# INDEX

<table>
<thead>
<tr>
<th>Section</th>
<th>Page#</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Overview</td>
<td>2</td>
</tr>
<tr>
<td>II. Local Church Secretary - Responsibilities</td>
<td>3</td>
</tr>
<tr>
<td>III. Transition to a New Local Church Secretary</td>
<td>4</td>
</tr>
<tr>
<td>IV. Records Maintenance</td>
<td>5</td>
</tr>
<tr>
<td>V. Membership Records</td>
<td>6</td>
</tr>
<tr>
<td>VI. Bank Accounts</td>
<td>7</td>
</tr>
<tr>
<td>VII. Setting-up an Accounting System</td>
<td>7</td>
</tr>
<tr>
<td>VIII. Finances – General Information</td>
<td>9</td>
</tr>
<tr>
<td>IX. Insurance</td>
<td>11</td>
</tr>
<tr>
<td>X. Financial Operations – Instructions</td>
<td>12</td>
</tr>
<tr>
<td>XI. Preparing Financial Reports</td>
<td>18</td>
</tr>
<tr>
<td>XII. Preparing FBH Reports</td>
<td>20</td>
</tr>
<tr>
<td>XIII. Assets &amp; Liabilities</td>
<td>22</td>
</tr>
<tr>
<td>Appendix A – Records Management</td>
<td>23</td>
</tr>
<tr>
<td>Appendix B – Manual Accounting System Forms</td>
<td>30</td>
</tr>
<tr>
<td>Appendix C - FBH Reports &amp; Assembly Guidelines</td>
<td>31</td>
</tr>
</tbody>
</table>
I. Overview

Each local church should keep an accurate record of membership and all money received and disbursed so that a clear and concise statement of the condition of the church and its funds may be determined at all times.

The principle purpose of this handbook is to assist the local church secretary with completing and submitting periodic reports to the local church, the Ruling Elder, and our various District and General Conventions. This handbook also contains information and resources on a variety of other financial and bookkeeping topics that may be of use to you and your local church.

Please read the entire handbook and use it as a reference throughout the year. The handbook and accompanying forms can be found by selecting the appropriate links on the FBH Church website, www.fbhchurch.org/forms.html.

Please contact your diocese secretary if you find that there are additional areas of information that should be added to this book.

Resources used to compile this handbook include:

- Zondervan 2010 Church and Nonprofit Tax & Financial Guide
- The United Methodist Church – Kansas West Conference
- The United Methodist Church – Alabama-West Florida Conference
- The United Church of Christ – Massachusetts Conference
- Assemblies of God – Enrichment Journal
- Basic Accounting for Churches – Jack A. Henry

In June 2009, Bishop Patrick Frazier Jr. formed a Financial Committee which was tasked with analyzing and recommending suggestions to improve financial procedures and processes used by the Fire Baptized Holiness Church of God of the Americas. Some of their recommendations are included in this handbook.
II. Local Church Secretary - Responsibilities

The responsibilities of the local church secretary vary from church to church. Generally, the local church secretary records the activities of the church for the official record and ensures that the records are available for future reference.

Most often the secretary maintains records of meetings, memberships, baptisms, marriages, and deaths. The local church secretary is the custodian of all church records. Additionally, the local church secretary may sometimes function as a financial secretary or treasurer tasked with the responsibility of recording and tracking monies received or disbursed, preparing financial reports, issuing receipts & donor contribution statements, and maintaining the bank accounts.

The records kept by the secretary are important to the church as a whole and to the individual members. Accuracy counts. The specific responsibilities of the local church secretary depend on the structure of your church. Typical administrative, accounting, and reporting tasks are as follows

**Administration**
- Maintain file copies of your church’s, federal tax ID number, state ID number (if applicable), property records, insurance policies, contracts, and any other appropriate ownership or identity related records.
- Maintain records of membership, marriages, deaths, and baptisms
- Maintain files of minutes, minute books, resolutions, and correspondence
- Work with secretaries of all auxiliaries to consolidate records
- Maintain files of financial information, including reports, bank statements, and receipts.

**Accounting**
- Maintain deposit records, donor records, and disbursement records.
- Maintain ledgers to account for available funds and reconciliation of monthly bank statements.
- Prepare accounting reports on a scheduled basis (monthly, quarterly, and annually).

**Reporting**
- Present financial reports to the local church, at least monthly.
- Present Elder’s Official Visit Report to the Ruling Elder at his scheduled visits (3 times a year)
- Submit the Annual Church Report to the Pastor in a timely fashion prior to the scheduled Annual Convention
- Submit the Sisters of Charity Report to the Pastor in a timely fashion prior to the scheduled Sisters of Charity Convention.
- Submit the Annual Sunday School Convention Report to the Pastor in a timely fashion prior to the scheduled Sunday School Convention.
III. Transition to a New Local Church Secretary

The first task of the new secretary is to locate the church’s permanent records, including its minutes, and financial files. Financial records such as ledgers, journals, bank statements, and reconciliations should be kept at least seven (7) years. Deposit slips, and canceled checks may be kept three (3) years. Some records should be kept permanently such as Council Meeting & Board Minutes, legal documents, and correspondence with state and federal governments.

You must gain control of the records. Set up a meeting with the previous secretary, if possible, and obtain or locate the following items:

- Council Meeting & Board minutes – for at least the prior year
- Membership, marriage, death, and baptismal records
- Contracts and Insurance information
- Sales Tax exemption – if applicable
- Federal Tax Identification number (TIN)
- Financial statements
- Budgets
- Cash receipts journals/ledgers
- Cash disbursements journals/ledgers
- Checkbook, bank statements, and cancelled checks
- Investment or savings statements

In the permanent records, you should find the Federal Tax Identification number (TIN) for the church. Banks require the TIN number to open a bank account. The post office requires it to establish non-profit mailing privileges. The IRS uses the number when it corresponds with the church.

