

Gulf States Conference of Seventh-day Adventists

Local Church Treasurer's Manual



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INTRODUCTION

I.1 Introduction - The treasurer of the local church or school can justly be said to be the most important link in the chain of individuals charged with the handling of funds in the Seventh-day Adventist Church organization. This Church Treasurer's Manual has been developed by the Gulf States Conference treasury staff to assist you in this very important ministry. The instructions contained in this manual are intended to sharpen the skills of the treasurer in carrying out his or her regular duties, guide the treasurer as questions may arise, and help the church or school remain in compliance with general Conference policies. Included in the manual are excerpts from: 1) the Local Church Accounting Manual compiled by the General Conference, 2) the Church Manual, 3) present policies used in the Gulf States Conference, and 4) Church Accounting Manuals from other conferences. In addition, the Gulf States Conference treasury staff have added sections we feel will be helpful to you in your work. This manual is meant to give guidance in handling issues most commonly faced by treasurers. Obviously situations or questions may arise that are not specifically addressed in this manual. In these instances we urge you to refer to the Church Manual and/or contact the Conference Treasury Department. We are here to serve you and help you use your talents most effectively for the Lord.

I.2 Qualifications and Job Description - The task of church or school treasurer is a sacred work. The greatest care should be exercised in electing individuals to this and other church offices who exhibit the personal qualifications and skills to properly carry out these sacred duties. The treasurer should be a church member of moral and religious fitness, dedicated to service, and willing to learn. The treasurer should be a person of good judgement and sound integrity who is able to relate well with others. Attention to detail and accuracy are important skills for a treasurer. Since much of the information dealt with by the treasurer is sensitive, confidentiality is a must. Finally, the treasurer should be one who faithfully supports the church in all respects, including regular church attendance and with their tithes and offerings.

Following is a list of the general duties of the church treasurer, most of which also apply to the school treasurer:

- ▶ Receipt all the funds that come into the local church.
- ▶ Deposit all funds on a timely basis.
- ▶ Record these funds regularly in a ledger.
- ▶ Issue receipts to all donors for tax reporting purposes.
- ▶ Pay all authorized expenses.
- ▶ Maintain an up-to-date checkbook.
- ▶ At the end of each month, remit funds for Conference, Union and General Conference work to the Conference.
- ▶ Balance the ledger, checkbook and bank statement monthly.
- ▶ Report regularly the financial status of the church to the church board and the church in business session.
- ▶ Organize offering envelopes, donors' receipts, ledgers, paid bills, canceled check, bank statements, and other pertinent materials in an orderly manner.
- ▶ Cooperate with the pastor, finance committee and/or operating board in preparing an annual budget.

We recognize that this list of duties, all of which are elaborated on later in the manual, may seem quite imposing. However, if duty is taken one-step at the time, the Lord will see you through it and you will do just fine!

GENERAL ISSUES

II.1 Confidentiality - The position of treasurer is one that carries trust. Donors are revealing personal information each time they turn in a tithe envelope. Other individuals are in a position of needing financial assistance from the church. It is the duty of the treasurer to keep this type of information confidential.

II.2 Safeguarding Donor Intent - It is the duty of the treasurer to safeguard the intent of the donors for offerings taken for any local, conference, or world offering. It is a matter of trust for the treasurer and church board to insure that all offerings and gifts are allocated and used for the purpose for which they were given. "Neither the treasurer or church board has the authority to divert any funds from the objective for which they were given." (Seventh-day Adventist Church Manual p.59)

II.3 Tithe & Offering Use - There are two distinct classifications of donations: Tithe and Offerings. Offerings are further classified in three major categories: Local Church, Local Conference, and World Church.

- A. Tithe is defined as one-tenth of one's increase or personal income. All members are encouraged to return a faithful tithe into the treasury of the denomination. "The tithe is to be held sacred for the work of the ministry, for Bible teaching, and for support of conference administration in the care of churches and of field missionary endeavors. The tithe is not to be spent on other work, on paying church or institutional debts, or on building programs." (Seventh-day Adventist Church Manual, p 137.)

The tithe received in a local church is to be remitted to the conference treasury. Of the tithe received at the conference, 9% is remitted to the Union, 14% to the North American Division and General Conference, 11.4% into a retirement fund for workers, and .80% (this amount is calculated on tithe received above a certain level) for assistance to small local conferences. Gulf States Conference retains approximately 64.8% of the total tithe it receives. Further information regarding tithing is available from the Conference Treasury Department in the Reference Guide to Informed Giving.

- B. Offerings are non-tithe donations to provide funding for local church, conference, or for the world church.
 - a. Local Church offerings are non-tithe donations made to the local church to provide funding for operations and capital needs. Categories on the tithe envelope are Church Budget and Building Fund with room for write-in additions. Operating expenses include: utilities, maintenance, Sabbath School supplies, secretarial or janitorial personnel, and church sponsored programs. Capital projects include such things as building projects or an organ fund. Each year an operating budget should be developed to prioritize the needs and programs of the church. The budget should be formally approved by the church in business session.
 - b. Gulf States Conference Advance offerings provide funding for a number of specific programs operated by the Conference. The programs that receive funding are detailed on the back of the tithe envelope.

- c. World Budget offerings provide funding for programs such as Adventist Disaster Relief Agency, Adventist World Radio, various TV ministries, and several colleges and universities. A full listing of what the World Budget funds are designated for is on the back of the tithe envelope.

II.4 Non-General Conference Authorized Donations - The General Conference of Seventh-day Adventists has been granted a 501 (c)(3) exemption from the Internal Revenue Service. This status identifies the General Conference and its subsidiary organizations as not-for-profit organizations. There are many organizations to which members may wish to contribute that are not covered under the General Conference 501 (c)(3) status. Donors should send their contributions directly to those organizations that are not covered. Funds received at the church for these organizations should be returned to the donor and a church receipt not be issued. Some of these organizations are Hope International, The Quiet Hour, Three Angels Broadcasting Network, Amazing Facts and Your Story Hour. Organizations that are considered denominational entities are listed in the SDA Yearbook and also can be found on the eAdventist website. If they are not listed here then the donor needs to give the donations directly. Questions regarding donations can be answered by the Conference Treasury Department.

II.5 Loose Offerings - Loose offerings collected during church are to be applied to the offering of the day as indicated on the Sabbath Offering Schedule listed on the annual Sunset Calendar. Page 59 of the Seventh-day Adventist Church Manual states: "When an offering is taken for worldwide missions or for any general or local enterprise, all moneys placed in the offering plate (unless otherwise indicated by the donor) shall be counted as part of that particular offering." This policy is based on the world mission concept on which the church was founded and flourishes, and is in accordance with the biblical model of spreading the Good News to all the world. ****Loose offering purpose CANNOT be changed by or re-designated by the church board.****

II.6 Stewardship Promotion - Treasurers are in the position to present information that can assist in the promotion of stewardship within the church. The information shared can take the form of trend analysis of giving, number of giving units compared to membership, local offerings compared to tithe, and use of funds. The information a treasurer can offer should be used with an overall stewardship plan for the church. The Seventh-day Adventist Church Manual outlines several undesirable methods of raising funds.

II.7 Proper Channels for Giving - The Bible states the all the tithes are to be brought to the storehouse. The Seventh-day Adventist Church is the storehouse of God for the tithes and offerings given by its members. The basis of the financial plan developed by the church organization is to provide a unifying factor within the Seventh-day Adventist Church. The preferred practice of giving is for donations to be given at the local church from which the appropriate funds will be remitted to the conference. Funds sent to the conference for work outside the conference will be sent on to the union, from the union to the division, and then to the General Conference as appropriate. Great care is taken at each level to ensure that specific offerings are used for their intended purpose.

II.8 Reporting Responsibilities

- A. Conference - Monthly remittance reports are to be received at the conference by the 10th of each month. These reports should include a remittance report form or equivalent, and detailed back-up material in support of the figures on the report. (See Section III.8)
- B. Church Board - A financial report should be made to the church board at each regular meeting. The report should include cash balances, the status of any loans or other payables, offering trends, and information about expenses. The church board is responsible for the operations of the church and needs timely financial information to assist in making decisions. (See Section III.10)

- C. Church Members - Reports are made to church members in two ways. Annual receipts for donations are to be given to donors before January 31. A church business meeting needs to approve the budget and annual financial report. A report to the church members should be given including information about the previous year's activities as well as the proposed budget for the New Year. (See Section III.10)
- D. Pastor- The pastor is involved in the day to day activities of the church and should be aware of the finances of the church in a more detailed manner than the church board. The treasurer should report any unusual requests for expenses to the pastor if approval is needed before a church board meeting. The pastor should receive a copy of the conference remittance report soon after it is completed. (See Section III.10)

II.9 Church Board Authorizations - The church board is the operating committee of the church. The board carries the responsibility of the financial management of the church. It is the duty of the church board to establish approval criteria for the payment of expenses. Criteria should be developed for anyone who can make expenditures. Limits on spending should be established for department leaders. Authorization should be given for the treasurer to pay all standard bills such as rent, utilities, insurance, and all other budgeted items. The board may choose to authorize the pastor to approve certain expenditures up to a specific dollar amount. Any large or unusual expenditures should be approved by the church board.

II.10 Basics of Fund Accounting - Churches use a method of accounting referred to as fund accounting. This type of accounting method is used predominately in not-for-profit organizations. It provides a method to associate specific expenses with restricted donations made to an organization. Fund accounting is unique as compared to other commercial types of accounting.

