



THE GUIDE TO FINANCIAL ACTIVITY IN THE CHURCH

Presbytery of the Highlands of New Jersey
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Introduction

This handbook is intended for individuals and committees in the congregation who are involved in the church's financial activities. This may include the treasurer, financial secretary, finance committee, and the session.

Many aspects of church life have financial implications, such as offerings, investments, endowments, loans, grants, personnel, insurance/risk management, and local, state, and federal taxes. While it is not possible to address every question you may have, The guide to Church Financial Activities provides a general overview and offers suggested resources for further information and in-depth guidance.

Each church is unique, and this handbook should serve as a foundation for your church to develop its own financial records, policies and protocols, adapting the information to fit your specific needs.

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Chapter 1

Role of the Treasurer

according to the Book of Order

The Book of Order (G-3.0205) states:

The session shall elect a treasurer for such term as the session shall decide and shall supervise his or her work or delegate that supervision to a board of deacons or trustees. Those in charge of various congregational funds shall report at least annually to the session and more often as requested. Sessions may provide by rule for standard financial practices of the congregation, but shall in no case fail to observe the following procedures:

- a. All offerings shall be counted and recorded by at least two duly appointed persons, or by one fidelity bonded person:
- b. Financial books and records adequate to reflect all financial transactions shall be kept and shall be open to inspection by authorized church officers at reasonable times;
- c. Periodic, and in no case less than annual, reports of all financial activities shall be made to the session or entity vested with financial oversight.

Treasurer's Corporate Responsibilities

All states now allow the incorporation of churches and the Book of Order in G-4.0101 instructs churches to form a corporation whenever permitted by civil law. The corporation laws vary from state-to-state, but corporations are generally required to have a president, secretary, treasurer, and at least one director.

In New Jersey, where churches are legally allowed to form a corporation, the Book of Order mandates that a church must be incorporated. It is the responsibility of the treasurer, in consultation with the Clerk of Session, to establish and maintain the church's

corporate status by ensuring timely filings and payment of required fees.

The corporate treasurer is responsible for the corporation's compliance with all state and federal laws governing the fiscal activities of the corporation and is responsible for ALL of the corporation's funds. This means that if your church has multiple treasurers, such as a treasurer for the board of deacons, the corporation treasurer is ultimately responsible for the actions of the board of deacons' treasurer.

The corporation treasurer should establish a reporting process with all other treasurers within the corporation to ensure oversight of their activities and integration of their funds into the corporate records. This process should outline the types and frequency of reports to be submitted, as well as the procedure for including these treasuries in the annual audit.

The corporate treasurer should also collaborate with the personnel committee to ensure that this relationship is clearly outlined in the job descriptions of the other treasurers.

As an officer of the corporation, the treasurer may be exposed to liability in the event of a lawsuit against the organization. Lawsuits involving religious organizations are becoming more frequent, so it is essential for your church to provide officers and directors insurance to mitigate this risk. Be sure to consult with your insurance provider to confirm that your officers and directors are adequately covered.

The corporate treasurer is accountable to the body that elected them, which, in the case of a church corporation, is the congregation. Additionally, the treasurer is responsible to the church session or, as specified in the Book of Order G-3.0205, may be accountable to the board of deacons or trustees, depending on the assignment.

Chapter 2

Functions of a Church Treasurer

G-3.01 and G-3.02 of the Book of Order provide guidance for Church finances, including the role of the Treasurer.

- The treasurer is elected to the position by the session and is supervised by the session or, by specific assignment, by the board of deacons or trustees.
- The session-elected treasurer should serve as the primary point of contact for all church finances.

Responsibilities:

- Overseeing the congregation's financial records.
- Preparing accurate financial reports for the session and trustees.
- Participating in the budgeting process as directed by the session.
- Anticipating and addressing potential financial issues.
- Ensuring that those managing various funds within the church submit annual reports to the session.
- Managing, safeguarding, and maintaining the congregation's financial resources.
- Complying with reporting requirements set by church councils (Presbytery, Synod, or General Assembly) and government agencies.

- Scheduling and overseeing the annual financial review or audit.
 - Ensuring that internal controls are consistently followed.
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NOTE:

It is essential that the role of the treasurer be outlined in the church's by-laws in accordance with state law. Additionally, the position description of the treasurer should be included in the church's Manual of Operations.

