of any related accounting software, and power point can be useful in the presentation of financial reports.

1. **Accounting Software**

There are many types of accounting software packages available to churches. However most are designed for the purposes of for-profit-businesses or organizations, and fewer for charities or not-for-profit organizations. Some churches use Simply Accounting, or Quick Books, Power Church Plus, and other churches and district offices use software from ACS Technologies. There is a special church software package available for churches called “The Realm”. ACS Technologies has arranged special pricing for churches belonging to The Eastern Ontario District of the Pentecostal Assemblies of Canada. The pricing and support plan are very reasonable and based on the average weekly attendance of the local church. This software began as a social media based application for the local church, and has been expanded to allow online giving access and review by the donor, as well as the tracking of financial transactions to prepare the Trial Balance, Balance Sheet and Financial Statement. There are plans to expand it to allow Accounts Payable processing. Please contact Dan Smith at the District office for further contact information on this special accounting package.

1. **Designated Donations**

One of the primary responsibilities of the church treasurer and/or bookkeeper is the recording of donations, particularly those funds that are of a designated nature. Designated donations must be tracked separately from those indicated as for the general fund purposes of the church. For example missions’ designated funds can only be used for the support of local or overseas missions’ related disbursements. In this example such donations may be used for the intended support of a recognized PAOC missionary or missions work, or perhaps for the support of a local missions’ related organization such as the Pregnancy Crisis Center or youth for Christ outreach program. Building fund designated funds must only be used for either the capital building improvements of the current facility or held in reserve for future expansion or relocation purposes for a new building.

All donations are restricted according to the specifications and/or categories indicated on the offering envelope and are never interchangeable. It is the charity’s responsibility to ensure that all designated donation projects approved by the Church Board, and all designated donations are used as per the direction of the donor’s envelope. If an envelope contains a donation designated for a purpose which the church or church board is not currently promoting or feels they are unable to proceed with, the donor must be contacted immediately. It is the option of the donor to have their designated donation returned to them, or to select another designation donation category within the realm of the church’s current purposes. If the donor wishes the return of the donation within the current fiscal year only, they cannot be receipted for that amount.

Designated donations cannot be used for any other church purpose other than for those indicated on the envelope. Any undistributed designations may be set aside for future distribution. This will avoid any instances where they might be used for any other church purpose than for what they were intended.

From time to time, churches take up collections of love offerings for their pastoral staff such as at Christmas time or Pastor’s Appreciation Day. Such donations can be receipted to the donor according to the way the offering collection is presented to the congregation. If they are told the offering will be receipted, they should only indicate on their envelope “pastor’s love offering” and not indicate the name of the specific pastor. It then becomes the prerogative of the church board to determine the allocation of the love offering amongst either the pastoral staff or support staff. This helps to comply with the CRA guideline that individuals cannot make a donation through a registered charity designated for distribution to another individual.

 The amount of any love offering allocated to the staff member should be included in box 14 of the T4 slip along with any clergy residence allowance, the salary portion, and any taxable benefits.

 If the congregation is told prior to the offering collection that it is non-receipted, it should be taken in the form of cash and coin. Then the church board would determine the allocation amongst the pastoral or support staff and distribute it to them in cash accordingly. In this case the amount for each staff member is not considered taxable at source, and is not recorded in box 14 on the T4 slip.

1. **Offering Envelopes and Categories**

The giving categories on donation envelopes should be clearly indicated. Most church envelopes contain at least four specific categories; General, Missions, Building Fund and Other. Since envelopes are often ordered in the Fall and may require additional lead time from the local printing company, the treasurer and church board should discuss any specific projects they will be promoting for funding purposes in the upcoming year. Any such major projects may need to be included in the offering categories. For example perhaps the church is planning to do a special campaign to raise funds for a “Capital Expansion” of their current facility and they wish to specifically track these related revenues to the corresponding expenditures. Such items may require special consideration on the upcoming year’s offering envelope.

A separation of duties among church volunteers or support staff is preferable when at all feasible. Clearly defining who prepares a deposit, who takes it to the bank, and who does the posting to the GL , and the recording of envelopes to the donation program is good practice. The more separation of clerical duties there are, the less chance of actual or perceived fraudulent activity.