- A. Functions - Financial information about each department of a church needs to be kept separately. A function should be set up for each distinct area of the church. Incomes, expenses, transfers, and fund balances for each department are recorded in columns or sections known as functions. A function should be set up for each distinct area of the church. The purpose of these functions is to facilitate matching restricted income with appropriate expenses. In other words, to make sure donations are being used for what they were intended. Examples of functions include the following: Church Budget, Church Expense, Sabbath School, Building Fund, and Pathfinders. The function balance is the accumulated balance of activity in a function.
- B. Income - Churches receive income to fund operations and capital expenditures primarily through donations. These incomes are recorded in the appropriate functions. Some donations must be used for specific purposes, other donations can be used in a general way, and other, non-donated income is used where most needed. All funds are kept in a checking account. Regardless of where the money is kept, its intended use is kept distinct in the ledger.
- C. Donation - Churches are recipients of contributions made by persons who wish to assist the organization in meeting its financial requirements. There are two types of donations made by donors: restricted and unrestricted.
- D. Restricted Donations - Donations given by a donor that are earmarked by the donor for a specific purpose are known as restricted donations. These include donations for programs such as Church Expense, Building Fund, Sabbath School Expense, or Evangelism. Restricted funds must be used for the purpose for which they were donated.
- E. Unrestricted Donations - Donations given by a donor for unspecified use by a church are unrestricted donations. These donations may be used for any purpose the church deems

necessary. At times the board or church members may vote to designate a type of offering to be allocated too many programs. Usually this is the Church Budget offering. These funds are deemed "board allocated." The allocations associated with Church Budget and World Budget offerings are sometimes adjusted to meet changing needs. The same governing body that approved the allocations may change it.

- F. Other Incomes - Proceeds from the sale of goods and interest earned on checking and saving accounts are unrestricted income. These are not donations made by individuals but are monies received through actions taken by the church. The church board has the obligation to designate where these funds should be allocated. They can change these designations at any time. In the case of selling goods it should be noted that one principle of accounting is to match income with directly related expenses. Allocation of the net proceeds can be made after the difference between income and expenses is computed.
- G. Expenses - Payments made in exchange for goods and services are recorded as expenses. Expenses are recorded in the appropriate functions to match where income has been recorded. Funds that are sent to the conference are recorded as monies held in trust, not expenses (i.e. Revolving Fund).
- H. Transfers - The methods involved in allocating funds, such as Church Budget donations, are called transfers. Transfers can be on a straight percentage or a combination of percentage and flat dollar amounts. These methods are outlined in section III.6. Transfers provide a method to reallocate funds from one function to another. The net result of a transfer transaction is always zero. Transfers do not generate income for the church, they simply shift funds from one area to another.
- I. Fund Balance - The net worth of an organization is the sum of the function balances. On a balance sheet the fund balance is the sum of assets minus liabilities. Or in other words, the difference between what an organization has and what it owes. If the church has no liabilities or debt then the fund balance equals its assets; usually the checking and saving account balances. The net gain or loss a church has for a period acts as an adjustment to the fund balance.

The terms fund balance, function balance and account are used interchangeably throughout this manual.

II.11 Accounting for Auxiliary Organizations - Auxiliary organizations are entities that are related or subordinate to the church or school, such as Adventurer and Pathfinder Clubs, Home and School organizations, Community Services, etcetera. Funds for these organizations should be accounted for in the church or school records, with the church or school treasurer being the custodian of these funds. All moneys received by these organizations should be given to the church or school treasurer to be receipted. Disbursement of monies for these organizations should be by request of the organization's leader to the treasurer, and should be accompanied by the appropriate documentation. If a person in charge of a ministry in the church is given funds they need to be turned over to the treasurer immediately for recording. This is MANDATORY.

II.12 Receiving and Custody of Funds - It is important that the church funds are kept in such a manner that they will be secure until they are deposited in the bank. The treasurer's first contact with church funds comes when he/she takes charge of the church offering on the Sabbath. Ideally the offering is collected by the deacons or ushers, and is carried by them to a specified private location away from the sanctuary. The church treasurer should be waiting at that location to take possession of the offering--loose cash and envelopes--from the deacons. At this time it is necessary that the loose offering be counted by the deacons (or some other person(s) not related to the treasurer). It is not appropriate that the church treasurer count the offering at this time, nor is it permissible that the church treasurer take control of the offering without the loose offering being counted. When the counting process is complete, the deacons should complete a tithe envelope for the

loose offering, indicating the amount and designation of the offering and the persons who counted should initial this envelope. In addition, the deacons should write a temporary receipt for the total of the loose offering and give the receipt to the church pastor or head elder for later comparison with the church treasurer's receipt. This becomes part of the formal record by the conference auditor.

This procedure of dual custody should be followed in the handling of all loose offerings. For example, Sabbath School offerings should be counted jointly by the Sabbath School secretary and a designated person/elder, placed in an envelope, and the total listed on the envelope. A receipt should be given to the pastor. The church treasurer should be particularly interested in seeing that this procedure is faithfully followed for his/her protection.

During the church service the offerings should be hidden in a safe place. Once home, the treasurer should count the Sabbath School and loose offerings and record the amounts on a receipt for the pastor or head elder to compare with the receipts from the previous counts. The offerings should again be kept in a secure place away from other individuals until the monies can be deposited in the bank. It is important that the funds are deposited in the bank as soon after they are collected as possible, at least by the Monday or Tuesday after they were collected. An overnight deposit bag could be obtained from the bank for this purpose. In no case should anyone put themselves at personal risk to protect the funds in the case of burglary or fire.

****SPECIAL NOTE**** - At no time should funds be taken from the Loose Offering to reimburse or help a person in need. A check should be written. (See section III.3)

II.13 Bank Accounts - No bank account (checking or savings) should be opened, closed, or changed without formal action by the church or school Board, evidenced by written minutes. The bank account should be opened in the name of the church or school using its Federal Tax Identification Number (see Section II.15). The board authorization should include specifically the names of individuals authorized to sign checks. Three current names should be registered with the bank as appropriate signors for the checking and savings accounts at all times. These names could include the treasurer, the pastor, head elder, principal, or an assistant treasurer. Only the treasurer should sign checks on a regular basis. The other two individuals would sign only in the case of an emergency. When an authorized signor leaves his position, or his authorization is removed for any reason, the board must take an action recording the removal of his authorization and the replacement with another signor.

It is important when opening a bank account to choose a bank which is conveniently located and offers the services desired by your church or school. In addition, you should consider whether the bank account earns interest and what fees will be charged to your account. Many banks offer no fee accounts to non-profit organizations, such as churches and schools. Finally you should ensure that all funds deposited in a bank account are insured in full.

Individual ministries in the church (i.e. pathfinders, adventurers, etc.) should not setup a separate checking account. If this is done then the church treasurer needs to be on the account and the person who is the main account operator will need to maintain all the accounting records for the account and will be audited at the same time the church is. If a separate account is setup the treasurer needs to notify the auditor and the account operator of the checking account.

II.14 Savings Accounts/Investments - It is frequently the case that a church or school has excess funds in its checking account that will not be used in the near future. Such surplus funds should be kept in a savings account, some other insured bank deposit (such as a certificate of deposit) to take advantage of earning additional interest. As stated above, such accounts must be authorized specifically by the governing board. All deposits of funds received by the church or school should be made to the organization's checking account. Funds can then be transferred to the savings account by writing a check from the checking account.

Withdrawals from savings accounts should be made only for the purpose of transferring funds to the checking account; no expenditures should be made directly from the savings account. Any investment in other than insured bank accounts such as treasury bills or mutual funds, should be entered into only after counseling with the conference treasurer. Please note that no loans of church or school funds should be made to any individual or business at any time for any purpose.

Along with the checking account balance, all savings accounts should be reflected in the total church or school funds on the record book. The interest from a savings account is unrestricted, and can be allocated by the organization in any manner it desires. The Church or School Board should take official action as to what fund should receive the interest from the savings account.

II.15 Federal Tax Identification Number/State Sales Tax Exempt Certificate - Each church or school must have its own Federal Tax Identification Number. This number is required by banks to open a checking or a savings account. In addition, this number is needed in order to apply for a Sales Tax Exempt Certificate from the state Department of Revenue in which the church (Florida only) is located. If you do not have your own Federal Tax Identification Number, you can contact the Conference Treasury Department for the appropriate form (SS-4) needed to apply for this number. The conference treasury personnel can assist you in completing this form.

Each church (Florida only) and school should also have its own state Sales Tax Exempt Certificate. These certificates are issued by the appropriate state Department of Revenue and are needed for the organization to avoid having to pay state sales tax on purchases. If your church (Florida only) or school does not have such a certificate, you should request an application form from your state Department of Revenue. As stated above, you must have a Federal Tax Identification Number in order to complete the application for a State Sales Tax Exempt Certificate. Often the application asks for information with which you may be unfamiliar, such as a copy of your parent organization's directory page listing your organization or a copy of your 501(c)(3) determination letter. The Conference Treasury Department can provide these for you upon your request. It is important that the organization's Tax Exempt Certificate be carefully protected and used only for authorized purchases of the organization so as not to jeopardize the tax exempt status of the organization.

II.16 Courtesy Payroll by Conference - Employee vs Independent Contractor - Churches and schools often hire employees to perform certain functions for their organization. Duties for which individuals often get paid include treasury, secretarial, teacher's aides, and janitorial duties. Employers are required to withhold the appropriate taxes from employees and remit the taxes to the IRS and the state Department of Revenue. In addition, employers are required to comply with wage and hour regulations (including paying time-and-a-half for over 40 hours in a week), submit a 941 form quarterly, issue W-2 forms at year end, and provide Workers Compensation insurance to cover job-related injuries.

Since most local organizations are not set up to easily handle these withholding and reporting functions, the conference is willing to process the local entity's payroll and the corresponding reporting as a courtesy. Before an individual's payroll may be processed, a properly completed W-4 and I-9 form must be forwarded to the conference within 3 days of employment. Then the church or school simply needs to complete a "Local Payroll Report" and submit it with a check for the appropriate costs to the conference by the 15th of each month the individual is to be paid. The conference will then issue the paycheck and take care of the rest of the responsibilities.