Find out if the church keeps any of its important records in a safety deposit box. If so, obtain or determine the location of the box and the keys. Review the contents of the safety deposit box to ascertain what documents are actually stored there.
IV. Records Maintenance

Throughout any given year, you should maintain the following records:

1. Monthly bank statements and bank reconciliations for all accounts for each month. If you receive canceled checks with your monthly statements, they should be retained and filed sequentially by check number.
2. Monthly, quarterly, or annual statements for other types of savings or investment funds.
3. A current roster of members and visitor information.
4. Life event documentation – marriages, deaths, and baptisms performed at the church of members and non-members.
5. Any letters showing grants or contributions.
6. Supporting documentation for disbursements including receipts, bills, officers’ expense reports, or correspondence requiring payment.
7. Supporting documentation for receipts including copies of checks and deposit tickets and credit card settlement reports, if applicable.
8. Council Meeting Minutes and minutes from the various boards of your local church.
9. Copies of any financial agreements or contracts.
10. Descriptions of any financial transactions you believe are unusual or out of the ordinary.
11. A copy of the annual budget and supporting documentation if applicable.

It is your responsibility to safeguard the records entrusted to you against damage and loss. Keep records in a fireproof and waterproof place if possible. If not, select a dry area to store your cabinets and make duplicate copies of your paper records. You can scan the files into your computer system, but make sure you back up your system on a regular basis and keep a backup copy offsite.

Keep your records organized in such a manner that anyone else may continue in your absence without confusion or difficulty. Clear documentation is essential. You may find it helpful to develop a Procedures Manual that details how you specifically maintain your system of records.

Current records should be arranged and filed for efficient retrieval and handling. Take a careful look at the records currently in use and ask the following questions:

- Are they already filed in a way that allows for quick access?
- Is the current system logical, consistent, and reasonably convenient?
- Could a newcomer interpret and understand it?
If you answer “yes” to most of the questions, there is probably no need to change the system. If the existing system is cumbersome or non-existent, then the records require some type of orderly filing system. If you need to create a new system of organization see Appendix A - Records Management – Organizing Your Records, for more information.

Work with your church to develop a retention schedule/policy for your records. See Appendix A – Records Management – Identifying Retention Periods for a sample retention schedule and information regarding records management.

V. Membership Records

Each local church should accurately maintain permanent membership records for each professing member of the church. Additionally, the church can maintain records for associate members – persons that are not members but for whom the local church has pastoral responsibilities including children (and records of their blessings/dedications).

The records should include the following information:

- Member’s name, date of birth, place of birth, address, telephone, and e-mail address
- Date of membership reception, name of receiving pastor: if membership is transferred from another church, include the name of the sending church
- Date of baptism, baptismal officiate
- Date of death, date & place of funeral, place of burial, officiating minister
- Date of exclusion and reason; if the reason is a transfer to another church include the name of the receiving church
- Marriage date, spouse name, officiating minister
- Offices or positions held with accompanying dates of service
- Resolutions

Capture enough information about each person in your church to maintain or produce a register of marriages, baptisms, infant dedications, deacons, board members, church officers, and pastors. You should also be able to assemble reports of active and inactive members. Your records document the history of the church.

You can purchase a Church Membership Register book or a Membership Roll book to maintain your membership information or you can maintain your records in a three (3) or two (2) ring binder, or you can maintain your membership information in an electronic system that is purchased (membership management system) or assembled using a word processing or spreadsheet program.

VI. Bank Accounts
The church checking account is key component in managing your finances. The officers of the church should know how much is there to be used. It is not necessary to have separate checking accounts in order to track income and disbursements for each auxiliary/board in the church. Your accounting system can provide the information you need for each auxiliary without requiring separate accounts. Using one (1) checking account will simplify your banking procedures.

If your church has significant surplus funds, you may want to open a savings account, a money market account or buy a certificate of deposit to earn interest income on the funds. Be conservative in your approach to investments.

Be sure to reconcile your monthly bank statement(s) with your checkbook/savings register(s) on a regular basis.

**VII. Setting-up an Accounting System**

An accounting system tracks financial information and presents it in an organized format. There are many different systems available to track accounting information. You should pick a method that matches your skills, your resources, and the size and complexity of your church’s activities.

1. We provide you with eight (8) forms for a simple manual accounting system (for use if you do not have a suitable accounting system and don’t plan to buy one). The cash disbursements (cash out) and cash receipts (cash in) ledgers, an individual giving record form, a summary receipts count form, a deacon’s list form, an income & expense statement, a fund activity report, and a form for bank reconciliations.

2. Your local church may already use or may desire to purchase a software program such as Quicken for their accounting needs. It is possible to set up the account categories so that reports will look much like the reports in this handbook, but you may want to consider purchasing a true fund accounting system.

It is important to maintain your accounting entries as accurately as possible. Your financial reports are only as good as the data you track in your accounting system.

The manual system that we’ve included in this handbook utilizes single-entry cash basis (not accrual) accounting. It is designed to be simple but adequate. Cash basis accounting means that receipts are recorded when received and expenses are recognized when they are paid. The cash basis of accounting is considered an “Other Basis of Accounting” (OCBOA) and is an acceptable method of accounting for church congregations.

Our manual system is a fund accounting system. A fund is not an asset account—a checking or savings account. The definition of a fund is "an accounting entity that needs to be kept separate, having its own source(s) of income and its own expenses."
You can have any number of funds corresponding to projects for which you receive money that is specifically designated. Specifically designated money should not be spent for anything else unless the people who gave the money approve the change.

We are required to track income and expenses for six (6) funds: Finance, Trustee, Sunday School, Sisters of Charity, Holiness Young People's Union, and the Young People’s Institute. These funds correspond to the standard FBH auxiliaries/boards of the church. Each auxiliary has a chairperson, secretary, and treasurer.

The Finance Committee is primarily responsible for the non-property related general operations of the church; typically, the care of personnel which includes the pastor, bishop, elder, district president, evangelists, and workers.

The Trustee Board is responsible for anything related to the physical property, structure and maintenance of the church. This includes the grounds, buildings, utilities, and insurance.

The Sunday School is responsible for matters related to operating the educational department(s) of our church – song books, literature, and computer software.

The Sisters of Charity is the mission arm of our church. It is responsible for the outreach and charitable work of the church.