1. **Offerings and Counting Teams**

One area of great concern in all churches is the collection of offerings. Once the offerings have been collected they should always be escorted to the church office safe or to a secured location by a minimum of 2 to 3 ushers for security purposes. It is advantageous if there are counting teams in place who can immediately count the offering, prepare the deposit slip, place it in a bank deposit bag, and take it to the overnight depository of the church’s financial institution. An offering should never be taken to the bank depository location by only one individual or by that individual and a related person. It should always be taken to the bank by at least two or more unrelated individuals.

If the local church has a sufficient volunteer base to staff multiple counting teams, at least two or more teams are recommended whenever possible. Each counting team should contain a minimum of two or more unrelated individuals. If there can be at least three in each team that is even better

1. **Signing Authorities**

It is a good policy for any local church to have at least 3 signing authorities on their bank accounts. These individuals should include the church treasurer and at least two board members. Each check should require two signatures to ensure safety protocols. If the church’s book keeper has signing authority as well, it should always be reserved for an emergency, and not for general practice. The signers on the church’s bank accounts should never be the pastoral staff or other support staff. Specifying exactly who should be signing checks is a good control to establish, and helps protects not only the individual who prepares the check, but also the treasurer, the church board and the congregation from perceived or actual fraudulent activity. It is a good practice never to keep blank signed checks on hand. The signers should always be presented with the supporting documentation (i.e. invoice or expense reimbursement form) attached to the check waiting for their signature. Signers should always be well informed of the reasons for signing the check which is presented before them. When possible, the treasurer and a board member should co-sign all checks issued by the church. If the treasurer is not available to sign a check, copies of any checks signed by any other individuals in his absence, along with the supporting documentation should be kept in a file for review upon his or her return.

1. **Cash Flow Management**

It can be a challenging task to balance the constant and competing needs of the ministry of the church, with the essential costs of maintaining staff compensation. It can be just as tedious to do so with a large church as it is with a smaller assembly. Although larger churches may realize higher offerings than a smaller assembly, at the same time they incur higher operational and overhead costs as well. Even if the church no longer has a mortgage payment, the costs of maintaining a facility that will require ongoing capital replacement upgrades as it ages, creates in itself another area which competes for the church’s financial resources. Creating a realistic monthly cash flow budget can assist in successful cash flow management. Understanding the incoming revenue flows of the church in the cycles in which they occur can facilitate allocations to Accounts Payable on a timely basis. Determining the timing of fluctuating revenues as they intersect with the repetitive expenses of the church is crucial for the church treasurer or bookkeeper.

1. **Disbursements, Expenditures and Reimbursements Review**

The treasurer and any other co-signer should carefully review any accompanying documentation submitted with the checks awaiting their signatures. Any discrepancies or unsupported check requests should be investigated thoroughly with the individual who prepared the checks. Pastoral or support staff should submit a mileage log to substantiate and accompany their mileage reimbursement requests. Treasurers should note that mileage reimbursements are not considered taxable benefits, but travel allowances are, and must be recorded both in box 14 and box 40 of the T4 slip. Receipts should always be submitted with reimbursement requests as supporting documentation and retained on file for at least seven years per Revenue Canada guidelines. T4A slips must be issued for any checks payable to individuals for amounts of $500 or more, for honorarium purposes. Any travel portion included in the check is not taxable and should not be reported on the T4A slip. The same stipulation applies to benevolent disbursements to individuals as well.

1. **Monthly Financial Reporting**

 It is good practice to prepare monthly financial reports for presentation to the church board and lead pastor well in advance for board meetings. This will give the reader sufficient time to review the statements so that they can be informed of any queries at presentation time. The provision of timely monthly reports helps the church board be informed of the church’s financial position, and to make good decisions with respect to disbursements, capital purchases, or the hiring of future staff. The treasurer should review the GL transactions each month which are included in the monthly financial reports, so as to ascertain that there are no posting errors which require correction, and that the numbers agree to the Balance Sheet and Income Statement.

The Balance Sheet is a report which itemizes the Assets, Liabilities, and Equity of the local church. The Asset portion is subdivided into two sections, Current Assets and Fixed Assets. Assets represent what is owned by the church. Current Assets consist of items such as Cash, Investments, and Accounts Receivables from others (such as GST/HST rebates from CRA). These specific items are called current because they are easily liquidated into cash.