The conference does not charge anything for this service, however there are some normal costs of being an employer the church or school must bear. In addition to the pay amount, the church or school must remit to the conference an amount for the employer's portion of Social Security (currently 7.650% of the person's pay) and the employer's portion of Workers Compensation insurance (currently 0.040% of the person's pay). Also, if the employee works more than 1000 hours in a year and earns at least the minimum wage, the employee is eligible for denominational retirement service credit if their payroll is run through the conference. The church

or school must pay retirement contributions of 5% basic and up to 3% match of the employee's pay. The employee can contribute to retirement and must fill out a form whether they wish to do this or not. If the employee works more than 30 hours average per week, then they become eligible for healthcare. This is an additional cost to the church/school of \$1,200 per month.

Some have incorrectly classified certain workers as "independent contractors," and therefore have not felt the need to withhold taxes and perform the other necessary reporting. Entities must be very careful to ensure that all workers are being handled and reported correctly. Neither the employer nor the worker can "deem" the worker to be an independent contractor. A signed contract does not necessarily free the employer from the legal obligations of being an employer. The fact that a worker is part-time and/or temporary does not give the employer the right to treat them as though they were not an employee.

The following are a few of the criteria that would indicate a worker is an employee and not an independent contractor. An employee typically:

- ▶ Performs services on a regular and continuous basis.
- ▶ Receives instructions as to how and where the work is to be performed.
- ▶ May have a set number of hours.
- ▶ Is paid by the hour, week or month.
- ▶ Uses the organization's equipment.
- ▶ Performs services only for your organization and does not make the services available to the general public.
- ▶ Does not carry his or her own worker's compensation insurance.
- ▶ Has a set schedule or routine established by the organization.
- ▶ Is not at risk for financial loss.

If a worker in your church or school falls under any one of the descriptions above, more than likely that person is an employee.

If a worker is an independent contractor and receives more than \$600 in a calendar year, then the church or school is required to issue that individual a 1099-MISC form. The treasurer should ensure that this form is issued to the worker and the IRS in a timely manner and in accordance with the tax code. The conference treasury will submit this form for the church if the information is supplied by January 10; the information must be complete with worker's name, address, social security number, and amount paid. **An independent contractor is required to carry liability insurance with \$3 million coverage and worker's comp before they can do any work around the church.**

II.17 Necessity of Having an Assistant Treasurer - The various duties and responsibilities of the local church and/or school treasurer are a large undertaking for one person. The election of one (or two) assistant treasurers should make the job much more manageable. This would allow the duties to be divided in such a way that both the treasurer and assistant treasurer are not overly burdened. For example, many churches will have the assistant treasurer make the deposits and write out the donors' receipts, with the treasurer handling the rest of the duties.

Some churches or schools may argue they are too small to need an assistant treasurer. Others may have treasurers who are willing to perform all of the necessary treasury duties. Even so, it is important that an assistant treasurer be elected. This person may be needed in the absence of the treasurer to perform certain

essential duties, such as receiving, counting, and depositing the funds or writing a check in an emergency. These situations often arise if the treasurer is out of town or ill. At no time should the treasurer leave signed blank checks for emergencies in case of an emergency. This is the responsibility of the assistant treasurer or another elected person to cover.

In choosing an assistant treasurer it is important to look for the same qualities desired in a treasurer. The assistant treasurer should be a dedicated person with moral and religious fitness. It is important that all individuals responsible for handling the Lord's funds exercise the same integrity and confidentiality expected of the treasurer.

II.18 Ownership of and Access to Records - All of the accumulated treasury records are the property of the local church or school. The treasurer should deliver all of the records to his/her successor. Any supplies, manuals, and equipment that are not the personal property of the treasurer should also be passed on to the new treasurer. Since most of the records held by the treasurer contain sensitive and confidential information, access to these records should be restricted to the treasurer, assistant treasurer, and pastor or principal.

II.19 Organization and Storage of Records - Your job as church or school treasurer, as well as the job of the conference auditor, will be much easier if the treasury records are well organized. Following is the recommended manner records should be organized:

- A. Tithe Envelopes: The tithe envelopes should be organized first of all by week, and then by month. Each group of envelopes for the week should have a bank deposit ticket and an adding machine tape that agree on top, and should be wrapped with a rubber band. The tithe envelopes for that week should match the donations recorded on the receipt for that week. The weeks are then banded according to month. Be sure to label each month properly.
- B. Copies of Donors' Receipts: The church's copies of donor manual receipts should be organized in alphabetic order. Manual receipts they should batched by quarter and then by year.
- C. Checks: The canceled checks should be organized in numerical order. Don't forget to include all voided checks.
- D. Paid Bills: The paid bills and receipts reimbursed to individuals should be organized in the same order as the canceled checks, in other words in the order in which they were paid. Each bill should have written on it the number and date of the check with which it was paid. The bills should be organized sequentially by year in labeled folders.
- E. Treasurer's Copy of Remittance Reports to the Conference: The treasurer's copy of the monthly remittance report sent to the Conference should be kept in a folder or notebook.
- F. Checking Account Bank Statements: The bank statements should be kept in a folder, separated by year. This folder should also include any notices from the bank of adjustments to your account for NSF checks, etcetera. Finally, this folder should include copies of your monthly bank reconciliations, either on the back of the bank statements or on a separate piece of paper.
- G. Savings Account Bank Statements/Passbooks/Revolving Fund Statements: Savings account bank statements and Southern Union Conference Revolving Fund statements should be kept in a file. Passbooks, certificates of deposit, and other such records should be kept in a secure, locked area, and should be available at the time for audit.
- H. Ledgers: Each ledger should be labeled indicating the time period covered by the ledger.

- I. Church Board Minutes: The treasurer should keep copies of the board minutes in a folder or notebook. These minutes are used as verification of board authorization of the annual budget, out-of-the-ordinary expenditures, opening and closing of bank accounts, and signors on bank accounts.

It is the responsibility of the church or school to provide a secure, locked storage area large enough to hold all of the treasurer's records. The treasurer and pastor or principal should have keys to this storage area.

II.20 Retention of Records - Following is a schedule of how long certain church and school treasurer's records should be kept. Please note that no records should be disposed of until they are audited, even if they meet the retention period criteria.

Record	Retention Period	
Audit Reports	Permanent	
Ledgers	Permanent	
Copies of board minutes	6 years	(The clerk or secretary is to maintain the original minutes and keep them permanently)
Invoices and Receipts for Paid Bills	6 years	
Church's Copies of Donor's Receipts	6 years	
Bank Statements, Reconciliations and Canceled Checks	6 years	
Tithe Envelopes	Keep all envelopes until they have been audited by the conference, then retain only the current and previous year's envelopes.	

Church records, which have met the retention period and have been audited, may be destroyed by being shredded or burned.

II.21 Audit Review by Conference Personnel - The church and school treasury records are to be reviewed by the Conference Treasury Department on a regular basis. This is to review the church/school records not the treasurer. The Gulf States Conference is attempting to review each of the church and school records every year. There are times when the church or school may desire to have an audit review performed before one is scheduled if a problem is believed to be present. The Conference Treasury Department will do its best to meet these needs as timely as possible. Since the conference is the parent organization to the churches and schools, an independent audit cannot be done. Instead the conference performs an "Internal" audit review, with the resulting report being intended only for the church or school and its constituents.

The audit review by conference personnel is not something which should be dreaded or feared. The purpose of the review is fourfold:

- ▶ To serve as a "help session" for the treasurer.
- ▶ To ensure that the records are "in balance."

- ▶ To verify that the treasury Systems in place are functioning properly.
- ▶ To ensure that church (local, conference, and General Conference) policies are being consistently followed.

If the instructions and recommendations in this manual have been followed carefully, preparing for the audit review should not be difficult. The treasurer will only need to have all the records for the audit period as listed in section II.20 available for the auditor.

II.22 Ordering Supplies -Church treasurer supplies, such as tithe envelopes, donor's receipts, ledger books, remittance mailing envelopes, etcetera, may be ordered through the Conference Treasury Department. There is no cost to the local church for supplies, except for the LUCIS computer software. An order form will be sent to the church treasurer in October to order the supplies for a YEAR. At this time check all supplies, including tithe envelopes and receipts to decide how many additional you will need for the following year. The monthly report forms, worksheets, and mailing envelopes will be sent directly to each treasurer in January. All the other supplies will be given to your pastor at the December minister's meeting

SPECIFIC INSTRUCTIONS FOR CHURCH TREASURERS

(Items marked with an "*" are handled differently by those using the LUCIS Software. Those using this software should refer to the LUCIS Manual for instructions in handling these items).

III.1 Collection, Counting, and Depositing of Funds - Offerings should be collected, and the loose offerings counted, using the "joint custody" procedure outlined in Section II.12. The treasurer should be sure that there is a tithe envelope for each donation received or each item of cash received on behalf of the church, including loose offerings. If a certain donation does not have a tithe envelope, one should be prepared by the treasurer indicating from whom the donation was received and to what fund the donation was given (i.e. a check placed in the offering plate but without an envelope would be marked for the loose offering of the day on an envelope by the treasurer).

When the treasurer (or assistant treasurer) is ready to make the deposit, the following steps should be followed:

- A. Empty each envelope one at a time, verifying that the total of cash and checks in the envelope equals the amount marked on the outside of the envelope. Also check the arithmetic on the envelope to see that the total of individual items agrees with the total of the envelope.
- B. Run an adding machine tape on the bank deposit showing the coin, currency, checks, and the total.
- C. Run an adding machine tape of the tithe envelopes for the week.
- D. Verify that the two totals agree. If they do not, recheck the figures to find the mistake.
- E. Place a rubber band around the tithe envelopes and adding machine tapes for each week and mark the date of the Sabbath on the outside. At the end of the month place a rubber band around the four or five stacks of envelopes for that month.
- F. Deposit the funds intact in the church bank account as soon as possible, preferably by the Monday or Tuesday following the Sabbath the funds were collected. Attach the deposit receipt from the bank to the stack of tithe envelopes for that week.