Financial Reports

Record keeping is the responsibility of the treasurer. Financial statements presented to the membership and the session must be understandable, concise, inclusive, comparative, and timely.

A financial report shall be presented to the session at each regularly scheduled meeting to ensure transparency and accountability.

Current income, expenses, and benevolences should be reported monthly, while other financial items should be reported to the session at least quarterly. The Book of Order (G-3.0205) mandates that the session provide the congregation with full information regarding its financial decisions. As a result, the congregation should receive a financial report on a regular basis.

Resource Management

The congregation holds assets that must be properly secured and maintained. If the church owns a building, it is considered an asset, and insurance coverage, as required by the Book of Order, must be adequate and regularly reviewed. Endowment funds should be invested, and certificates of deposit, stocks, and bonds must be securely stored. It is the treasurer's responsibility to ensure that only

authorized individuals have access to funds and that offerings are properly protected, counted, and deposited.

Session shall annually review and reaffirm all authorized persons managing church funds.

Governmental Reporting

The treasurer is responsible for ensuring compliance with community, state, and federal regulations regarding the filing of payroll tax reports, including Form 941, W-2, W-3, 1099, and others. This includes submitting Form 941 at least quarterly, and potentially monthly or semi-weekly, along with making payroll tax deposits for taxes withheld from employees. (Refer to IRS publications for more details.) State and local tax codes dictate the payment method and frequency, so the treasurer should contact local and state tax offices for accurate guidance. Additionally, the treasurer is responsible for other IRS filings, such as Form 990.

Since payroll tax matters can be complex, the treasurer may seek assistance from a CPA or tax attorney with expertise in church-related tax laws. Payroll services can also be used to manage payroll, but the treasurer remains responsible for ensuring all forms are filed correctly.

Fund Reporting

1. **General, Current, or Operating Funds** are used to cover all operating expenses, including bills, salaries, utilities, and other ongoing costs. These funds receive the regular offerings and are typically the primary funds of the church.
2. **Restricted or Dedicated Funds** refer to gifts given for a specific purpose or program. For example, building funds are considered restricted and must be used solely for building-related expenses, with all contributions placed into this fund and all payments made from it.
3. **Mission Funds** are funds designated for specific mission efforts, including those of the congregation, Presbytery, Synod,

and General Assembly.

4. **Special Offering Mission Funds** are funds designated for specific special offerings, such as One Great Hour of Sharing, Presbyterian Disaster Assistance, Extra Commitment Opportunities, and other special mission offerings.

Endowment or Bequest Funds refer to gifts received through estates, legacy gifts, or substantial restricted donations. These funds may come with specific donor restrictions, or they may not. Every church should establish a Gift Acceptance Policy to guide the receipt and investment of endowment and bequest funds.

NOTE: Accurate accounting of distinct funds is essential for proper church record-keeping. While separate bank accounts are not required, they may help simplify the process. A treasurer must not transfer funds between accounts without explicit, documented authorization from the session or finance committee.

Accounting

Treasurers should obtain and keep copies of the session minutes to ensure that all action items related to financial matters are addressed.

NOTE: While treasurers are not necessarily the bookkeeper, they are responsible for ensuring that the bookkeeper follows proper accounting procedures and complies with all relevant requirements. The treasurer is accountable to the session for this oversight.

The treasurer should do or ensure the following tasks are completed:

- Present regular financial reports to the finance committee, trustees, and ultimately the session.
- Be prepared to attend committee, trustee, and session meetings upon invitation, and present financial figures and recommendations regarding the budget and church finances.
- Take responsibility for managing the expenditure of funds in accordance with the approved budget and proper authorization. The treasurer maintains the books of accounts, journals, and ledgers based on the church's chosen accounting methods. Adhering to good audit procedures is essential.
- Maintain the checkbooks, with check signers authorized solely by the session. It is best practice for all checks over a specific dollar amount, set by the session, to be countersigned.
- Review check signers and other financial document signers annually. The individual writing the checks or paying the bills should not be the same person who signs the checks. Typically, the pastor is not a signer of checks or financial documents.
- Ensure that more than one individual is familiar with the church's financial information.
- File all financial reports and ensure a copy is kept in the church office.