Fixed Assets contain items such as equipment, land and buildings owned by the church and long term investments. These assets are considered fixed because they are more difficult to liquidate into cash.

Liabilities represent the debt belonging to the church. Again there are two category breakdowns, Current Liabilities and Long Term Liabilities. Current Liabilities consist of Accounts Payable to others, Designated Funds, and credit lines or demand loans from the bank. These types of payables are considered current because they are either due right away, or because they are a demand loan which can be recalled for payment by a Financial Institution at any time. Long Term Liabilities consist of mortgages or loans that are of a fixed nature, and which may be amortized over a long period of repayment.

The Equity section of the Balance Sheet represents the consolidated history of either net revenues or net deficits over the life of the church’s financial history. The balance forward from the prior year is stated separately first, and then below it the current year’s consolidated net surplus or net deficit position. As a general accounting rule Assets = Liabilities + Equity. These three should always be in a balanced position. That is why this report is called a “Balance Sheet”.

The Income Statement represents the current years’ revenues and expenditures. The Revenue section consists of donations made to the General Fund, Missions, Building Fund, Ministries, sales, and any other miscellaneous revenues collected by the church during the current year. The Expense section consists of all current year expenditures incurred by the local church, such as payroll, utilities, missions or ministries, building repairs and maintenance, and any other expense categories.

The net of Revenues less Expenditures represent either a Net Surplus or a Net Deficit position of the church for the current period. This amount is reported at the bottom of the Equity section on the Balance Sheet.

1. **Annual Audits and Reporting**

Annual financial reports should be prepared at year-end after the current year’s financial activity has been audited. There are many types of auditing a church can use to check the integrity of the books and to determine if there has been any fraudulent activity. The most basic audit is called a “Notice to Reader”. Unfortunately the accounting firm who performs this service merely takes the data from the internal reports generated by the church book keeper and finalizes them by preparing their own Financial Reports. This may be the cheapest alternative but it does not entail any kind of forensic audit to ascertain the integrity of the church’s books or to determine if there has been any kind of fraud committed.

 The next level of audit is called a “Review Engagement”. This type of audit is not only more costly but it also involves more review by the accounting firm then the “Notice To Reader” audit would have involved.

 The third option available is a full audit. Of course it may be much more costly for the church but it is also more intensive, as the goal is to ensure the integrity of the books and year-end reports, and also to attempt to determine if there has been any fraud. Any fraudulent activity can be very difficult to determine, but if the right controls are set in place, hopefully the opportunities to commit fraud will be reduced or possibly even eliminated. Initiating an annual full audit is one more way to make sure that assets of the local assembly are safe from fraudulent activity. The Canada Revenue Agency does not require churches to perform annual audits, but for those that may be incorporated either provincially or federally, some guidelines apply according to the church’s level of annual income.

1. **Staffing Considerations and Conflicts of Interest**

Another area of concern for the church treasurer and or church board is in the area of staffing and conflict of interest declarations. There may be times due to family relationships within the local church, that there are individuals either on staff or who volunteer, who may be related to each other. Such instances may be sometimes be difficult to manage and/or unavoidable because of uniqueness of a particular circumstance. For example the treasurer may be related to a staff member in some capacity, and/or possibly to a church board member. Such situations can become disconcerting for all parties involved, and should be avoided whenever possible. If they are not avoidable, then those connected individuals should always be prepared to declare a conflict of interest and absent themselves immediately from all situations, conversations, or decisions which ultimately involve both themselves and the related person. If they do not declare a conflict of interest themselves, the other parties in the meeting or conversation should declare it for them, before any further communication ensues. Adhering to this practice will attempt to protect all individuals involved from any potential personal or emotional injury, and then lead to good unbiased decision making.

1. **Payroll and Benefits**

The area of payroll and taxable benefits can be a huge area of unknown for both new and/or existing church treasurers, as they comply with the Canada Revenue Agency guidelines. Initially the creation of a Salaries and Allowances committee will actively ensure that individuals are fairly compensated, and that each staff member has access to the appropriate benefits. The purpose of this committee is to do their own research to determine the annual cost of living increase required, and as well do any staff salary or benefit adjustments based on comparatives in other church or charity settings. It can be challenging to set salaries which are commensurate with both an individual’s education and work related experience, while at the same time ensure that the church can carry the cost of the individual’s salary, benefits, and other associated payroll costs.