Issues:

When should be the cutoff for issuing receipts for donations received at year end? The treasurer should issue receipts based on when the donation was unconditionally received. In other words, donations collected at church, delivered to the treasurer's home, or mailed to the church or treasurer, must be received by December 31 in order to be receipted in that year. Donations received January 1 or after should be receipted in the following year, regardless of the date on the check, tithe envelope, or post mark on the envelope. Post dated checks should be receipted as of the first date the check can be deposited. For example, a check received December 28 but dated January 3 should be receipted with the January date.

What should be done with donations received through the mail? Donations received through the mail by the treasurer during the week should be kept in a safe place, and included in the deposit for the following Sabbath.

What should be done if the total cash and checks in the envelope differs from the amount indicated on the outside of the envelope? If the contents do not agree with the amount on the envelope, write the correct

amount on the bottom of the envelope. If the difference is a small amount and the adjustment is obvious, make the adjustment with a different color pen and continue processing. If the amount is large or the total of the individual items on the envelope do not agree with the contents, contact the donor as soon as possible notifying them of the discrepancy. If the donor cannot be contacted immediately, set the envelope and cash and/or check aside and continue processing the rest of the deposit. If the donor cannot be contacted before the deposit is made, hold the envelope and enclosed funds until the donor can be contacted, then deposit the funds with the following week's offerings.

What should be done if a check is received which is not signed? If a tithe envelope contains a check which is not signed, set the check and tithe envelope aside and continue with the rest of the deposit. Once you are able to get the check signed, include the check and the tithe envelope in with the next week's offering to be deposited.

How should deposited checks returned by the bank as "Nonsufficient Funds" (NSF) be handled? Returned checks always seem to cause some confusion. Here is the manner we are recommending these checks be handled:

Check with the issuer to see if the check will clear now or if he will give cash or a bank check to replace the returned check. If so, deposit these funds in the bank using a separate deposit slip from your regular deposits and mark it "REDEPOSIT." If this happens within the same month the check is returned by the bank, then no entry is needed on the bank reconciliation or in the ledger to record the returned check or the redeposit. You may want to record the returned check (including the name of the individual) as a subtraction in your checkbook and the redeposit as an addition in your checkbook so that your check book is in agreement with your bank statement charges and credits.

If the redeposit of funds occurs after the bank statement date then an entry must be made on the bank reconciliation in order to balance. If the deposit has already been made in the bank but it was too late to appear on the bank statement, then the amount of the redeposit should be listed as a deposit in transit. If the redeposit has not been made but you feel the funds will be able to be collected, then the amount of the returned check should be listed as a subtraction from the ledger balance on the bank reconciliation in arriving at the adjusted ledger balance. In either case, an entry is not required in the ledger or on the receipt at this point in time.

If the redeposited check is again returned to you unpaid, it may not be deposited again. You must then enter it in the "Adjustments" section of the ledger. The entry should be marked as to whose check was returned and for what Sabbath the offering was collected. The amount of the check should be placed in brackets to indicate it is a negative and should be subtracted from the various local church and conference funds according to how it was originally recorded as a receipt. The receipts should again be subtotaled with the amount of the returned check, and any other adjustments in the adjustments section of the ledger, included in the calculations. This will show the amount that should be remitted to the conference for that month. If the monthly receipt has been written, a new receipt should be written showing a reduction of the total contributions by the amount of the returned check.

What should be done if foreign currency is received? From time to time foreign currency of various nations will be turned in as a part of the offering. Foreign currencies should not be receipted immediately; it is necessary for the treasurer to find out from his local bank the rate of exchange on the particular currency, and the actual value which the bank will credit in U.S. dollars. In addition the treasurer should determine if there is a processing fee by the bank. If the fee is more than the credit the church will receive in U.S. dollars then the currency should not be processed but be returned to the donor (if known). If the value in U.S. dollars is more than the fee, then a separate deposit ticket can be prepared in the usual way for the foreign currency, and a

receipt written in U.S. dollars for the amount which the bank is prepared to credit your account less any fee of processing.

Adventist Giving Deposits. You will receive two reports monthly to record on LUCIS. The first report will be sent to you on the 15th of the month and deposited into the account a few days later. The second report will cutoff at the end of the month and will be deposited into the account a few days after. The second report needs to be entered in the month ending and not the month of the deposit. When you complete your bank reconciliation, it will show as an outstanding deposit in your system.

III.2 * Receipting – Manual/Paper Receipts* - The Quarterly receipt method is currently being used in the Gulf States Conference for those not on computer.

Small Receipts System - This system uses one receipt for each donor for each quarter. (See Sample III.2 and Sample III.2B.) At the top of the receipt enter the church name, donor's name, and each month in the quarter. The receipts may be numbered sequentially in the upper right corner if desired, though this is not required. The receipt has on it columns to allow for up to five Sabbaths for each month. Many have found it helpful to write above these columns the dates of each Sabbath before entering the amounts on the receipt. Each week the information from the donor's tithe envelope should be entered in the corresponding space for the Sabbath the offering was received. If the donor contributes to an item not listed on the receipt, that offering should be written in on the blank lines provided. After all the envelopes for a given week have been entered on their respective receipt, run an adding machine tape on the "Totals" block of the receipts for that week to be sure the amounts entered equal the deposit for that week. Do this for each week of the month. At the end of the month, total each receipt. Make sure the receipt balances both horizontally and vertically. Run an adding machine tape on the total receipts for the month to ensure they balance with the total deposits for the month.

Issues:

What funds received are tax deductible and how should nondeductible funds be receipted? Funds received must be given irrevocably and with no "strings attached" in order to qualify as tax deductible donations. There is no gift if the donor retains control of the funds and how they are used. Specifying which church fund (such as Evangelism or Building Fund) is not considered retaining control for this purpose. Funds received that are marked for specific individuals (see next paragraph) or are payment for goods or services (i.e. a devotional book or a church banquet) are not tax deductible. If funds are received which are not tax deductible, the receipt for this portion of the funds should be clearly marked "Not Tax Deductible."

How should donations marked for a specific individual be handled? The general rule is that funds that are received and designated for a specific individual are personal gifts and therefore not tax deductible. This situation often arises when individuals want to give student aid or "needy" funds earmarked for a particular person or family. Even if the church initiates and announces the collection of funds for a needy person or family, these deductions are not deductible as charitable contributions (The Zondervan Church and Nonprofit Organization Tax & Financial Guide, 1994 Edition). Funds received into a Student Aid, Needy Person, or Community Services Fund are tax deductible if they are not designated for a particular individual or family and are under the control of the church board. A practical means of handling this issue from the church's perspective, if it desires to assist an individual or family, is to announce that the church does not have sufficient funds to meet the needs of needy people in the church or community (or worthy students) without specifying individual names. These funds could then be used at the discretion of the church board. It is not illegal for a charity to accept a nondeductible gift as long as the donor does not receive a charitable receipt. Even so, it is preferable that nondeductible gifts, such as those mentioned above, be returned to the donor, since the mere cashing of a check made out to the charity could provide the donor with evidence of a charitable contribution.

There is an exception to the above rule for contributions to charitable organizations in support of specific individual workers (such as student missionaries) if certain criteria are met. The following is taken from (The Zondervan Church and Nonprofit Organization Tax & Financial Guide, 1994 Edition, page 137): "Contributions to support the ministry of specific individual workers of a nonprofit organization may be deductible if the

1. organization controls and administers the funds following its board-approved policies and procedures, and the work it supports is in the furtherance of its exempt purpose;
2. amounts distributed to the recipient missionary/staff members are in salary payments for services rendered for the organization or in payment for business expenses related to the work of the missionary/staff member; and
3. organization clearly distinguishes the funds given to the organization for the support of a missionary/staff member from funds that are nondeductible personal gifts passed on directly to the individual."

How are non-cash donations handled? If the church receives a non-cash donation of property, a letter of receipt should be issued to the donor. This letter should include the name of your organization, a detailed description of the item received (i.e. make, model, condition [new, used]), the date the donation was received, from whom it was received, and whether or not any goods or services were given in exchange for the item. This letter should not include a value for the item received. It is the donor's responsibility to verify the value for tax deduction purposes. It is advisable to notify the donor that if they are claiming a charitable donation for a gift of property valued at \$500 or more they are required to complete Form 8283. For non-cash gifts (other than publicly traded securities) valued at more than \$5,000, the donor must obtain a qualified appraisal and get the signature from an officer of the charity. If, within two years of receipt, the charity sells or disposes of a non-cash gift which required an appraisal, it (the charity) must file Form 8282 with the IRS within 125 days of the disposition. It should be noted that the donation of services or labor are not tax deductible, therefore the charity should not issue any type of receipt in these situations.

III.3 Disbursing Funds (Paying Bills) - It is essential that every check written have adequate documentation or backup showing what expense was paid and why. "Adequate documentation" may be different in different circumstances. In most instances documentation will be a bill, invoice, or receipt. There are occasions, however, where this type of documentation is unavailable (for example, when assisting a needy person). In these cases the actions recorded in the church board minutes serve as documentation. The appropriate board action should be referenced in the paid bill file indicating who received the payment, the date, and how much was paid. All bills, invoice and receipts should show who was paid, the date, the amount and the check number. This is so the paid item can be easily located and identified. In the case of gift cards purchased the receipt should be accompanied with a list containing the name and signature of the persons receiving the gift cards.