Giving Records

The treasurer or financial secretary should maintain member pledges and records of giving. Quarterly and year-end statements of giving are required to be distributed to members.

Taxes

The treasurer is responsible for completing all required tax forms and ensuring the payment of taxes withheld from payroll, as previously mentioned under Governmental Reporting. If your church

has unrelated business income, Form(s) 990 and 990T may need to be filed. It is recommended to consult a CPA or accountant for assistance with these forms.

Reconciliation of a Checking Account

It is appropriate for someone without check-signing or deposit authority to handle the bank reconciliation. Having at least two individuals review the reports and reconciliations is always recommended. The treasurer should include a balance sheet of all reconciled and balanced accounts in the monthly session report.

NOTE: The treasurer shall be a member of the congregation but is not required to be the person who writes the checks or keeps the books. The session may choose to hire a bookkeeper or financial manager. However, the treasurer is responsible for overseeing the process to ensure all procedures and policies are followed.

Chapter 3

Internal Controls and Record Keeping

INTERNAL CONTROLS

Basic to internal controls is the segregation of duties and the communication of session/trustees and financial personnel.

A system of checks and balances is crucial for maintaining strong internal controls in any operation. Income-related tasks should be kept separate from disbursement duties. For example, Sunday offerings should be handled by someone other than the treasurer, who is responsible for writing the checks.

Each transaction should be authorized, initiated, approved, executed, and recorded. The following checklist ensures that strong internal controls are in place throughout the organization.

Financial Controls Checklist

- Session-approved policies for Endowments and Gifts
- Session-approved Fully Accountable Expense Reimbursement Plan
- Session-authorized Procedure for Counting Offerings
- More than one person involved in all aspects of a transaction from start to finish
- Division and segregation of duties (see information on Financial Secretary)
- The person responsible for asset custody should not record transactions
- Deposit all cash receipts immediately
- Record all cash receipts immediately
- Payments should be made by serially numbered checks, except for small transactions handled through petty cash
- If petty cash is used, there must be a receipt for each expenditure, and petty cash should be reconciled at least monthly
- Reconcile bank accounts monthly

- Balance subsidiary ledgers to general ledger accounts regularly
- Review comparative financial statements monthly to identify significant variations in revenue and expenses
- Bank statements should be reviewed by someone who is neither a payee nor authorized to write checks
- Investigate unusual items, such as checks to unfamiliar vendors, large checks, and checks to employees or insiders
- Use serial numbers on sales and purchase invoices, checks, tickets, purchase orders, receiving reports, and debit or credit memos
- Use duplicate deposit tickets and retain a copy in the office; keep bank deposit receipts
- Make deposits daily, if necessary, or weekly
- Use budget or forecast to monitor goal achievement; investigate discrepancies—what happened and why
- Retain records as required. See "Record Keeping" later in this chapter.

Other Organizational Controls

- Implement hiring policies and practices that include background checks and reference verification.
- Keep Personnel Policies up to date and ensure every employee has reviewed the policy.
- Provide each employee with a session-approved position description and ensure they receive an annual review by the head of staff and/or personnel committee.

RECORD KEEPING AND RETENTION

The treasurer is responsible for maintaining all financial records, with safe record retention being a top priority.

Permanent records should be stored in a fire- and theft-protected safe or a bank safety deposit box. The session should annually review and authorize at least two individuals to access the safe deposit box.

Computer backups should be made each time the accounting or reporting software is used, with copies stored in cloud storage. Access to cloud storage should be available to more than one person. Logins and passwords should be securely stored as hard copies in the fire- and theft-protected safe or box and updated regularly. No single person should control the passwords and logins.

The treasurer shall maintain a hard copy folder containing all essential financial information for the church, with a copy stored in the safe deposit box and/or fireproof safe at the church or other session agreed upon location. **These records should never be kept at the treasurer's home.**

- Federal ID number
- State IDs: Tax Exempt, State Withholding, Local Withholding
- Bank(s) and account number(s)
- Investment firm contact information, phone number(s), and account numbers
- Loan details: financing method, account number, rate, term, collateral, payment information, etc.
- List of church software used, including version, serial numbers, secure passwords, and support phone numbers
- Copies of all equipment invoices, including serial numbers, purchase date, cost, and warranty information
- List of phone numbers/websites used in the treasurer's duties, including bank, investment firm, local and state tax offices, PC(USA) 1-888-728-7228, www.pcusa.org, financial secretary, etc.
- Any other relevant information for the congregation.