The Holiness Young People’s Union (HYPU) is a youth organization responsible for arming our children with the founding principles of holiness. Money is collected to further the plans and obligations of the HYPU.

The Young People’s Institute (YPI) is a youth organization whose motto is to “Reach the Unreached and Love the Unloved”. Money is collected to further the plans and obligations of the YPI.

We also raise money for the Foreign Mission. The Foreign Mission is listed on the Cash Receipts Ledger and the Summary Receipts Count Form as if it were a fund. In actuality it is a pass through liability account. We will never have Foreign Mission expenses – we simply collect the money on behalf of another entity.

*Note: Bishop P.L. Frazier Jr. prefers that the Foreign Mission be a liability account in the Finance fund.*

The ledgers we provide list columns for the six (6) funds we are required to track. You can create subsidiary ledgers that contain more detailed transactions. For instance, Mission is a fund listed on the ledgers; Jr. Mission can be set up as a subsidiary of the Mission. All Jr. Mission transactions would be listed in the Jr. Mission subsidiary ledger but its summary totals would be posted to the regular ledgers in the Mission column.
You can purchase 13 column ledger paper or books at an office supply store for subsidiary ledger use or you can create additional spreadsheets.

**Accounting Periods**

When people look at your financial documents they need to know the time frame that the document entails. That time frame is known as an accounting period. According to the Dictionary of Accounting Terms, an accounting period is the time covered by financial statements, which can be for any length but is usually annual, quarterly, or monthly.

You can close your income and expense accounts at the end of any of your accounting periods. We recommend that you close your accounts on a monthly basis. The totals you compute when you close your accounting period will be used to prepare your financial reports.

**VIII. Finances – General Information**

Financial transactions should be recorded in the ledgers as soon as possible. Accuracy is often forfeited when the person responsible for recording receipts and disbursements is not included in the financial transaction in a timely fashion.

The exclusion typically happens when financial events occur outside of normal church services and/or disbursement meetings. Make a habit of recording any financial event in the ledgers as close to the time of the event as possible even when the secretary or treasurer is not available.

It is best to keep copies of where every donation came from and how each dollar is spent. Hold on to every receipt (for payments made and donations received). These documents (referred to as source documents) serve as objective evidence that a financial transaction occurred should you have to prove it. All source documents should be filed in a system where they can be retrieved if needed.

**Revenue** - sources of revenue typically include:

- Offerings
- Tithes
- Donations
- Funds from the General Church
- Interest or investment income
- Fund-raising activities and product sales

Offerings should not be left unattended or with only one (1) person. If possible, have designated people count the offering immediately. Use an offering form (see Appendix B - Summary Receipts Count Form) that lists the amount of cash, coin, and checks, along with who counted the
funds. Completed offering forms are essential source documents and should be kept on file for an appropriate amount of time.

When an offering is counted, care must be taken to see that the people who donated funds receive proper giving credit and to show that the money received was applied in the accounting records for the designated purpose.

The envelope system of giving is one of the simplest methods of gathering the information needed to maintain individual giving records. At a minimum the envelope should list the giver’s name, the date, total amount given, and the amount (s) given for specific purposes.

**Expenses** - sources of expenses typically include:

- Event/Program expenses – food, decorations, printed programs
- Bank charges
- Purchases & Reimbursements
- Bill payments
- Convention reports
- Ministerial support – pastor, elder, bishop, evangelists & workers
- Contributions

All payments should be made by check. This provides the best record and is safer than keeping cash on hand. Checks document the transaction.

Your church may choose to keep a small amount of cash (for example, $100) available at the church to cover small, emergency expenses. Since the amount is small, it is referred to as petty cash. If you decide to keep a petty cash fund be sure to keep a log of disbursements from it.

All checks should be made payable to an individual, an entity, or a vendor. Do not make checks payable to “Cash”.

Your checkbook register is the primary source document for the Disbursement Ledger. Keep your checkbook register current by making a habit of entering the check information (date, check number, amount, and purpose) in the register before you actually write the check.

Keep your check stock in a secure locked place.

**Budgeting**

Budgets are a projection of the church’s anticipated revenues and expenditures for the upcoming year. The budget is used to monitor actual financial activities. It helps the church determine if it is accomplishing its goals within the available resources.

To begin developing a budget, review the most recent full year of revenue and expenses and compare them to the present year-to-date activity. Solicit information about projected income and expenses for the coming year from the pastor, board, and committee chair persons.
Critically review the proposed budget. Budget conservatively by underestimating income and overestimating expenses.

Review the church’s actual financial activity compared to budgeted expectations on a regular basis. Notify the pastor and board chairpersons of variances in excess of 15% between actual and budgeted activities.

The sooner an issue is recognized and communicated, the sooner corrective action may be taken. Frequent financial statement analysis is the best guard against deficits and financial surprises.

**IX. Insurance**

Maintain adequate insurance for all your buildings and their contents. If the church has unforeseen losses or expenses, insurance can prevent severe financial hardships and compensate those who may be harmed in an accident involving church property or personnel.

The types of coverage that should be considered are numerous, but generally include property, liability, and fidelity (crime). Property coverage may include: buildings and church-owned personal property, electrical breakdown, earthquake, flood, and builder’s risk (while buildings are under construction).

Liability coverage may include: commercial general liability (including sexual misconduct), pastoral professional liability, directors and officers liability, employment practices liability, owned automobile liability (including vans and buses), hired and non-owned automobile liability, umbrella liability, and pastor’s personal liability.

Buy the coverage that makes the most sense for your church. The key is to find a balance between too little and too much coverage. It is helpful to have a knowledgeable, professional advisor assist you in making decisions about the appropriate insurance package for your church.

Periodically review your coverage to make sure church property and personnel are adequately protected against risk. If possible perform the review annually. Conduct a safety inspection, maintain an inventory of furniture and equipment, and obtain a periodic appraisal of your church property.
X. Financial Operations - Instructions

Processing Cash Receipts

The church typically receives cash receipts via offerings in the form of checks or cash. Your church may also accept credit card payments or electronic funds transfers. All receipts should be processed as soon as possible. Use the Summary Receipts Count Form (see Appendix B) as a source document for any money (offering, tithe, donation via mail, etc.) received by the church.