All funds should be disbursed by check. If an item has not been budgeted, church board approval should be obtained before payment. It will often be necessary to get the approval of the department leader before paying bills that are not routine. For example, the treasurer should contact the Personal Ministries leader before paying a bill for supplies or materials that person has ordered. This will allow the leader to verify the price, amount, etcetera, on the invoice and to confirm that the items have been received.

When a check is written (or a deposit is made) an entry should immediately be made in the checkbook. This will allow you to have an ongoing, running balance of funds in the checking account. Checks should never be made out to "Cash", since these checks can be cashed by anyone. If the treasurer is reimbursing

himself/herself, an authorized person other than the treasurer should sign the check. It is not advisable to give someone a blank check with an authorized signature on it.

****SPECIAL NOTE**** - Checks written to the treasurer/assistant treasurer where they are the person signing the check must be signed off by the pastor/head elder/asst. treasurer or (school) principal/board chair/asst. treasurer who is not related to on the receipts or a check request form.

Issues:

What should be done if a member asks for funds in advance to purchase something for the church? If someone needs to purchase something for the church, it is preferable for them to purchase it with their own funds then turn in the receipt for reimbursement. The church may also want to authorize the opening up of accounts at certain often used stores where designated members of the church can purchase items and have the bill sent to the church or treasurer to be paid later. It is not recommended to make a regular practice of advancing funds to members to make purchases with their promise to bring all the proper information later. It has been observed that these good intentions too often lack follow through, which results in not being able to obtain adequate documentation for the church records, as well as extra work and "headaches" for the treasurer.

How should the treasurer handle a situation where a member has purchased an item for the church and wants reimbursement, but has lost the receipt showing payment? In a situation where the member has lost a receipt but wants reimbursement, the first thing to do is to verify the item(s) have, in fact been purchased. Once this is done the treasurer should attempt to obtain independent verification of the cost of the item if possible. One way to attempt this is to check the price of the item at the store the item was purchased. The treasurer should then have the person seeking reimbursement submit a signed statement describing the item purchased, the date purchased, the cost of the item, where it was purchased, and the fact that the receipt was lost. If this was an approved purchase the individual can then be reimbursed.

What should be done if an expenditure causes a local church fund to go negative? If an expenditure causes a fund to go negative, this can be handled in one of two ways. If it is believed additional funds will be received in the near future to make the account positive, the account can be left negative until additional funds are collected. The negative balance should be indicated by placing the figure in brackets. If however, it is unlikely additional funds will be received to offset the negative balance, this fact should be brought to the church board. A vote should then be taken to transfer funds from an appropriate fund to cover the negative balance. In order to safeguard the donors' intent in giving those funds, it is imperative that the expenditure that caused the fund to go negative is an appropriate use of the transferred funds.

At NO TIME should the church make a loan to member to help a member out. The church is not a financial institution. If the church wants to give funds through member assistance or like function the board can make that decision. If the member then wants to return funds later they may do so but it should never be done as a loan.

III.4 *Recording Receipt Entries in the Ledger * - The following is how the entry of receipts in the ledger should be done under each of the systems:

- A. Quarterly Receipts System - At the end of the month, once all of the tithe envelopes for each week have been receipted for that month, the receipts have to be entered in the ledger. Before doing so, the ending balances from the previous month should be entered at the top of the ledger page on the line marked "Balance or Footings Brought Forward." The total month end column from all the receipts are then entered in alphabetic order in the ledger. Once all of the receipts are entered, they should be totaled to arrive at the "Total Receipts" for the month.

- B. Make sure this total agrees with the deposits for the month. The "Total Receipts" line should then be added to the Balance or Footings Brought Forward" to arrive at "Total Funds Available. " (See Sample III.4B for all ledger entries using the Small Receipts System.)

Following are the remaining sections needed to be entered in the ledger:

III.5 * Recording Adjustments in the Ledger * - After the "Total Funds Available" line, any adjustments should be recorded. When an entry requires a negative figure, place that amount in brackets (i.e. (235.00)) so that it will stand out among the other numbers. These adjustments are made up of the following items.

- A. Checking Account Interest: Checking account interest should be recorded on a monthly basis. The month the interest was received should be indicated by the ledger entry. The amount of the interest should be entered as a positive figure in the "Checking" column, the "Total Church" column and the "Church Expense" (or "Church Budget") column.
- B. Bank Charges: Any bank charges that appear on the bank statement should appear in the ledger. The ledger entry should indicate the month the bank charges were deducted on the bank statement. The amount should be entered as a negative figure (in brackets) in the "Checking" column, the "Total Church" column and the "Church Expense (or Church Budget) column."
- C. Nonsufficient Funds Checks (NSF): Any checks which have been returned to the church as "Nonsufficient Funds" and which have been deemed to be uncollectible (See Issues in Section III.1) must be recorded in the ledger. The entry should be marked as to whose check was returned and for what Sabbath the offering was collected. The amount of the check should be placed in brackets to indicate it is a negative and should be subtracted from the "Checking" column. The amounts from the various local church and conference funds should also be recorded as negative amounts according to how it was originally recorded as a receipt. If the monthly receipt has been written, a new receipt should be written showing a reduction of the total contributions by the amount of the returned check.
- D. Adjustments from the Previous Month: If adjustments are found that need to be made to the ledger as the result of an error in a prior month, these should be made in this section. These adjustments often arise from the bank reconciliation done after the previous month's ledger has been closed. These adjustments will vary depending on the error, and should be recorded in a similar manner as the checking account interest and the bank charges.
- E. Voted Transfers: Occasionally the church will vote to transfer funds from one local church fund to another. Once again, you must be sure that the transfer of these funds is appropriate based on the intent of the donors who originally gave the funds and the manner in which they will be used in the new fund. Since a transfer between local church funds does not affect the checking account balance or the total church balance, no entries are made in these columns. Instead the amount of the transfer is entered as a negative amount in the column of the fund from which the funds are being transferred and a positive amount in the column receiving the funds.
- F. Savings Account Entries: Savings account entries often pose a challenge to treasurers since they are handled differently than most entries. Savings entries come in two forms; 1) Savings account interest, 2) Transfers between the savings and checking accounts.
 - 1. Savings account interest should be recorded in the ledger on a regular basis (at least quarterly), by recording the amount of the interest as a positive figure in the "Savings" column,

the "Total Church" column, and the column of the fund the church has voted for the savings interest to go.

2. Transfers between the checking and savings accounts will be handled differently depending on whether it is a transfer to or from the savings account. A transfer from the savings account to the checking account should be done with a separate deposit to the checking account and is recorded by entering the amount being transferred as a negative amount in the "Savings" column and a positive amount in the "Checking" column. All transfers from the checking account to the savings account should be done by check. This entry is recorded in the "Disbursements" section of the ledger as an addition to the "Savings" column and a subtraction to the "Checking" column. No entries are made to the "Total Church" column or any of the local church funds in either of these instances, since these amounts are not affected by transfers between the savings and checking accounts.

After all of the adjustments have been entered in the ledger, the amounts entered as adjustments should be totaled and labeled "Total Adjustments." This then should be added to the "Total Funds Available" line to arrive at the "Total Funds After Adjustments."

III.6 Distributing Combined Budget - The Combined (or Church) Budget is a method in which church members give to one account, from which distributions are made to meet most or all of the local church needs. The distribution amounts to each church account are determined by the voted church budget, and are made at the end of each month based on the offerings received. The amount in the Church Budget column of the "Total Funds After Adjustments" line should be distributed. This is done by placing this amount in brackets (indicating a negative amount) on a line marked "Distribution of Combined Budget," and recording the distribution amounts to the various accounts as positive figures (methods of determining these amounts are outlined below). Note no entry is made in the Total Church column since total church funds are not affected by distributing the Combined Budget amount. This line is then combined with the "Total Funds After Adjustments" line to arrive at "Total After Budget Transfers."

Accounts receiving amounts from the Combined Budget are classified as either "Priority" or "Non-priority" accounts. Priority accounts receive a fixed amount each month from the Combined Budget while Non-priority accounts receive a percentage of the amount left over after the priority accounts have been funded. Following are the two primary methods used to distribute the Combined Budget:

A. Straight Percentage Method: This method of distributing combined budget is the easiest to apply. With this method each budgeted account receives a percentage of the Combined Budget amount received based on the annual budget. Thus there are no priority accounts. Following is an example of how this would work:

ACCOUNT	ANNUAL BUDGET	PERCENTAGE OF ANNUAL BUDGET
Church Expense	\$15,000	37.5%
Church School	\$ 5,000	12.5%
Sabbath School	\$ 4,000	10.0%
Building Fund	\$13,000	32.5%
Church Ministries	\$ 3,000	7.5%
Total	\$40,000	100%

If \$3,000 were received in a given month, this would be distributed as follows:

ACCOUNT	PERCENTAGE	AMOUNT
Church Expense	37.5%	\$1,125
Church School	12.5%	\$ 375
Sabbath School	10.0%	\$ 300
Building Fund	32.5%	\$ 975
Church Ministries	7.5%	\$ 225
Total	100%	\$3,000

B. Priority and Non-priority Accounts Method: With this method, certain accounts are given priority by receiving a fixed amount before any amounts are distributed to Non-priority accounts. In this way certain fixed costs, such as mortgages, school subsidies, utilities, etcetera, can be sure to be funded. Any amounts left over after funding the Priority accounts, would be distributed on a percentage basis. It should be noted that an account can be categorized as both a Priority and Non-Priority account. A church may want to do this for the Building Fund, for example, where a fixed amount is needed for the mortgage, and a percentage is desired to meet other building needs. Following is an example of how this method can be used:

PRIORITY		
ACCOUNT	ANNUAL BUDGET	MONTHLY AMOUNT
	(Annual Budget Divided by 12)	
Church Expense	\$15,000	\$1,250
Church School	\$ 6,000	\$ 500
Building Fund (Mortgage)	\$ 9,600	\$ 800
Total Priorities	\$30,000	\$2,250