Financial records should be as straightforward as possible. A church with multiple buildings and endowments will naturally require a more complex system than a church with a single building and no endowments. Financial records include both accounting records of income and expenses, as well as contribution records for members. There may also be treasurers for other groups within the church (e.g., Sunday School Class Fund for Seminary Students), along with a financial secretary and tellers, all of whom are required to report to the church treasurer.

Some financial records are needed for statistical purposes. The church treasurer should assist the clerk of session in completing the annual statistical report, which is submitted to the General Assembly and eventually published as Part II of the minutes of the General Assembly of the Presbyterian Church (U.S.A.)—commonly referred to as the Annual Statistical Report. At the same time, the treasurer should ensure that church officers are regularly updated and fully informed.

Bookkeeping

The simplest financial records consist of cash receipts, cash disbursements journals, and the checkbook. More complex records can be maintained through the use of a voucher system, journals, subsidiary journals, and posting to the general ledger using a full chart of accounts. For more detailed bookkeeping, a Chart of Accounts is required. This chart is a listing of all accounts used in the bookkeeping system, each numbered for ease of posting. Posting refers to transferring information from the cash receipts and cash disbursements journals to the general ledger. All bookkeeping records should be kept permanently and made accessible to church officials, including mid-council officials, in accordance with the Book of Order.

Cash Receipts are divided into six main categories:

1. **Contributions** – All monetary contributions received by the treasurer, including payments on pledges (both current and delinquent), loose offerings (cash or check), per capita, and special offerings. Each item should be listed separately in the financial report.

Note: Capital and building funds, investment income, bequests, other income, aid, and subsidy should not be included here.

2. **Capital and Building Funds** – All receipts designated for capital purposes, extraordinary repairs, building funds, and equipment with an expected useful life of over three years and typically costing more than \$500.
3. **Investment and Endowment Income** – Income from dividends, interest earned on investments, and proceeds from the sale or liquidation of investments.

Note: The value of investments should be reported separately at least quarterly.

4. **Bequests** – Income received from wills and estates, including one-time contributions of value such as bequests, planned gifts (gift annuities, charitable trusts, life insurance), stocks, real estate, or other non-monetary gifts.
5. **Other Income** – Income from sources such as rent or reimbursements from organizations using church property, or grants from non-PCUSA organizations. This category also includes items like tuition or fees for daycare, day school, or similar services if part of the church budget.
6. **Subsidy or Aid** – Money received from other churches, Presbytery, Synod, or General Assembly agencies for use in local mission and programming.

Cash receipts, as outlined above, represent the sources of funds received by the local church, whether from a living donor or a non-living source. The Cash Receipts Report should clearly identify each of the six Cash Receipts Categories, listing the amount received along with its source. The report submitted to the session should

present this information in an easy-to-read format, including both monthly and year-to-date details.

Regardless of the bookkeeping method used, each check written should be supported by proper documentation. The authorization should include the following details:

- Amount to be paid
- Payee or recipient of payment
- Description of the expense
- Account to be charged
- Person authorizing the payment
- Supporting documents, such as committee minutes, receipts, etc.

Note: Annually, the session should designate individuals responsible for approving expenditures. These typically include committee moderators/chairs, the clerk of session, the business manager, and, for certain expenditures, the pastor. Committee members should submit bills to the committee moderator/chair for payment authorization. The session may also approve recurring payments, such as mission contributions, per capita assessments, or other budgeted expenses, on a monthly basis.

Financial Secretary

The financial secretary is elected by the session or trustees to manage the recording and reporting of pledges, as well as maintain accurate records of all offerings. Typically, this role is held by someone other than the treasurer, and the financial secretary is not authorized to sign checks. It is essential that the individual responsible for making deposits is not the same person who signs checks.

Using the information provided by the tellers after the Sunday offering, the financial secretary records the pledges and offerings each week, ensuring that each gift and its amount are itemized. In the case of stock donations, the gift is valued based on the date of receipt.

At the end of each quarter, the financial secretary totals the amounts received for each member and mails statements to all church members who make pledges or contribute. A year-end statement should be sent to each donor summarizing all their gifts and pledges. Most accounting software can generate these statements for mailing or emailing. Many congregations also send monthly or weekly statements via email.