 Another payroll guideline which can be implemented is a salary grid. This will ensure that there is both a base and ceiling level for each paid staff position, which also takes into consideration both their educational background and years of service. Both the pastoral and support staff of any church should be treated fairly and compensated adequately so they are able to care for not only themselves but also their families, in the city or town in which the church is located.

Providing they meet the required criteria, all full-time pastoral and support staff may be eligible to participate in the district’s health plan administered by Kechnie Benefits. This plan can provide the staff member and/or their family with life insurance, both short and long term disability, critical illness, and health and dental coverage. If an individual’s spouse has sufficient health and dental coverage through their own employment, the church’s staff member can opt out of that portion of the district plan if they wish to avoid duplication in coverage, and yet still retain the other aspects of the group plan.

Depending on the class of the individuals enrolled in the plan, churches can choose to set up a Health Care Savings Account with Kechnie Benefits, to assist the staff member cover any unpaid expense reimbursements not covered through the main district plan. In most instances the district plan covers approximately 80% of submitted health and dental expenses, whereas the Health Care Spending could be used to cover the remaining 20%. The church can determine the amount available in the fund which is set for each eligible staff member. The total of all annual employer paid life insurance, disability, and critical illness premiums plus the applicable HST should be recorded in both box 14 and box 40 on the T4 slip. These employer paid premiums are considered as taxable benefits for the employee. The Health and Dental portion of the plan are not taxable benefits in Ontario.

Individuals should also be presented with some form of retirement savings program. Eligible pastoral or support staff of local churches can participate in the PAOC pension plan. Employers and employees must make matching contributions, which are submitted monthly to the PAOC head office in Mississauga, who administers the defined benefit plan. Pension plan contributions by either the employee or employer are not recorded in box 14 or box 40 of the T4 slip as they are not considered as taxable benefits. The total annual combined employer and employee premiums are instead recorded in box 52 of the T4 slip indicated as the “Pension Adjustment” amount. In box 50 you must indicate the group pension plan identification number.

Churches may alternately set up a group RRSP plan for any eligible pastoral and support staff who decline joining the PAOC pension plan. In this instance the employer’s matching RRSP contribution should be indicated along with any other taxable benefits in both box 14 and box 40 on the T4 slip.

Clergy residence allowances are based on the fair rental value of the pastoral staff member’s home. It is not based on their monthly mortgage payment. To set the amount of the monthly clergy residence deduction, each qualifying individual should engage the services of a registered real estate agent to provide a letter which indicates not only the address and/or specifics of the home, but as well as the monthly fair rental value of the home. It is subject to a maximum of the greater of 1/3rd of the pastor’s salary and $10,000/year. The individual can also claim the monthly utility costs associated with their home when calculating the total monthly allowance claimed. CPP contributions or provincial/federal income tax calculations are not applicable to the clergy residence allowance portion of their salary package. Only EI premiums apply in this instance. The clergy residence allowance portion should only be recorded in box 14 or of the T4slip along with the salary portion and any taxable benefits. If a church is providing a parsonage for the pastor to live it, the value of that benefit should be recorded not only in box 14 but also in box 30 as well.

As an employer the church is required to calculate the appropriate deductions on each staff member’s applicable salary and taxable benefits. The employer must match and remit the CPP contributions made by each staff member. It is also responsible to remit the EI premiums calculated on the employee’s salary plus a 1.4 percentage, and any applicable provincial and federal income tax deductions it has withheld from salaries. Revenue Canada sets certain criteria in place for each business number’s payroll account, which determine the frequency whereby the church must submit its’ payroll deductions. For most payroll remitters this is based on a monthly frequency. In the absence of any payroll software or payroll service provider, spreadsheets can be used to record and track each staff members’ deductions ‘portion and also the employer’s portion of CPP, EI and income tax deductions payable for remittance purposes.

A ROE or Record of Employment should be completed no later than 7 days after employment has either ended or been terminated for an employee. ROE forms must be ordered from Service Canada. The serial # of each ROE form is assigned to the business number of the employer. Churches should also be aware of any guidelines from the Ontario Labor Board with respect to the correct procedures for the termination of employment for their employees, their corresponding salaries and benefits, and any applicable retiring allowances and/or severances, so they can avoid any legal confrontations with an employee over wrongful dismissal claims. Treasurers may also contact the district office with any related inquiries, with respect to handling employment status changes with their employees for further reference.