If you receive money via deacon’s lists, be sure to have each deacon/deaconess complete a Deacon’s List Form for the monies they are reporting. The form should accompany the money reported by the deacon.

Counting the Offering

- Separate the loose offering from the envelopes (if an envelope system is used).
- Count the coin, currency, and checks from the loose offering.
- Enter the counts in the appropriate columns for each fund as applicable on the Summary Receipts Count Form on the “Plate Offering” row.
- Date a blank Deacon’s List Form to list the checks from individuals that were not enclosed in envelopes from the loose offering. List the check number, amount, and the name of the person who signed the check. This will ensure the amount being credited to the individual’s giving record.
- If an envelope system is used:
  - Open each envelope, remove the money, and verify the amount enclosed with the amount on the face of the envelope. If there is a discrepancy or if the figures are not legible, record the amount in red on the upper right corner of the envelope.
  - Count the coin, currency, and checks from the envelopes.
  - Enter the counts in the appropriate columns for each fund as applicable on the Summary Receipts Count Form on the “Envelope/Tithe” row.
- If deacon’s lists are used:
  - Use the Deacon’s List Form(s) to verify that the total money listed on the form(s) matches the money contained in the deacon’s envelope of money. If there is a discrepancy, record the amount in red on the upper right corner of the Deacon’s List Form. Notify the deacon immediately, if possible.
  - Count the coin, currency, and checks from the deacon’s envelope.
  - Enter the counts in the appropriate columns for each fund as applicable on the Summary Receipts Count Form on the “Envelope/Tithe” row.
- Enter the Totals for each column on the Summary Receipts Count Form.
- Separate the cash from the checks.
- Endorse all checks “For Deposit Only”.
- Recount the cash and checks. Verify the cash and check totals listed on the Summary Receipts Count Form. Make corrections in red.
- Enter the cash deposit total on the Summary Receipts Count Form.
Local Church Secretary’s Handbook

- Sign and date the Summary Receipts Count Form
- Verify that Today’s Date is entered in the “Date” field at the top of the Count Form.

Making the Bank Deposit

- Use the Summary Receipts Count Form(s) to prepare the deposit ticket(s).
- Verify the deposit amount(s) listed with the actual amount of cash and checks.
- Make copies of the deposit ticket(s) and all checks included in the deposit(s).
- Deposit the money into the appropriate bank account(s) as soon as possible.
- Attach the copies of the deposit ticket(s) and the checks to the deposit receipt(s) provided by the bank.
- File the deposit documents in your Cash Receipts (or Bank Statements) file
- Enter the date and amount of the deposit in your checkbook register.

Note: Bank tellers verify the cash amount of a deposit at the time the deposit is made. Depending on the number of checks (or if the depository box is used) they may not verify the check total. If the bank notifies you days after a deposit is made that a check is missing, you can review your copies of the checks to determine whose check is actually missing, notify the individual, and perhaps get a replacement check.

Posting Individual Giving Records

If an envelope system is used, sort your envelopes in the same order that you file your Individual Giving Record (Appendix B) sheets.
Use your giving envelopes and/or the Deacon’s List Forms to locate the Individual Giving Record sheet of each donor.
Post the date, amount(s), and purpose(s) for each donor.
Contact the donor within a week if there was a discrepancy in the contents of the envelope (amount is written in red on the envelope) to eliminate misunderstandings in the amount given.
File giving envelopes, deacon’s envelopes, and Deacon’s List Forms in your Cash Receipts file.

Cash Receipts Ledger

The Cash Receipts Ledger is a record of tithes, offerings, donations; interest earned, and transfers from one fund to another. At the beginning of an accounting period, enter the beginning period date at the top of the Cash Receipts Ledger (“for the Period beginning”) and each subsequent page within the period.

Each time money is received (which should be documented by a Summary Receipts Count Form), record an entry in the Cash Receipts Ledger. Show the date you received the money, a description concerning the source and/or purpose of the money, and record the amount under the appropriate funding category (Finance, Trustee, Sunday School, etc.). Use as many sheets as necessary to record the data.
On a monthly basis, you should review the bank statement to identify additional funds that went into your account, such as interest, credit memos or electronic transfers. If the balance in your
If your investment account changed, you must reflect the interest or investment income during the month in the Cash Receipts Ledger.

At the end of your accounting period total each column, and enter the date you closed the accounting period ("and ending") at the top of each Cash Receipts Ledger page used within the period.

**Credit Cards and Electronic Funds Transfer (EFT)**

Your church must apply for a merchant account to accept credit card payments. Credit card companies typically charge processing fees based on a percent of each charge and a monthly maintenance fee.

Donations can also be collected by a form of electronic funds transfer with a direct debit to the donor’s checking or savings account. Credit card payments tend to be more popular with donors, but bank drafts (known as ACH transactions because they are processed through the Federal Reserve’s Automated Clearing House (ACH) system) offer lower costs than typical credit card processing.

Credit card transactions and EFT transactions are settled by a processing entity in batches. The word "batch" refers to putting a collection of credit card charges into a group. The word "settle" refers to sending the funds from the donors’ accounts to your bank account. A batch can have 1 or more transactions in it. You should select a merchant account provider that will deposit the total amount of the batch and deduct fees at one time at the beginning of the next month. This will make bookkeeping much simpler.

We recommend that you use a Payment Service Provider (PSP) such as VANCO or PayPal. A PSP will offer you online services for accepting electronic payments by a variety of payment methods including credit card, credit-debit, bank transfer, and real-time bank transfers. A good PSP will provide detailed reports listing the donor’s name, donation date, and the amount given by designated fund (You can use these reports to update your donor records and ledgers). The PSP will work with you to develop authorization forms, web site interfaces, and interfaces to your accounting system.

**Tax-deductible Donor Contributions**

Contributions received without donor restrictions are generally tax-deductible. Contributions made through the church to an individual, where the donor has specified, by name, the identity of the person who is to receive the contributions, generally are not tax-deductible.

**Processing Cash Disbursements**
As expenses are incurred, or as bills come in, write checks to pay for them. Pay bills when they are due to preserve a good credit rating.