NON-PRIORITY		PERCENTAGE OF TOTAL
ACCOUNT	ANNUAL BUDGET	NON-PRIORITY ANNUAL BUDGET
Building Fund	\$ 3,500	35%
Sabbath School	\$ 4,000	40%
Church Ministries	\$ 2,500	25%
Total	\$10,000	100%

If \$3,000 were received in a given month, this would be distributed as follows:

PRIORITY	
ACCOUNT	ANNUAL BUDGET
Church Expense	\$1,250
Church School	\$ 500
Building Fund (Mortgage)	\$ 800
Total Priorities	\$2,550

The amount remaining to be distributed to the non-priority accounts is \$450 (\$3,000 received less \$2,550 distributed to the priority accounts), which would be distributed as follows:

NON-PRIORITY		DISTRIBUTION
ACCOUNT	PERCENTAGE	FOR THE MONTH
Building Fund (Other)	35%	\$157.50
Sabbath School	40%	\$180.00
Church Ministries	25%	\$112.50
Total Priorities	100%	\$450.00

C. Fixed Budget and Church Reserve Method: This method of distributing combined budget allows excess funds to be distributed to unallocated function called Church Reserve that is pulled from on months that the combined budget is not met. The following is an example of this would work for the two months, one above and one short of budget:

ACCOUNT	BUDGET	Amount Collected \$2,250
Church Expense	\$1,000	\$1,000
Sabbath School	\$ 100	\$ 100
Church School	\$ 600	\$ 600
Building Fund (Mortgage)	\$ 300	\$ 300
Church Reserve		\$ 250
Total	\$2,000	\$2,250

ACCOUNT	BUDGET	Amount Collected \$1,800
Church Expense	\$1,000	\$1,000
Sabbath School	\$ 100	\$ 100
Church School	\$ 600	\$ 600
Building Fund (Mortgage)	\$ 300	\$ 300
Church Reserve		\$ (200) Transferred out to cover budget

Issues:

What should be done if an individual gives an offering specifically marked to go to one of the Combined Budget accounts? Though a church may be on a Combined Budget plan, individuals may still want to give directly to specific items. In those instances the offering should be place in the account indicated and not be considered when distributing the Combined Budget amount.

How should the situation be handled if the Combined Budget does not receive enough funds in a given month to cover the priority amounts? This can be handled in a couple of ways depending on the nature of the priorities. If all of the priority accounts are equally ranked (i.e. equally important), the combined budget could be distributed among these accounts on a pro rata basis. In other words, each priority account would receive a percentage of the total received that month based on the percentage each account is budgeted to receive of the total of the priority items. If the priority accounts are not equally ranked, then the combined budget would be distributed starting with the top ranked priority, going down the list allocating the fixed amounts until the funds run out. In either of these situations, if excess funds are received in a later month, the unfunded amounts for the priority accounts may be funded before distributing amounts to the non-priority accounts. There is also setting up a church reserve as the third example shows to handle covering the month that is short.

How should positive and/or negative year end balances in Combined Budget accounts be handled? Rarely do accounts receiving amounts from Combined Budget end the year with a zero balance. Account balances usually end up positive or negative. The church may vote to "zero out" some or all of these accounts, with the balance being placed in a designated/restricted account or back into the Combined Budget account. Be sure when doing this that all amounts given specifically to any account have been fully used. Unspent portions of specific donations may not be zeroed out or transferred to another account. The church may decide to have the balances of some accounts funded by Combined Budget carry forward from year to year.

III.7 * Recording Disbursements and End of Month Totals in the Ledger * - The next step is entering the disbursements for the month. Be sure to list each check in numerical order, ending with the conference

remittance check. Enter the date of the check, the name of the vendor, and the check number. The amount of the check should be entered in the "Checking" column and the "Total Church" column (except for the conference remittance check which is entered in the "Total Conference" column), as well as to the individual funds to which the check applies. Be sure the total of the amounts in the individual funds equals the total of the amount of the check. Also be sure each check in the checkbook has been listed. After all the checks for the month have been recorded, total the disbursements on a line labeled "Total Disbursements." The total of this line should then be subtracted from the "Total After Budget Transfers" to arrive at the "Ending Balance." This line should be added across to verify that the total of the individual local church funds equals the ending amount in the "Total Church" column, and that the "Savings" and "Checking" columns added together equal the "Total Church" column.

III.8 * Remittance to the Conference * - At this time, the "Church Treasurer's Monthly Remittance" form can be completed. (See Sample 111.8.) The top section applies to the conference funds. The amounts for this section can be taken straight from the "Total Funds After Adjustments" section of the ledger. The "Total Remittance" amount on the form should agree with the total in the "Total Conference" column of the ledger. The bottom section of the form is for the local church activity and is compiled using various lines from the ledger. The column headings on the form match quite well with the various totals lines in the ledger except for adjustments recorded in the ledger. The "Total Adjustments" and the "Total Receipts" line in the ledger should be combined in order to complete the "Received during the month" column of the form. Be sure all of the lines and columns add up properly. Once completed, the white and yellow copies of the form should be submitted to the conference along with the yellow copies of the ledger pages for the month and a check made out to the conference for the "Total Remittance" amount (please do NOT staple or tape the check). These should be sent to the conference so that they arrive at the office by the tenth (10th) of the month following the month being reported. The third copy of the report should be given to the pastor in as timely a manner as possible.

III.9 Bank Reconciliations - In order to help keep the treasurer's books in proper balance, and catch any mistakes the bank may make (they do occasionally make mistakes), bank reconciliations should be done on a monthly basis. This will show whether the adjusted bank, ledger and checkbook balances agree. If these figures are not the same, that means there is a mistake somewhere. The following procedures are being suggested to help with this reconciliation process. This information may be recorded on the back of the bank statement, on a separate piece of paper, or on the back of the ledger sheets and should be kept with the treasurer's records. (See Sample III.9.) Often the bank statement is not received until after the remittance is due to the conference. If you have online access you may be able to see your statement sooner than if you receive it via mail. Please do not delay submitting the remittance report because the bank reconciliation is not done. Instead send the remittance to the conference when due, and make any adjustments required for the bank reconciliation in the following month's ledger.

Adjusted Bank Balance:

1. Enter the balance at the end of the month shown on the face of the bank statement.
2. Look at last month's bank reconciliation and cross off the amounts listed as deposits in transit that appear on the current bank statement. There should be no deposits left on this list. Then look at the amounts listed as deposits in the current month's treasurer's records. If there are any amounts which were deposited after the close of the bank statement and therefore do not appear on the bank statement, these should be listed on the bank reconciliation as deposits in transit with the total being added to the bank statement balance.
3. Look at last month's bank reconciliation and cross off the checks listed as outstanding that appear on the current bank statement. Any outstanding checks from the previous month which do not appear on the current bank statement should again be listed as outstanding

checks. Then look at the checks recorded for the current month. Any of these which do not appear on the bank statement should also be listed as outstanding checks. The total of this list will be your total outstanding checks for the month and should be subtracted from the bank statement balance.

4. The ending bank statement balance plus the deposits in transit minus the outstanding checks will be the adjusted bank balance. This should agree with your adjusted ledger balance and checkbook balance as described below.

Adjusted Ledger and Checkbook Balance:

Since the ledger, balance and checkbook balance should agree at the end of each month, the process of reconciliation for each of these would be the same. Therefore, only the process of reconciling the ledger balance will be discussed.

1. The first step in arriving at the adjusted ledger balance is to write down the ledger balance as it is shown at the end of the month.
2. If the bank statement was not received in time to record the bank account activity for the month, then any items on the bank statement such as interest income, service charges and returned checks will have to be listed as adjusting entries as discussed below. These items should then be recorded in the ledger in the following month in the "Adjustments" section of the ledger as outlined in Section III.5.
 - a. Any interest earned by the checking account must be added to the ledger balance.
 - b. Any service charges recorded on the bank account must be subtracted from the ledger balance.
 - c. Returned checks may be handled a few different ways depending on the circumstances. See Issues under Section III.1 for the details of handling NSF checks.
3. Once the entries listed above have been listed on the bank reconciliation and have been added or subtracted as appropriate, the result will be the adjusted ledger balance. This should agree with the adjusted bank balance as calculated above.

Issues:

What should be done if I cannot get the records to balance with the bank? If the adjusted bank balance and the adjusted ledger and checkbook balances do not agree, here are a few areas that can be checked.

1. First, check the addition in the ledger and on the bank reconciliation for mistakes.
2. Look at last month's reconciliation and make sure all of the items on there have been accounted for. For example, make sure the interest and bank charges were recorded in the ledger. If an item was missed, this should again appear on the bank reconciliation as a reconciling item.
3. Make sure the amounts on the bank statement agree with the amounts in the ledger. This would involve looking at each deposit and each check on the bank statement and ledger to

insure they agree. During this process make sure to review those items listed as deposits in transit or outstanding checks on the previous bank reconciliation.

4. Review the list of deposits in transit and outstanding checks to make sure none have been missed.
5. Always remember, any entry in the ledger that affects the checking total must be reflected on the bank statement or the adjusted bank statement balance portion of the bank reconciliation, and any charge or credit on the bank statement must be reflected in the ledger or the adjusted ledger balance portion of the bank reconciliation.
6. The Conference Treasury Department is more than willing to assist if there are difficulties in balancing for a particular month. After all of the suggestions listed above have been tried, please do not hesitate to contact the Conference Treasury Department.