For tax purposes, the gift must be received and postmarked in the year it was given. Checks that are post dated to the previous year but received on the first Sunday in January will be counted in the current year, not the year just ended.

The financial secretary shall reconcile the bank statements each month and report to the treasurer.

Tellers/Counters

Weekly offerings should be counted immediately after the service by two or more individuals, as required by the Book of Order. The tellers assigned to count the offering should not be the treasurer or financial secretary. The tellers provide the treasurer with the original count sheet, which details the distribution of the bank deposit, as well as a copy of the deposit slip for the bank. The financial secretary will use this information to record pledges and gifts. The tellers are responsible for ensuring that the deposit is prepared and taken to the bank promptly.

Chapter 4

Investments and Endowment Funds

Definition and Accounting Requirements

To "endow" refers to providing an income for Endowment Funds. Typically, the capital (or corpus) of these funds is unrestricted, while the use of the income may be either restricted or unrestricted.

Some donors may designate the income and any realized capital gains for specific purposes, while others may designate only the income. In some cases, donors may choose not to specify any restrictions, allowing the proceeds to be used for general purposes. Regardless of the donor's intent, it is essential to strictly follow their wishes and comply with all legal requirements concerning Endowment Funds held by a not-for-profit organization.

As such, a permanent record must be kept of each gift's receipt and the terms of the bequest, regardless of the amount involved. This record should also be documented in the session minutes. Additionally, an ongoing record that clearly outlines the use of funds derived from the investment of the capital should become part of the church's permanent records.

Investment

The trustees and/or session should adopt a statement of philosophy, policy, and guidelines regarding investments and gifts.

The Presbyterian Church (U.S.A.) Foundation can provide valuable information and guidance on investments and endowments.

Funds may be invested in one of the following ways: (1) entrusted to a committee of the session, which reports regularly to the full board; (2) held in trust by a local bank; or (3) deposited in various trust funds managed by the Presbyterian Foundation of the Presbyterian Church (U.S.A.), which offers investment management services, (4) or by an session authorized investment management firm.

Before assigning the management of funds, however, the session should adopt a clear statement outlining the investment purpose and goals. This statement will help determine the most appropriate type of investment vehicle to be used.

Note: The choice of investment vehicles for the church will depend on several factors: (1) the length of time the funds will be invested (i.e., the time-frame before the money may be needed), (2) the level of risk the church is willing to accept, (3) whether the principal will remain intact, (4) the wishes of the donor, and (5) the philosophy and policies of the church, which may include a socially responsible investment statement. Before investing, be sure to understand any penalties for early withdrawal.

Ensure that the form for each fund clearly specifies who has permission to invest and withdraw funds. It is always important to require at least two persons signature and knowledge for fund withdrawals.

Maintain detailed records of all investments, including the name and location of the investment (whether through a bank, investment firm, or where certificates are held), the acquisition date, rate of return, maturity dates, and the balance at the time of investment, along with periodic updates. This information should be readily accessible to the session at all times.

Examples of Investment Statements of Philosophy, Policy, and Guidelines

Philosophy

In acknowledging the session's trustee responsibility for the funds entrusted to their care, they should be guided by the following philosophy:

All resources will be managed with gratitude to God, in the spirit of Christian stewardship. This includes appreciation for

those who contributed the funds and honoring their wishes as specified. The session will also act with care for those who will benefit from the funds, and will commit to using the money in a manner that enhances the quality of life.

Policy

Unless otherwise specifically directed in the document through which property, whether real or personal, is received, the trustees are authorized to invest and reinvest the property, exercising the same degree of judgment and care that a prudent person would use in managing their own affairs, given the prevailing circumstances. Investment decisions will be made with an emphasis on preserving the funds, seeking to generate maximum income while ensuring the safety of the capital and safeguarding its purchasing power against inflation.

Guidelines

1. Include a statement of the primary investment objective.
2. Funds should be invested as promptly as possible.
3. The church's tax-exempt status should be fully utilized.
4. Investments will be made primarily in large corporations, highly-rated commercial paper, corporate bonds, government obligations, and high-quality common and preferred stocks.
5. The ratio of equities to fixed-income securities will be maintained in line with the specific purposes and goals of the funds.
6. Investments will exclude corporations that conflict with the church's stance on products harmful to individuals or the environment.
7. Statements of Investment Philosophy, Policy, and Guidelines will be reviewed annually.