Check bills carefully. Be certain that the bills are approved for payment by the appropriate board/committee officer. Check that the items billed were actually received, were what you ordered, and are in good condition. Check that the bill was totaled correctly. Pay from original invoices. This will guard against paying a bill from an invoice, then getting a statement showing it unpaid and paying it again.

Be careful with reimbursements. Require a completed Reimbursement Request that lists the type, purpose, and the amount of an expense. This should be approved and signed by a board or committee chairperson. Receipts should be attached.

The Cash Disbursements Ledger is a record of all checks written and actual cash disbursements. At the beginning of an accounting period, enter the beginning period date at the top of the Cash Disbursements Ledger (“for the Period beginning”) and each subsequent page within the period.

Each time you write a check or disburse a cash amount, record an entry in the Ledger. Show the date, the check number, name of payee, check amount and the reason for the expense. Enter the amount(s) of expense in the appropriate funding category (Finance, Trustee, Sunday School, etc.).

In addition to checks written, banking fees are considered disbursements and must be recorded in this ledger. Carefully review your bank statement for any fees and record them here.

As with the Cash Receipts Ledger, at the end of the accounting period, total the columns and enter the ending period date at the top of each page used in the accounting period.

Under certain circumstances, the church may be required to provide an IRS form 1099-MISC to certain individuals receiving payments from the church during the calendar year. The IRS Form 1099-MISC is used to report income paid to individuals in excess of $599.99 per year.

Please note that this rule applies only to payments made to individuals, not to corporations, and applies only to certain types of payments such as honoraria, consultants, or speaker fees. 1099-MISC forms are not issued for payments that reimburse an individual for expenses incurred on behalf of the church.

The 1099-MISC tax form must be provided to the individual by January 31. The 1099-MISC and accompanying 1096 summary form are due to IRS by the 2nd of February. More information about the 1099 requirements and forms can be found on the IRS website at www.irs.gov. The 1099 forms are available at most office stores. The packet contains detailed instructions and the form 1096 summary form required to be submitted at the same time. You can also use an on-line service to prepare the 1099. The service should have an option to file the related IRS and Social Security Administration (SSA) forms for you.
You must secure a signed W-9 form from any person to whom you may subsequently provide a 1099-MISC form. You must provide the social security number for each person being reported on a 1099 form. Ask for the individual’s social security number in advance of releasing any qualifying payments during the year. There are significant penalties assessed for not having a tax ID or the wrong tax ID on a 1099 form submitted to the IRS.

Your pastor has a dual status: minister-employee for the IRS, independent contractor for the SSA. You must provide him/her with a Form W-2 form at the end of the year and you are not required to withhold income or social security taxes.

Love Gifts and Love Offerings for Pastors

It is almost impossible for love gifts from the church to be non-taxable. If the gift is spontaneous in nature and motivated out of affection of an individual for another individual, it would be non-taxable income. But if it can be construed as payment for services rendered, it’s taxable.

Gifts received from the church are generally considered taxable income, i.e. Christmas or holiday bonus, compensation incentives, fees for performing weddings, funerals, and baptisms, etc.

To be certain that love gifts and love offerings will be tax-free, all the conditions below must be met:

- love offerings cannot be solicited
- are not conditioned on further services
- must be spontaneous in nature
- must be clearly ascertainable as a gift with no service attached
- cannot qualify as a tax deduction for the donor
- are motivated out of affection of an individual for another individual

Preparing Bank Reconciliations

You should always keep a running balance in the checkbook register. Periodically, you should compare the detail recorded in your checkbook register with the detail recorded in your Cash Receipts and Cash Disbursements Ledgers to be sure that all transactions are captured and properly classified.

When the bank statement is received, you must reconcile your checkbook and ledger entries with the bank statement. It is important to verify that the transactions showing on the bank statement are correct. **You should reconcile your bank statement every month.** You can used the Bank Reconciliation spreadsheet as follows.

1. Enter the bank account name. Record the bank statement ending date, and the bank statement ending balance.

2. Add any interest income or credit memos to your checkbook register and your cash receipts ledger. Then check off the deposits in your checkbook register and cash receipts ledger that
are showing on the bank statement. List any deposits not showing on the statement as “deposits in transit” on the spreadsheet.

3. Record any banking fees or debit memos to your checkbook register and your cash disbursements ledger. Then check off the checks, fees, and memos in your checkbook register and cash disbursements ledger that are showing on the bank statement. List any outstanding checks that have not cleared yet on the spreadsheet.

4. Adjust your balances/totals in the checkbook register, cash receipts ledger, and the cash disbursement register.

5. Enter your balance as calculated in your checkbook register on the spreadsheet – Balance per Your Books.

6. The spreadsheet will calculate the Book Balance by adding the bank statement ending balance to the deposits in transit and subtracting the outstanding checks.

7. The Computed Book balance should agree with your balance from the checkbook register.

If the Difference between the balances is greater than zero (0) look for errors in your math, instances where you may have transposed numbers, or put a decimal point in the wrong place (aka “slide error”). You can determine if you have slide or transposition errors by using the “Rule of Nine” or the “Rule of Eleven”.

To use these rules, determine the amount of difference between your reconciled statement and your reconciled checkbook register. Divide the difference amount by 9. If the difference amount is evenly divisible by 9, then you have a transposition error (i.e. you wrote 256 in the checkbook register when the actual amount is 265) or a slide error (i.e. you wrote 10.00 in the checkbook register when you should have written 100.00).

If your difference amount is evenly divisible by 9 and then that answer is evenly divisible by 11, you have a slide error of 2 decimal places. So check your register for entries that may have been transposed or have the decimal point in the wrong place. If you still can’t reconcile – you may want to review your statement with the bank. Banks do make errors. Be aware that your bank may charge a fee for reviewing the account. But, you must find the reason for the discrepancy and correct it.
XI. Preparing Financial Reports

Financial reports are simply a snapshot in time of your financial data. Reports are necessary to show your accountability with the monies given to the church.

The reports listed below are the minimal number of financial reports that the local church should prepare.