If a church has sufficient cash flow and has multiple staff members they may consider using the services of a payroll provider. This can be especially useful to maintain confidentiality among staff salary packages, as the payroll provider handles disbursements to staff, the monthly remittances to the receiver general, and also prepares the T4 slips, T4 summaries and ROE forms. The fees for engaging the services of a payroll provider can be costly, but they do streamline the entire payroll process.

1. **Honorarium Remuneration and Facility Rental Policy**

Any honoraria paid to individuals in the amount of $500 or more must be recorded on either a T4 or T4A slip. If it is paid to an employee in addition to their regular salary stipend, such as in the form of a bonus, love offering, or adjustment it should be included in box 14 on their T4 slip. If the individual is not an employee then a T4A slip should be issued instead. Do not report any travel portion along with the honorarium portion as it is not subject to income tax

 Revenue Canada has been readdressing payments made to non-residents. For the local church this could mean honoraria paid to an invited guest from the United States, brought in for a speaking engagement or for some musical performance. The general withholding rule is that when paying non-residents of Canada (other than the charity’s own employees) for services rendered in Canada, the general rules are that the payer (e.g., the Canadian Charity) has a legal obligation to

a) Withhold 15 percent of the payment on account of the non-resident’s possible income tax liability

b) Remit the withhold money to the Receiver General of Canada; and

c) Issue a T4A-NR slip to the service provider and file the T4A-NR information return with the CRA

To avoid this withholding tax protocol, in advance of the engagement date, the non-resident can file a waiver application with Revenue Canada. It must be filed by the non-resident and not the Canadian charity. CRA recommends that it be submitted the earlier of 30 days prior to the start of service or 30 days prior to the first payment for the service. This includes any deposit amounts made to booking agencies used by the client.

There is a potential cost for non-compliance by tax payers who neglect to withhold the applicable taxes to CRA in these circumstances, in the form of penalties ranging from 10 to 20 percent of the withheld amount plus interest. This update on the Non-Resident withholding tax was provided through excerpts from Chapter 20 in the CCCC Charities Handbook.

To avoid issues over internal honorarium payments, the treasurer and church board should design and implement a fee structure which assigns specific honorarium amounts for pastoral staff, custodial support, sound and media technicians, vocalists and musicians for church rentals, weddings and funerals. They may also include facility rental fees in the same document for clarification purposes. It is always best practice to collect these honorarium payments from the facility rental client in advance of the event, so as to ensure that those involved are sufficiently compensated for their services, and to avoid any follow up confrontations after the event. If the fees are discussed with the client when the booking is first made, there should be no opportunity for miscommunication on the fees which must be paid to the church and to individuals.

Every church should have a Facility Rental Policy. The following insights are taken from the January 2016 Bulletin published by the Canadian Council of Christian Charities. This is an excellent article with further insight and additional reference materials then cited below.

1. Without a proper policy, renting your facility can be messy. A facility rental policy sets out who can rent and for what activities. This helps the charity to balance the tension between controlling facility usage and reaching out to the community and/or taking advantage of revenue opportunities. If your organization does not have a clear policy, your charity may not have a basis for refusing to rent out your facilities to groups that do not share your organization’s values or purposes. There are two human rights cases that have influenced the legal landscape in this area, The Knights of Columbus (“Knights”) case and The Camp Arnes (“Camp”) matter.
2. The primary purpose of your charity’s facility is to carry out your ministry’s purposes and objects. If you are unsure what these are, you can find them in your charity’s governing documents (e.g. declaration of trust, constitution, or articles of incorporation). You may also want to include a summary of the charity’s purposes at the beginning of the facility rental policy to inform users why the facilities exist. The charity and its directors/trustees should determine what activities the charity will actually carry out. Examples of board-approved activities of a Christian church might be worship services, Christian Weddings and Christian Funerals, outreach or mission activities, Christian education activities etc.
3. Be upfront about your charity’s Christian nature in your rental policy.
4. You do not have to rent to everybody and anybody. The charity may decide how open or how closed their doors will be. i.e. Other charities, For-Profit Companies and organizations, Government, individual members of the public, and Non-Charity Not-For-Profits.
5. Being a charity’s regular donor or volunteer does not entitle a person to use the charity’s facilities for personal benefit at no cost.
6. Insurance is important but it will not mitigate all your risks. Each insurance claim increase costs. Facing a legal action is a significant drain on time, energy, and money better spent on your charity’s activities. It has a distracting and stressful effect on staff, volunteers and the board. Be sure to have the appropriate indemnity clauses in your agreement to address potential losses. You can also ask any group who uses your facility to provide you with proof of insurance, and a copy of their certificate of liability coverage, as a special rider for the upcoming event.
7. Your rental policy and your rental agreement should be reviewed by legal counsel.