Examples of Investment Purpose and Goal Statements

Endowment Funds

1. Name of Fund

Purpose: To provide support for [specific mission] and Local Shared Mission Projects.

Goals: To generate an income of 4% to 6% and an average total return of 6% to 10% annually over the long term, maintaining an equity/bond ratio of 60/40.

2. Name of Fund

Purpose: To serve as a fund for the investment of the church's permanent endowment, including individual endowment funds for designated purposes.

Goal: To achieve a net income of at least 4.5%, with an equity/bond ratio of 20/80, balancing some potential for appreciation with a reasonably consistent yield.

3. Name of Fund

Purpose: To provide an investment vehicle for both current funds and individual endowment funds of the church.

Goal: To produce a maximum income of 5% to 8%, while ensuring sufficient liquidity for short-term cash flow needs.

Chapter 5

Audit or Financial Review

All congregations must have their financial records and accounts, including those of any related organizations, audited at least once every 12 months. This audit or financial review can be either internal or external. According to Section G-3.0113 of the Book of Order, the local church is required to conduct the following:

A full financial review of all financial books and records shall be conducted every year by a public accountant or committee of members versed in accounting procedures. Reviewers should not be related to the treasurer(s). Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.

Financial Review

A financial review primarily involves inquiries with management personnel and the application of analytical procedures to financial data. It is more limited in scope compared to an audit conducted in accordance with generally accepted auditing standards, which aims to express an opinion on the financial statements as a whole. A financial review does not offer such an opinion. While it examines cash receipts and disbursements, it does not issue a formal position. A financial review is less extensive and generally more affordable than a full audit.

For the purposes of this document, the terms "audit" and "financial review" will be used interchangeably. Before beginning an audit, it is recommended to review this entire chapter for details on the audit process, procedures, and the reasoning behind certain practices.

Audit and financial review guidelines are available from accounting firms. Be sure to consult a trusted source before starting, as accounting standards are updated annually. Checking with a CPA will help ensure you are aligned with current accounting practices. It's important to note that fraud is increasingly prevalent in

churches, so make sure your audit includes specific procedures for detecting fraud.

External Audit

An external audit is conducted by an independent auditor or accounting firm. If you need help finding a reputable CPA, contact your presbytery office for a recommendation. It is crucial to choose an auditor who is knowledgeable about church and clergy tax laws as well as church finances.

Internal Audit

An internal audit is typically conducted by a committee of church members. The session should establish an auditing committee in accordance with the church's by-laws, state laws, and the Book of Order.

For most medium or small congregations, an internal audit is commonly performed on a volunteer basis due to the cost of an external audit. However, it is important that this process be carried out systematically by the most qualified individuals available within or to the congregation.

Congregations with large trust accounts, significant real estate holdings, or plans to expand their facilities through loans may find that an external audit by a qualified firm is required and beneficial.

Before deciding on the type of audit, it's important to understand that neither the paid auditor nor the volunteer audit team can guarantee the accuracy of the financial records. Auditors can only review the financial data provided to them and offer an opinion on whether the balance sheet and statement of operations fairly represent the financial condition of the congregation and its related organizations.

The treasurer of the church or any related organization should not serve on the audit committee but should be available for consultation during the audit process. The size of the congregation and the number of organizations maintaining separate accounts will

determine the necessary number of committee members to ensure the task is properly handled.

The audit committee should review and determine the audit program's approach. It is suggested that the committee focus on testing rather than redoing the entire accounting process for the audited period. The testing should be conducted at various points throughout the period to ensure accuracy.

For an adequate audit, the following areas should be included in the audit procedure, along with any other areas relevant to the specific situation:

A. Cash Receipts:

The committee should review the procedures for recording receipts, including how the Sunday offering is counted and tallied, and how other organization treasurers handle and account for funds. Timeliness in recording receipts is critical, and a test should be conducted to ensure funds are recorded promptly. Additionally, checks should be made to verify that designated funds are properly credited and disbursed according to donor wishes. A sample of individual contribution records should be tested to ensure proper recording.