Revenue & Expense Statement

The Revenue & Expense Statement (see Appendix B) reports revenue, expenses and surplus or deficit (loss) for the year. Columns on this report include a column for 12 monthly periods and an annual total.

To complete the form, enter your church name along with the begin & end dates of the report. At the end of each month, complete that month's column for revenue from the Cash Receipts Ledger and expenses from the Cash Disbursements Ledger. The spreadsheet will add the columns and compute the totals in the appropriate lines: "Total Revenue" and "Total Expenses". "Surplus (Deficit)" is calculated by subtracting "Total Expenses" from "Total Revenue" (The spreadsheet will calculate this total as well).

If your church has a budget, you should add a column to the spreadsheet to show the budget revenue and expense amounts for each fund. You can then analyze how your revenue and expenses are lining up against your budget.

Fund Activity Report

The Fund Activity Report (see Appendix B) provides information about how much money was received and where that money was spent. The report should be prepared monthly. The report will show the beginning balance, income and expenses, and ending balance for each fund.

To complete the fund activity report, fill in your church name along with the month begin and end dates. Bring forward last month’s balances for each fund. Please note that last month’s ending balance should be the same as this month’s beginning balance. Record the total cash receipts from the cash receipts ledger for each fund. Enter the disbursement details from the cash disbursements ledger for each fund. The spreadsheet will compute the total disbursements and the ending balance for each fund. The beginning balance plus cash receipts less cash disbursements should equal the ending balance. The spreadsheet will also calculate a “Total Ending Balance”.

Enter the “Account Balance” from the balance(s) showing in your checkbook register(s) (not the bank). Check to make sure that the “Total Ending Balance” equals the “Account Balance”.

Contribution Receipts/Statements
Contributors to the church seeking a federal income tax charitable contribution deduction must produce, if asked, a written receipt from your church.

You can issue a receipt showing the amounts donated by an individual on a quarterly, semiannual, or annual basis. The information to be included in the charitable receipt is as follows:

- Donor’s name
- Cash amount contributed
- Statement explaining whether the church provided any goods or services to the donor in exchange for the contribution
- The date the donation was made
- The date the receipt was signed
- If property such as a car, boat, or plane was donated, you must provide a Form 1098-C to the donor; otherwise, include a description and the location of the property but not the value
- If goods or services were provided to the donor, include a good-faith estimate of the value of the goods and services that were provided, then explain that the donors deduction is limited to the amount in excess of the goods and services value. If services were provided consisting only of intangible religious benefits, include a statement to that effect.
XII. Preparing FBH Reports

The Cash Receipts and Cash Disbursements Ledgers are used to complete the financial portions of all FBH reports. As an alternative, you can use the Fund Activity Reports prepared as part of your month-end closing procedures. The monthly financial reports and the amounts reported on the FBH reports will agree if you use the monthly Fund Activity Reports to complete the FBH reports.

Elders Official Visit Report

The Elder’s Official Visit Report is used to gauge the spiritual & financial health of the local church, and to identify problems and areas of improvement.

The local church secretary must prepare this report three (3) times a year. The report must be ready when the Ruling Elder makes his official visit.

The local church secretary should have at least three (3) copies of the report. Give the original report to the Ruling Elder. Send a copy to the district secretary (who will forward a copy to the diocese secretary) and file a copy in your church reports folder for the current year.

Use Appendix C – Elder’s Official Visit Report - Assembly Guidelines for details that will help facilitate the completion of the Elder’s Official Visit Report.

Annual Sisters of Charity Report

The Mission department is dedicated to the support of education and missionaries, bringing souls into the church, and teaching others to be better in all aspects of life. The Annual Sisters of Charity Report should reflect the activities and money spent in the support of education and benevolence (going, doing, giving, praying).

The local church secretary in conjunction with the Secretary and President of the Sisters of Charity should prepare this report annually. The report must be turned in at the Sisters of Charity Convention which convenes during the month of May. Optionally, you could have the report ready to give to the District President when she makes her official visit.

The local church secretary should have at least three (3) copies of the report. Give the original to the Sisters of Charity Convention secretary. Send a copy to the district secretary (who will forward a copy to the diocese secretary) and file a copy in your church reports folder for the current year.

Use Appendix C – Annual Sisters of Charity Report - Assembly Guidelines for details that will help facilitate the completion of the Annual Sisters of Charity Report.

Sunday School Annual Report
The Sunday School is the primary educational arm of the church. It is important to maintain an effective Sunday School that will evangelize, nurture, and develop people of all ages in the knowledge of Christ and holiness through the Word of God. The information entered on the Sunday School Annual Report will reflect the effectiveness of your local Sunday School.

The local church secretary along with the Sunday School Superintendent and Sunday School Secretary should prepare this report on an annual basis for presentation at the District’s Annual Sunday School Convention.

The local church secretary should have at least three (3) copies of the report. Give the original to the Sunday School Convention secretary. Send a copy to the district secretary (who will forward a copy to the diocese secretary) and file a copy in your church reports folder for the current year.

Use Appendix C – Sunday School Annual Report - Assembly Guidelines for details that will help facilitate the completion of the Sunday School Annual Report.

**Church Annual Report**

The Church Annual Report is a statistical and financial report that highlights specific expenses of the local church for the Finance Committee and Trustee Board.

The local church secretary should prepare this report annually for presentation at the District’s Annual Convention.

The local church secretary should have at least three (3) copies of the report. Give the original to the secretary of the Annual Convention. Send a copy to the district secretary (who will forward a copy to the diocese secretary) and file a copy in your church reports folder for the current year.

Use Appendix C – Church Annual Report - Assembly Guidelines for details that will help facilitate the completion of the Church Annual Report.
XIII. Assets & Liabilities

Assets are items of value that the church owns. These usually have an “economic life” that continues beyond the current fiscal year, such as buildings, furniture, and equipment. More elaborate accounting methods provide a way to record assets in the accounting records of the church. For our purposes, however, you only need a record of all relevant information on the assets. The record covers the time from when you purchase the assets until you dispose of them (sell or give them away). This information should include:

• Description
• Date of purchase or receipt (acquisition date)
• Original cost
• Insured replacement cost
• Invoices and other documents

Present a report containing this information to the congregation at least once a year.