The District already has an approved Facility Rental Policy available for churches. Please see under the tab for Office Manual Policies – Rental Facility.

1. **Online Giving and Event Registration**

There is now pressure on the local church to embrace the concept of online giving and event registration. Fewer financial institutions and businesses are accepting payment through checks because of the risk of returned checks and the associated fees. Since more individuals are now making their payments through online banking, they expect to do the same thing at the local church level with their donations. There are many options available to accommodate these requests. Initially many churches began the practice of setting up automatic withdrawals from the donor’s bank account. This process can be costly and disruptive as individuals tend to constantly desire to stop, restart or change the payment date of their donations. Moneris Solutions and other comparable services offered by financial institutions provide debit machines which accept not only debit, but also visa, MC, American Express, and more recently a number of other credit cards. Some churches may feel that by allowing their parishioners to use credit card services to make their donations to the local church, they are encouraging them to accumulate debt. However the majority of charities in Canada only accept donations on their websites via credit card usage. Individuals are making more of their purchases on credit cards in order to accumulate points for cash back, air miles, or similar purposes. It simply means that in order to survive financially both now and in the future, churches will have to offer comparative payment services as do other charities and financial institutions. Very few individuals are carrying cash or checks now because of the availability of debit machine services.

For those smaller churches who cannot afford the associated costs of these newer services, and for those who are still not prepared to embrace them, another option is to register the church as a charity with Canada Helps. Once registered an individual can make their donation through the Canada Helps website and redirect their gift to the local church. Canada Helps will also accept the donation of stocks and securities, which can be redirected to the local church. The relatively small fees passed on by Canada Helps translates into a larger donation proceeds for the charity recipient as well as a higher donation tax receipt amount for the donor, then would have been realized if they had attempted to dispose of the security either by themselves or through another agency. Donations made through Canada Helps are receipted by that organization and not by the local church. The church only records the net donation amount received in their GL revenue postings, and not in their donation database.

1. **Other Resource References**

Two other entities for resource reference is the Canadian Council of Christian Charities (CCCC) located in Elmira, ON and also the Canada Revenue Agency. Churches may find it advantageous to become a member of the CCCC, since it provides them access to relevant and current information and legislation which specifically impacts churches and charities. This organization is a great resource for just about any topic or situation a church or treasurer may face, and can provide knowledgeable advice based on experience and research. Churches who are a member with the CCCC may also realize a reduction or discount in their premiums if their church insurance policies are held with Robertson Hall Insurance.

The Canada Revenue Agency can also be a good resource for payroll, donation receipting, or reporting by churches and charities. Be sure to record the date, as well as the name and badge number of the customer service agent who handled your inquiry for future reference purposes. This is especially useful if the situation needs to be readdressed or becomes the focus of a Revenue Canada investigation. Their website and support staff can provide assistance on a number of issues, and can assist the church as both an employer and a charity, to comply with the current legislation which affects them.

1. **Insurance**

It is important for any church to ensure that they have in place sufficient liability insurance to protect the church’s assets, the congregation, the church board, and the pastoral and/or support staff from any potential legal allegation. Churches should not only have their general liability coverage in place, but also a director’s and officers’ liability umbrella policy to protect the church board and pastoral staff. Another liability coverage a church may consider is a special Accident or Injury policy which covers not only volunteers but also program attenders. This specific policy is only offered by Robertson Hall Insurance. It was specifically created by them for their church clients and charities. A number of Canadian churches affiliated with the Pentecostal Assemblies of Canada, have placed their insurance policies in the care of Robertson Hall Insurance. Mr. Ken Hall and his team can offer a wide range of insurance services, especially those specifically directed towards churches and charities.