B. Cash Disbursements:

The committee should review copies of the session's approved budget for the period being audited, along with any adjustments made during the period. With this information, the committee can determine if disbursements (by cash or check) were appropriately charged to the correct budget categories. If there are disbursements unrelated to budget items, the session's approval for those expenditures should be documented in the session minutes.

For items in the clergy or staff terms of call that accumulate from one year to the next, the committee should confirm that these funds are properly escrowed and that limits for such funds are followed. A review of current terms of call and employment agreements should also ensure that all obligations, such as pension and annuity premiums, continuing education allowances, and social security payments, have been met.

C. Fraud Checkup:

Ensure that a checklist is in place for how money is handled in the organization. A flowchart showing the process for receipts and expenditures will help clarify who is involved in each transaction. Consulting with a CPA can provide additional insights into how to detect fraud.

D. Verification of Bank Statements:

The audit committee should verify bank statements to ensure they align with the recorded cash receipts and disbursements.

E. Securities and Investments:

If the congregation holds securities or investments, an annual inventory should be conducted and included in the audit report to ensure all financial instruments are accounted for. The committee should also verify that all bond coupons and other financial instruments have been redeemed.

F. Debt Amortization:

To assess the congregation's financial health, the committee should review the amortization schedules for any debts. They should verify that payments are up-to-date and obtain written confirmation from the lender that the balances on the church's records match the lender's records.

G. Petty Cash:

As soon as possible after the books are closed for the audit period, a committee member should physically count the petty cash, as it is part of the funds to be accounted for during the audit.

H. Membership Contribution Records:

The audit committee should ensure that the final year-end statements are sent to members and that donors are informed about how to report any discrepancies. Spot checks should be done to verify that contributions have been properly recorded.

Once the committee has completed their assigned tasks, they should convene as a group to review each member's work. After discussing the findings, the committee—either as a whole or with a smaller subgroup of two or three members—should prepare a report or

letter to the session detailing the audit results. This report should include any recommendations aimed at improving the accounting process and enhancing the clarity of monthly reports, as well as suggesting steps to make future audits more efficient.

The audit of the congregation's accounts is crucial for assessing the church's financial health and providing assurance to members that their contributions are being managed responsibly and professionally.

Upon receiving the audit committee's report, the session should include it in the session minutes and assign responsibilities for implementing any recommended changes. Additionally, the session should express appreciation for the audit committee's efforts, both in the session minutes and in any church newsletters distributed to the congregation. This acknowledgment not only validates the committee members' work but also reinforces trust within the congregation.

Audit committees may also assess management procedures, investments, and remind the session of other important items, such as personnel policies, church usage policies, and by-laws, which may require review or updates.

Chapter 6

Insurance and Risk Management

According to the Book of Order, G-3.0112, churches are required to "obtain property and liability insurance coverage to protect its facilities, programs, staff, and elected and appointed officers."

As the role of the church continues to evolve, church boards must regularly assess how to provide sufficient insurance coverage for property damage, accidents, and liability situations. Gone are the days when church activities were confined to weekend services, holiday events, and church dinners. Today, churches serve as hubs for a wide range of activities, including fundraising events, preschool programs, social action groups, scout meetings, and more. Many congregations also have additional properties, such as manses, schools, gymnasiums, and cemeteries. Furthermore, churches are often involved in off-site activities like camps, tours, retreats, and outings, which may require the use of buses and other vehicles.

In addition to these activities, churches face exposure to risks such as vandalism, riots, bombings, misconduct, active shooter situations, pandemics, cyberattacks, and arson.

With the growing scope of church involvement, the potential for increased liability is significant. The task of ensuring the church against these various risks is complex. In light of this responsibility, the session should appoint a committee to review and secure appropriate insurance coverage to safeguard the church's assets, staff, and activities.

Presbytery of the Highlands is part of the New Jersey Presbyterian Insurance Partnership. The following is minimum insurance coverage expected from our carrier. Congregations not part of the NJ Presbyterian Insurance Partnership should use this as a guideline for their coverage

RECOMMENDED INSURANCE COVERAGE FOR THE NJ PRESBYTERTIES

Workers Compensation:

This coverage must be purchased individually in compliance with State regulations and statutory limits.