Liabilities are debts that the church must settle at a future date, such as mortgages and other types of loans. This information should include:

• Description
• Date of the amount borrowed (date incurred)
• Original amount borrowed
• Interest rate
• Monthly payment
• Remaining balance due
• Any other relevant information

This information should be reported annually.
Appendix A – Records Management

Records management is defined as the practice of identifying, classifying, archiving, and the methodical destruction of records. It includes all the processes involved in making records findable, usable, and savable or destroyable.

Records have stages of life. A record goes through three (3) stages in its lifecycle: active use, semi-active use & storage, and final disposition. During active use, the record is referenced frequently and needs to be close at hand. When the record is not accessed as often, it moves to semi-active use. Generally at this point in the lifecycle, the record is being kept to satisfy a specific need to have it, but is moved out of file cabinets and into boxes in the basement or other storage areas. Final disposition is the point at which records are destroyed or are moved to permanent storage in the church archive if you have established one. It is important to know what purpose a record serves, so the length of time to keep it can be identified.

Organizing Your Records

There are three (3) primary methods of filing an organization’s records: department or function, subject or topic, and chronology. You can choose one or combine them.

Filing records by department or function has the advantage of clearly demonstrating the activities, functions, and structure of the organization that created the records and is the preferred arrangement for archival records. This method brings together all records documenting a specific activity within the organization. For example, Finance Committee, Trustee Board, and Choir are some of the headings under which records might be filed.

You can also file your records under topic headings which reflect the work of the church. Headings such as "Prayer Day," "Elder’s Official Visit", and "Annual Convention" are examples. This arrangement poses problems as topics begin to overlap or intersect, or as the list of topics becomes unwieldy. However, if the topics are limited in number, clearly defined, and distinct from one another, this is a successful system.

Small organizations can file its records in simple chronological order. This method does not work well for a larger organization. It is, however, adequate to meet the needs of a group that deals primarily with a single issue, topic, or project, and whose records are not voluminous.

A majority of records can be filed according to the department that produced them, and subdivided by topic, subject, or chronology.

Identifying Retention Periods
There are standard guidelines, known as record retention schedules which contain recommendations on scheduling many types of records for retention or disposal.

Retention schedules generally include a list of record types with a recommendation for how long to retain the record before it is discarded, destroyed, or transferred to the archives. Work with your church to evaluate your records and determine the retention periods for your records based on the life cycle and purpose of the records.

Remember, the life cycle of a record has 3 stages:

**Stage 1**: Active Use. The record is currently in use and/or is referred to frequently.

**Stage 2**: Semi-Active Use. The record is not in current use but is still referred to on occasion.

Records in Stages 1 and 2 are retained and stored for as long as they are useful, whether that be for six (6) months or ten (10) years. Very few records, if any, are actually in active or semi-active use after ten (10) years. Records no longer in use are in the final stage of the life cycle, Stage 3.

**Stage 3**: Disposition. The record is no longer in current use. It is rarely or never needed for reference. It is no longer needed for legal or financial purposes.

Most records in Stage 3 are destroyed or discarded. However, some records have continuing historical value and are retained permanently.

Deciding which records have historical value is more an art than a science. Records that illustrate the purpose, activities, and core values of the church are archival records and should be preserved.

Sample Retention Schedule
The list of categories (A through I) used in the sample schedule suggests the potential breadth of items for which a schedule should be established. Every church may not need all of these categories, but every church should for itself determine which ones are relevant.

The retention periods listed apply to both physical and electronic documents. If no physical copy of an electronic document is retained, the means to ‘read’ the electronic document must also be retained.

A. ACCOUNTING AND FINANCE

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable &amp; Accounts Receivable ledgers and schedules</td>
<td>7 years</td>
</tr>
<tr>
<td>Annual Audit Reports and Financial Statements</td>
<td>Permanent</td>
</tr>
<tr>
<td>Annual Audit Records, including work papers and other</td>
<td>7 years after completion of audit</td>
</tr>
<tr>
<td>documents that relate to an audit</td>
<td></td>
</tr>
<tr>
<td>Bank Statements, Bank Reconciliations, Completed Checkbook</td>
<td>7 years</td>
</tr>
<tr>
<td>Registers</td>
<td></td>
</tr>
<tr>
<td>Canceled Checks**, Offering Forms, Deposit Receipts</td>
<td>3 years</td>
</tr>
<tr>
<td>Credit card numbers</td>
<td>Full credit card numbers should not be retained any</td>
</tr>
<tr>
<td></td>
<td>longer than immediate business needs and merchant</td>
</tr>
<tr>
<td></td>
<td>account agreements dictate.</td>
</tr>
<tr>
<td>General Ledgers</td>
<td>Permanent</td>
</tr>
<tr>
<td>Notes Receivable ledgers and schedules</td>
<td>7 years</td>
</tr>
<tr>
<td>Investment Records</td>
<td>7 years after sale of investment</td>
</tr>
</tbody>
</table>

**Copies of cancelled checks for important payments, *i.e.* taxes, purchases of property special contracts, etc. should be kept permanently.

B. CONTRACTS
### Local Church Secretary’s Handbook

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracts and Related Correspondence (including any proposal that resulted in the contract and all other supportive documentation)</td>
<td>7 years after expiration or termination</td>
</tr>
</tbody>
</table>

Comment: Some states may require longer retention period generally, or for specific types of contracts. A local attorney should be consulted.

### C. CORPORATE RECORDS

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Records (minute books, signed minutes of the boards and all committees, church seals, articles of incorporation, bylaws, annual church reports)</td>
<td>Permanent</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>Permanent</td>
</tr>
<tr>
<td>Membership Records</td>
<td>Permanent</td>
</tr>
</tbody>
</table>

### D. ELECTRONIC DOCUMENTS

1. Electronic Mail: Not all email needs to be retained, depending on the subject matter.
2. Electronic Documents: including Microsoft Office Suite and PDF files. Retention depends on the subject matter.