III.10 Reporting to the Church - The treasurer should report the financial activity and financial condition of the church to the church board and church in business session at every regularly called meeting. This will keep the members informed of the needs of the church as well as allow effective decisions based on accurate information to be made. The treasurer will often present a copy of the "Church Treasurer's Monthly Remittance" report (the month-end report sent to the conference) as the financial report. This report shows the activity for the month and the end of month fund balances. However, this report does not adequately give the full financial picture of the church, in that it does not report such things as year-to-date totals, comparisons to budget, obligations the church has not yet paid including a mortgage, etcetera. The Conference Treasury Department has therefore created two additional financial report pages to aid the treasurer in reporting complete and accurate information to the church. (See Sample III.10A and Sample III.10B.) Similar information can be generated by the LUCIS Software. The information needed for these reports is self-explanatory. With this information, the church should be able to make good decisions regarding the use of the church funds, thus being faithful stewards of the money entrusted to it. There are alternative software packages available for the church treasurer but they are not licensed and supported by the conference as LUCIS is so use is not recommended.

UNIQUE ISSUES FOR COMPUTER USERS

IV.1 Description of the LUCIS Software - LUCIS is a financial management software package for Seventh-day Adventist Church treasurers. It was developed by the Lake Union Conference Information Services department. With this software a treasurer will maintain a name and address and account database, process and verify contributions and deposits, produce receipts, print and post check disbursements, distribute funds, post general accounting entries, and print various levels of financial statements and reports.

IV.2 Benefits of using the LUCIS Software - There are several benefits of using LUCIS to the local church and the conference. The software was designed by and for Seventh-day Adventist churches. Technical support is provided by someone familiar with the unique accounting requirements for Seventh-day Adventist churches. Other treasurers at churches within the conference help provide a peer support user group. The software is being maintained by a "company," rather than an individual. The software is inexpensive.

IV.3 System Requirements for the LUCIS Software - The minimum requirements needed to operate the current version of LUCIS is a Windows based computer running Windows Vista, 7, 8/8.1, or 10. It must have a minimum of 250 MB of hard drive space available and the user must have Administrative privileges.

IV.4 Technical Support - The conference is the provider of technical support for software. Any questions regarding setup, ongoing use, help with problems, or general information for this software will be answered by the Conference IT or Treasury Department. Technical support on other software packages needs to be received from the manufacturer of that software. The conference provides yearly training on the LUCIS Software for new treasurers and those wanting/needing to refresh.

Those doing work on a computer need to have a basic understanding of Microsoft Windows. The conference cannot provide training or support on the operating system of a computer. There are many courses available for individuals to learn the information they need to operate a computer. There is free online training that can be found on YouTube and from Microsoft.

Hardware support should be sought through the vendor of the machine if a component of the machine is causing problems. Most manufacturers of computers offer warranties that include on-site maintenance options. Each computer owner should obtain the level of support they feel most comfortable with. You can contact the conference IT Department for some suggestions.

IV.5 Other Software - Several accounting software packages are available that meet the needs of a church.

The software chosen should be easy to use, provide the necessary reports, and have technical support. For continuity of reporting and support, the conference recommends use of LUCIS it is not advisable for a church to use a software package written by a church member, pastor, or treasurer because of lack of technical support and an audit trail.

IV.6 Importance of Backups - Church records kept on a computer are at risk of being damaged or lost. Data can be destroyed by hardware failure, operator error, or a virus. In most cases data loss can be avoided by backing up the data files to USB Flash Drives, CD Drives, and/or cloud/online backup on a regular basis. It is advisable to keep more than one set of backups in case of damage to the most recent one. For example: use set 1 to backup data after entering data for week one, set 2 after week 2, set 1 after week 3, and so on. In this way the amount of data loss will not be very great if something happens to the computer and one set of the backups. Monthly backups should be made to be stored away from the premises. An archival backup of the complete data files should be completed after each year is completed. Loss or damage to data can result in many hours being spent in reconstructing and reentering the financial activity. Take the steps necessary to avoid this. A backup should be kept at the church, the treasurer's home, and cloud/online. The conference

provides a free secure site to copy your back-up to via FTP. Contact the conference IT or Treasury Dept. for help with the cloud backup.

IV.7 Ownership of Hardware - It is common practice for the church treasurer to use their personal computer for keeping church records. If at all possible the church should purchase a computer for the treasurer to use for this purpose. This provides continuity for the church when there is a change in treasurers.

IV.8 Reports for Church Use - Each church board will need to decide what reports are meaningful to them. The treasurer and board will need to work together to determine what is needed. Care should be taken by the treasurer to not overwhelm the board with voluminous reports. This would be easy to do because most accounting software can produce many different statements. The purpose of reports to the board is to keep them informed on the state of church finances to provide facts for assistance in decision-making. The following reports should be included:

- 1.2 Closed Contribution Summary
- 3. Financial Reports:
 - A. Balance Sheet
 - b. Financial Activity Summary
 - d. Schedules of problem areas

IV.9 Reports to Send the Conference - The same reporting requirements apply to computer users who are NOT uploading a copy of their backup to the conference as to those using Manual accounting systems. Detailed information should be sent to the conference with the monthly remittance. The following reports should be included:

- 1. Open Contribution Report - for each deposit
- 2. Detail Contribution Report
- 3. Financial Reports:
 - a. Balance Sheet
 - b. Financial Activity Summary

If the treasurer using the computer is uploading their backup to the conference then all that needs to be sent is remittance and a check. If the church is doing EFT for remittance then the remittance report can be emailed and save on the envelope and postage.

SCHOOL ACCOUNTING

V.1 The Importance of having a Church School - There is no better way to help our children prepare for adulthood than by attending a church school. By learning Christian principles of honesty, faith and trust, they will be helped in their daily lives and in their careers. Statistics show that retention in the Adventist Church is greatly increased the longer a child attends an SDA school. The fulfillment of the gospel commission is based on sharing the Gospel and preparing as many as possible for the Lord's second coming.

V.2 Budgeting - The same principles apply for making a budget for the school as for the church. The development and monitoring of the school budget is extremely important due to fluctuations in income that may occur based on changes in enrollment.

A preliminary, balanced budget needs to be developed for the following school year by February 10. This budget will indicate whether sufficient funds are anticipated if the expected enrollment is achieved. If funds are insufficient, then adjustments will need to be made to balance the budget before teacher contracts are signed for the next school year. The preliminary balanced budget must be approved by the school board and sent to the Superintendent of Schools before February 28. Use the form provided for this purpose. (See Sample V.2-a).

Immediately after school starts the budget is finalized by adjusting the preliminary budget based on actual enrollment. If there is a deficiency, the school board must vote what expenses to reduce and/or church subsidy to increase or vote to initiate other means of raising funds. Teacher contracts cannot be broken because of lack of students.

The process of budgeting includes making a realistic estimate of all expenses and incomes. The fixed teacher charges will be determined by the conference and communicated to the school in time for the school's budget deadline. Use all available actual costs of the current school year plus any known adjustments to project next year's budget.

A budget worksheet will enable the treasurer to estimate the month(s) that expenditures and incomes are expected. The worksheet should be created after the final budget for the year has been prepared. The budget should be distributed showing the cumulative income and expenses from the beginning of the school year through the month shown. The total amount budgeted would be shown in the last month of activity and then reported at the end of the calendar year. The numbers in the form should then be transferred each month to the financial statement column entitled Budget YTD (See Sample V.2-b).

V.3 Church Subsidies - Each school is different in its local church support. Some schools may have only one church supporting it, others will have several constituent churches. The less church support given to the school the higher tuition charges will be.

In order to equitably distribute church support by more than one church, a formula is usually developed based on tithe, student enrollment, and church membership. Listed below are two examples of what different schools use. Select the one that best fits your church's needs, or develop one with variations. These formulas are usually detailed in the school's constitution.

Examples of Constituency Subsidy Formula

Example 1: Weighted formula: 2X church's annual tithe, 2X church's membership as of a certain date, 1X church's estimated or actual student enrollment.

			% of Total	X%		% of Total	Y%
Church A	Tithe	\$100,000	29	2 = 58	Membership	150	33 x 2 = 66
Church B	Tithe	\$200,000	57	2 = 114	Membership	250	56 x 2 = 112
Church C	Tithe	\$ 50,000	14	2 = 28	Membership	50	11 x 2 = 22
Total		\$350,000	100	200		450	100 200

	Enrollment	% of Total		Z% Add X, Y, Z%	÷ % 5 Church Subsidy
Church A	13	33 x 1	=	33 157%	31 \$ 31,000
Church B	27	67 x 1	=	67 293%	59 \$ 59,000
Church C	0	0 x 1	=	0 50%	10 \$ 10,000
Total	40	100		100 500%	100 \$100,000

Example 2: Weighted formula: 1 x church's annual tithe, 1 x church's membership as of a certain date, 1 x church's estimated or actual enrollment.

% of Total	X%	% of Total		Y%				
Church A Tithe	\$100,000	29 x 1	=	29	Membership	150	33 x 1	= 33
Church B Tithe	\$200,000	57 x 1	=	57	Membership	250	56 x 1	= 56
Church C Tithe	\$ 50,000	14 x 1	=	14	Membership	50	11 x 1	= 11
Total	\$350,000	100		100		450	100	100

Enrollment	% of Total		Z% Add X, Y, Z%	÷ % 3 Church Subsidy
Church A	13	33 x 1	= 33 95%	32 \$32,000
Church B	27	67 x 1	= 67 180%	60 \$60,000
Church C	0	0 x 1	= 0 25%	8 \$8,000
Total	40	100	100 300%	100 \$100,000

V.4 Specific Instructions

A. Recording Student Charges - A system of accounts needs to be set up in order to keep track of tuition, other charges, and receipts. This can be done by setting up one account for each student or one for each family.

At the beginning of the year create a new account card, bringing forward any balance due from last year's account card. Each month add the current charges to the previous balance to give the current balance due.