1. **Budgeting**

Every church should prepare an annual budget whose goal is to balance the anticipated revenues with the anticipated expenditures of the upcoming fiscal year. The treasurer should meet with each individual or committee of the church who represent a significant department. That may include the missions’ committee, the building fund committee, men’s and women’s ministries, children and youth ministries, young adults, and also the church custodian.

 In determining the next year’s budget allotments for each revenue or expense category or general ledger account, comparatives should be considered from prior year histories of actual and budget numbers. The budgeted allotments for each GL account or category should be reasonably determined, and should reflect any cost of living adjustment based on the current market numbers. For example the hydro last year may have cost the church $5,000 but next year with current market hikes may actually cost $7,000.

Examine trends and anomalies in giving categories such as estate bequests or special appeals for church projects, which can skew the normal giving patterns for specific years during comparison purposes. Failing to analyze these factors, can cause over estimating the next year’s specific revenue categories or giving patterns, create overspending on the expense side, create a year-end deficit position for the church, and/or necessitate dipping into reserves set aside in savings accounts for rainy day funds or designated donation reserves.

1. **Year-end Responsibilities**
2. **Audits**. Be sure to plan for, schedule and set aside time for the type of audit the church can afford. Allow sufficient lead-time so that the audit can be completed, and so that the year-end Financial Reports are ready for distribution to the congregation prior to the annual church business meeting. Each church’s specific constitution specifies when the annual business meeting should be held, and how far in advance of that meeting the year-end statements are to be distributed along with the annual report.
3. **T4’s, T4A’s, T4ANR’s**. These respective slips and the accompanying summaries must be submitted to the government and mailed or distributed to employees by the 27th of February each year. Be sure that the T4 slips reflect the salary, clergy residence deduction, and taxable benefits applicable to each employee, honorarium recipient, or non-resident honorarium recipient.
4. **Donation Receipting**. Donation receipts must be completed by the 27th of February each year for the prior year’s donations. Following is a list of these specific items each official donation receipt should contain:

- each receipt should bear a unique serial number

- indicate the specific year the donation was received

-clearly indicate the donation amount

-the date the receipt is issued

- include the complete name and address of the donor

-the business number of the church

-state that it is an “Official Receipt For Income Tax Purposes”

-include the name and address of the charity

-the Canada Revenue Agency’s name and web site address ( [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities))

- contain the signature and position of either the recording envelope secretary or treasurer

The person who signs the receipt is indicating by their signature affixed to each donor’s receipt, that the specified donations were deposited into the charity’s bank account. There should be no doubt in the mind of the signer that the receipt truly reflects the amount(s) of the donation(s)made by that specific donor.

Replacement receipts should contain all of the items specified above, along with a note indicating that it is a replacement of the original receipt #.

1. **T3010 Return**. Each charity is required to submit their completed T3010 return to the Canada Revenue Agency no later than six months following the charity’s year-end date. A significant number of charities are set up using December 31st as the year-end date. Newer charities may have year-end dates which coincide with 365 days after the date the charity was started. In those situations the charity’s year-end date may not be December 31st of the calendar year. Revenue Canada sends out reminder notices in the spring to all charities. You can now download fillable PDF forms from the Canada Revenue Agency website to assist you in completing all forms which must be included in the annual return. The return should be signed by either the church treasurer or an authorized individual. Charities should take note to ensure that the returns are filed on time, as late filing penalties can apply, and/or cause the charity to jeopardize their charitable status. If a charity loses their charitable status, they are unable to issue legitimate donation receipts for income tax purposes to their donor base, since their authorized charitable number has been terminated by Revenue Canada. It can be an arduous process to re-establish charitable status once it has been terminated, and thereby create hardship for both the church and its donors.
2. **T1223 Clergy Residence Form and T1213 Request to Reduce Tax Deductions at Source**

These forms should be completed each fall and signed by the authorized individual and/or employee claiming the clergy residence allowance in their salary package. The forms need to be completed well in advance of the end of the year, since the employee is requesting that their employer not withhold tax on the clergy residence allowance portion of their salary package effective the first day of the upcoming calendar year. Take note that complete job descriptions indicating percentage of time allotted to the various components of the job description, must now be submitted along with the above mentioned forms.