In certain cases a document will be maintained in both paper and electronic form. In such cases the official document will be the electronic document.

### E. PAYROLL DOCUMENTS
### Record Type | Retention Period
---|---
Employee Deduction Authorizations | 4 years after termination
Payroll Deductions | Termination + 7 years
1099, W-2 and W-4 Forms | Termination + 7 years
Garnishments, Assignments, Attachments | Termination + 7 years
Payroll Registers (gross and net) | 7 years
Time Cards/Sheets | 7 years
Unclaimed Wage Records | 6 years

---

### F. PERSONNEL RECORDS

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
</table>

12/5/2016 27
### Record Type

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions/Bonuses/Incentives/Awards</td>
<td>7 years</td>
</tr>
<tr>
<td>EEO- I/EEO-2 - Employer Information Reports</td>
<td>2 years after superseded or filing (whichever is longer)</td>
</tr>
<tr>
<td>Employee Earnings Records</td>
<td>Separation + 7 years</td>
</tr>
<tr>
<td>Employee Handbooks</td>
<td>1 copy kept permanently</td>
</tr>
<tr>
<td>Employee Personnel Records (including individual attendance records,</td>
<td>7 years after separation</td>
</tr>
<tr>
<td>job or status change records, performance evaluations, terminations,</td>
<td></td>
</tr>
<tr>
<td>termination papers, withholding information, garnishments, test results,</td>
<td></td>
</tr>
<tr>
<td>and training and qualification records)</td>
<td></td>
</tr>
<tr>
<td>Employment Contracts – Individual</td>
<td>7 years after separation</td>
</tr>
<tr>
<td>Employment Records - Correspondence with Employment Agencies and</td>
<td>3 years from date of hiring decision</td>
</tr>
<tr>
<td>Advertisements for Job Openings</td>
<td></td>
</tr>
<tr>
<td>Employment Records - All Non-Hired Applicants (including all applications</td>
<td>2-4 years (4 years if file contains any correspondence which might</td>
</tr>
<tr>
<td>and resumes - whether solicited or unsolicited, results of post-offer,</td>
<td>be construed as an offer)</td>
</tr>
<tr>
<td>pre-employment physicals, results of background investigations, if any,</td>
<td></td>
</tr>
<tr>
<td>related correspondence)</td>
<td></td>
</tr>
<tr>
<td>Job Descriptions</td>
<td>3 years after superseded</td>
</tr>
<tr>
<td>Personnel Count Records</td>
<td>3 years</td>
</tr>
<tr>
<td>Forms I-9</td>
<td>3 years after hiring, or 1 year after separation if later</td>
</tr>
</tbody>
</table>

Comment: Many employment and employment tax related laws have both state and Federal law requirements. A local attorney should be consulted.

### G. PROPERTY RECORDS

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondence, Property Deeds, Assessments, licenses, Rights of Way</td>
<td>Permanent</td>
</tr>
<tr>
<td>Property Insurance Policies</td>
<td>Permanent</td>
</tr>
</tbody>
</table>

### H. TAX RECORDS
<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exemption Documents and Related Correspondence</td>
<td>Permanent</td>
</tr>
<tr>
<td>IRS Rulings</td>
<td>Permanent</td>
</tr>
<tr>
<td>Excise Tax Records</td>
<td>7 years</td>
</tr>
<tr>
<td>Payroll Tax Records</td>
<td>7 years</td>
</tr>
<tr>
<td>Tax Bills, Receipts, Statements</td>
<td>7 years</td>
</tr>
<tr>
<td>Tax Returns - Income, Franchise, Property</td>
<td>Permanent</td>
</tr>
<tr>
<td>Tax Workpaper Packages - Originals</td>
<td>7 years</td>
</tr>
<tr>
<td>Sales/Use Tax Records</td>
<td>7 years</td>
</tr>
<tr>
<td>Annual Information Returns - Federal and State</td>
<td>Permanent</td>
</tr>
<tr>
<td>IRS or other Government Audit Records</td>
<td>Permanent</td>
</tr>
</tbody>
</table>

Comment: Retention period for sales taxes and property taxes are determined by state law. A local accountant or attorney should be consulted.

I. CONTRIBUTION RECORDS

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records of Contributions – including individual giving envelopes</td>
<td>7 years</td>
</tr>
<tr>
<td>Documents evidencing terms, conditions or restrictions on gifts</td>
<td>7 years after funds are expended</td>
</tr>
</tbody>
</table>
Appendix B – Manual Accounting System Forms

CASH RECEIPTS LEDGER – Microsoft Excel Spreadsheet

CASH DISBURSEMENTS LEDGER – Microsoft Excel Spreadsheet

INDIVIDUAL GIVING RECORD – Microsoft Word Document

SUMMARY RECEIPTS COUNT FORM – Microsoft Excel Spreadsheet

DEACON’S LIST FORM – Microsoft Word Document

REVENUE & EXPENSE STATEMENT – Microsoft Excel Spreadsheet

FUND ACTIVITY REPORT – Microsoft Excel Spreadsheet

BANK RECONCILIATION FORM – Microsoft Excel Spreadsheet

Alternative Ledger forms: - Microsoft Excel Spreadsheets

LEDGER -2 COLUMN BLANK FORM

FINANCE - 2 COLUMN FORM

LEDGER-2 COLUMN BLANK FORM - sample form with a formula that automatically computes the balance for you.
Appendix C – FBH Reports & Assembly Guidelines

Official Report Blanks

ELDERS OFFICIAL VISIT REPORT

ANNUAL SISTERS OF CHARITY REPORT

SUNDAY SCHOOL ANNUAL REPORT

CHURCH ANNUAL REPORT

The corresponding fill-in forms (as well as the official blanks) are available on the Secretary Essentials web site at www.fbhchurch.org/swod-sect/pages/handbook-blanks.html#theblanks

Assembly Guidelines for the Official Report Blanks

The Assembly Guidelines document contains instructions that will assist you in preparing the Official Report Blanks.

ASSEMBLY GUIDELINES

Other Helpful Information

You can find additional forms, templates, and tips at the Secretary Essentials web site – http://www.fbhchurch.org/swod-sect/