B. Billing for Tuition Charges - Some schools use a flat fee payment due on a specific date. This can be done by outlining expectations in a letter, or by giving each family a coupon booklet to send with their payment by a certain date, much like a mortgage payment booklet (See Sample V.4.B-a).

Most schools send out a monthly statement showing the charges and receipt activity for the entire school year. This system allows other variable charges to be made that a flat payment agreement does not. The balance shown on the statement is due by a certain pre-determined date each month. Schools may allow a modest discount for on-time payments, and/or more than one student in a family. If an on-time payment incentive is used it should be large enough to encourage parents to send payment by the date due. Those schools who use the statement system may photocopy the account card and send the copy to the parents. That copy may have a tear off portion that can be sent in by the parent with their payment. (See Sample V.4.B-b).

C. Setting up Collection Policies - Collecting tuition charges is the most important function of keeping a school operating properly. Failure to collect expected tuition income can cause the demise of the school's operations. People sometimes forget to pay or place tuition payment low on their priorities. It is just as important, if not more important, for a parent to pay the church school bill as it is their other essential bills. A backup system needs to be set in place if parents do not pay their school bills.

First, the system should be designed to make payment convenient. This can be accomplished by sending a monthly statement reminder or providing a coupon booklet. Second, establish a payment deadline date. Next, a delinquent payment date needs to be determined with possible corresponding late charges. A notification should be sent to the parents stating that their account is delinquent and payment or other arrangements must be made by a certain date or the student may or will be suspended.

In the minds of some people the above policy is considered hard, cruel and non-Christian. However, without proper funding provided for by a firm collection policy schools can and do close down.

D. Worthy Student Fund - There will always be those persons whose income does not provide sufficiently for the family's needs. Provisions need to be made to help them to be able to attend a church school, however it is important that this be done before the school starts by coming up with a financial plan. Individual and church donations, and the conference Three-way plan can help only after the parents and students have done all they can. Whenever possible students should be required to help on their account by working. If students or parents work at the school to help pay on their account, these payments must be processed with appropriate taxes being withheld and reported to the proper government agencies. Summer work should be expected for those worthy students of appropriate age.

The key here is to work out a plan with the parents at the beginning of the school year and require them to follow it.

E. Receipting and Recording Receipts - Have a receipt book handy at the school to receive payments from parents or students, and safeguard those funds in a locked file cabinet, drawer, or safe. Deposits should be made frequently to the bank. Record the payments on the account card showing the date paid. Record the on-time payment discount as a credit to their account in the same manner as a cash payment. Deduct the amount of the payment and any discounts from the previous balance due to arrive at the current balance. This updating of the account cards may be done at the time the payment is made or at the end of the day. Do not let the recording of receipts get behind more than a couple of days. It is important that the updated balance is readily available whenever a parent calls.

F. Paying Bills - Some bills need immediate payment while others can wait until the end of the month. All bills should be paid by check. Payments should be on time to remain a good witness to the community and to take advantage of any discounts.

G. Checkbook - All checks and deposits should be recorded in the checkbook immediately. All entries should indicate the date of the entry, the check or receipt number, to whom the check was paid or from who the funds were received, and an adequate description of the transaction. Checkbook balances should be updated after each entry to provide running balance of funds available. The checkbook should be balanced with the bank statement monthly using the same procedures outlined in Section III.9.

H. Reimbursing the Conference Monthly - Schools are responsible for a portion of the cost of a teacher. Notification is sent to inform treasurers of the amount teacher charges will be for the next school year. Ten payments are due to the conference by the last day of each month (August to May). A 3% discount will be given each month that the school makes a payment of teacher charges to the conference on or before the 20th of that month.

I.4 Conference February 28 Payment Deadline (This policy is pending) - This is the most important day of the school year. By Executive Committee action, the entire balance for the school year to date must be paid or teacher contracts will not be renewed and the school will not be allowed to operate. This requirement mandates all schools to keep their payments up to date with the conference. This date coincides with the Budget Deadline date.

The amount due by February 28 is determined by taking the actual January 31 conference statement balance and adding the February teacher charge. It may be necessary to borrow the money or to have the church fund the difference. In any case, this date should not be ignored. The school should not wait until the last minute to determine how this payment is to be made. Preparations should be made one or two months before the due date because of the severe consequences of not making the payment on time.

The rationale for the February 28 date is as follows:

1. If a school starts to get behind during the year it should be evident by the end of February, since 7 of the 10 teacher payments to the conference should have already been made.
2. By this date the preliminary budget for the next school year has been completed and submitted to the conference. The budget is a good indicator of projected financial activity for the upcoming school year.
3. Teacher contracts are issued after this date. Thus time is allowed to review the school's financial situation before contracts are issued and the school is "locked in" to monthly payments.

J. Producing Monthly Statements - It is imperative that a treasurer and school board understand the school's financial situation. Many schools have closed because their school board was not given accurate financial information on a timely basis. A school may unknowingly run itself out of business or create a hardship due to excessive debt. Statements need to be made and presented to the board on a monthly basis.

The monthly statements are prepared by using the information recorded in the receipt book and the checkbook. Checks and receipts should be properly categorized based on the accounts used in making up the budget.

K. Presentation of Monthly Statements to School Board - Monthly statements need to be reviewed by the school board. In order to present this information effectively, the treasurer is responsible to first understand the financial status of the school himself. This must be presented in a format that allows the

board to understand the school's financial situation by concentrating on certain key indicators. Basic indicators of the school's current financial condition are highlighted in the following statements:

Statement of Financial Position (See Sample V.4.K-a)

- a. Comparison of amounts due to other entities (liabilities or financial obligations) with balances at the beginning of the year or at the same date in the previous year.
- b. Comparison of checking and savings balances with balances at the beginning of the year or at the same date in the previous year.
- c. Comparison of students' accounts receivable balances and amounts due from churches with balances at the beginning of the year or at the same date in the previous year.

Statement of Financial Activity (See Sample V.4.K-b)

- a. Net Increase or Decrease from operations since the beginning of the year.
- b. Comparison of actual year-to-date incomes and expenses to the year-to-date budget for each account.

L. Year End Statement - The year end statement is usually the same as the monthly statements showing year to date activity, but it is for the last month of the fiscal year. The fiscal year is defined as the 12 month period that the school chooses to show the activity of the school year. In GSC that time period is almost always July 1 through June 30.

M. Bad Debt Expense - Setting up an allowance. Almost without exception there are times when, for one reason or another, some of the billed tuition cannot be collected. Because of this, those doing double entry (accrual) accounting, such as those on The SCHOOL ACCOUNTANT software, must set up an estimated allowance (or offsetting account) to subtract from the amount of accounts receivable shown on the school's statement. Thus the statement reflects the net amount of student charges expected to be collected. This allowance is the amount assumed to be uncollectible, therefore it is also recorded as a Bad Debt expense. In a double entry accounting system, it might be shown as follows, if being set up for the first time:

Statement of Financial Position:

Assets:

Accounts Receivable	10,500
Allowance for Bad Debts	(1,300)
Net accounts receivable	9,200

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Statement of Financial Activity:

Income:

Tuition income	62,600
Less bad debt expense	(1,300)
Net tuition income	61,300

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V.5 Audit Reviewing - Audit Reviewing is a process of having the records reviewed to give reasonable assurance that the records have been properly maintained, and that the statements "fairly" represent the standing and operations of the organization. The audit is done by conference treasury personnel as time permits, usually every 1-2 years. When the church and school records are kept jointly, they are audited jointly.

V.6 Other Items

A. Teacher Contracts - Teacher contracts are legal agreements made between the teacher and the conference. Though the conference, as the employing and supervising entity writes the contracts, each school has an obligation to make its monthly payments for the entire school year. The contract requires payment to the teacher for the period July 1 to June 30 of the school year. Drop in enrollment, lack of funds, or change in attitude towards a teacher are not sufficient reasons to break a contract. Only those conditions set forth in the Southern Union Code Book are acceptable grounds to terminate a contract. In the event a contract is terminated for an acceptable reason, a lump-sum termination payment of several months' salary may be required to be made to the teacher. The amount of the termination payment varies depending on the teacher's years of denominational service.

2. Temple Plan - The Temple Plan is a commonly talked about plan of school operation. It is based on the principle of not charging parents tuition for educating their children in a church school. Instead every church member is asked to contribute liberally to the church with tax-deductible donations in order to fund the school's operations. The IRS is very skeptical about such plans, therefore any attempts to construct such a plan must be done with the greatest caution. In order for a Temple Plan arrangement to be considered legitimate according to the tax laws, there must be no pressure on parents to pay any amounts to the church. This means that a child's enrollment in the school can in no way be jeopardized by the lack of financial support of the parent. In order to be legitimate, the plan must be broadly supported and cannot be dependent upon the support of the parents. The IRS may see changes in giving patterns of members depending on whether they have children in the school or not as evidence of pressure on the parents, even if the pressure is implied or indirect. In these situations the IRS will more than likely rule that the plan is not legitimate, and disallow the deductibility of parents' contributions to the extent tuition would have been paid.

V.7 The LUCIS Software - The LUCIS Software is a computer program designed to assist schools with their record keeping and reporting. A full manual and software is available through the treasury department for a minimal fee. The software and manual have been designed and distributed by the Lake Union Conference in Michigan. It uses the double entry accounting system; however, a formal accounting background is not necessary to operate the software. Those considering using The LUCIS Software should have a reasonably good working knowledge of how to run a computer.

V.8 Senior Academies - Unique Consideration

1. Financial Management: The financial management of the senior academies is the full responsibility of the school's administration and board. They are responsible for ensuring that the policies of the Adventist Church, as defined by the Southern Union Conference Education Code Book and the Gulf States Conference policy book, are being followed. In addition, each academy is responsible for financing its own payroll and handling its employees' healthcare.