General Liability:

Option 1 - \$1,000,000 per Occurrence / \$2,000,000 per Annual Aggregate

Option 2 - \$2,000,000 per Occurrence / \$4,000,000 per Annual Aggregate

Umbrella:

Option 1 - \$5,000,000

Option 2 - \$10,000,000

Option 3 for the individual Presbyteries – limits up to \$25,000,000

Executive Lines:

Directors & Officers - \$2,000,000 (Presbyteries should be looking at \$5M minimum)

Errors & Omission – \$2,000,000

Crime - \$ 500,000

Fiduciary - \$ 500,000

Sexual Misconnect - \$2,000,000

Pastoral Counselling - \$2,000,000

Property:

Property Damage (Real & Personal) – Blanket Policy Limit with Agreed Amount (No Co-Ins)

Extra Expense - \$2,000,000

Demolition & Increased Cost of Construction - \$2,500,000

Debris Removal - 25% of loss / \$2,500,000 (Greater of)

Increased Cost of Construction due to Operation of Building Laws - \$2,500,000

Stained Glass - \$1,000,000

Please note:

1. Blanket Limits mean the combined replacement value of all Buildings, Equipment & Machinery and Personal property.
2. Stained Glass may require protective covering to get this limit or greater
3. Pastoral Counselling and Sexual Misconduct may require background checks
4. GL Limits can be “church size” specific if you deem this is needed, same with Umbrella

Chapter 7 Personnel

The Civil Rights Act of 1964 (Title VII), as amended, prohibits employment discrimination based on race, color, religion, sex, or national origin. Additional laws protect individuals from discrimination based on disability status and veteran status. Furthermore, certain hiring practices depend on the size of the organization and the number of employees.

Important: Since 2014, New Jersey's Child Protective Services Laws apply to all employees and volunteers responsible for children, requiring extensive background checks. These requirements were further updated in 2020. (For more information, visit www.compass.state.pa.us/cwis.)

Note: The Book of Order requires all councils to have A Child Protection Policy, a Sexual Misconduct Policy, and an Anti-Harassment Policy. Also all elected officers, employees and volunteers working with children are required to take boundary training every 36 months. This training should be outlined in the mandatory policies.

These policies should be reviewed annual by the session and with all employees and volunteers of the church

According to the Book of Order, G-3.0201, the session is responsible for the employment of administrative staff. This responsibility includes ensuring equal employment opportunities, adhering to fair employment practices, establishing personnel policies, and conducting annual reviews of compensation adequacy for all employees. Employment procedures are typically managed by a

session-appointed Personnel Committee. (See Resources for Guidelines for Session Personnel Committees.)

Employees are classified as exempt or non-exempt based on their duties or the percentage of time spent on exempt tasks. For more information on these classifications, visit the Department of Labor website at www.dol.gov.

This section of the Treasurer's Manual focuses on guidelines that the treasurer must follow for all employees, both ordained and non-ordained.

Financial Checklist for Employees

(Additional clergy-related information is provided below.)

- Ensure each employee has an employment letter that includes salary, benefits, and employment status. A copy of this letter should be maintained and updated after any changes.
- Confirm that your Personnel Policies cover Military Service Information. For detailed information, consult the Board of Pensions or PCUSA Human Resources.
- Maintain files, as requested by the session, that include background checks, references, sick days, vacation time, time cards, and emergency contact information.
- Include the following in the employee's file: hire date, wages, tax exemptions (federal, state, and local), a copy of the current W-4, employment status (exempt or non-exempt, part-time or full-time), and any other relevant information.
- Keep two forms of identification on file: a copy of a driver's license or government-issued ID, and either a birth certificate or Social Security card. Ensure the employee completes the I-9 form.

- Have the employee complete a W-4 form at the time of hiring and annually in December to update wage and tax information.
- If using a payroll service, notify them about the new hire or set up the employee in the payroll system.
- Notify appropriate agencies regarding the new hire.
- Provide the employee with the necessary forms to enroll in benefits such as insurance, pension, and retirement savings. (See Board of Pensions publications or website for information on health insurance coverage, pensions, retirement savings, and forms for both clergy and lay employees: www.pensions.org, Member Services 1-800-773-7752.)
- Annually update health insurance and pension forms, whether through the Board of Pensions or another source. The Board of Pensions enrollment period for employers is in early fall, and every church should have access to a BOP employer portal and login.
- Complete all necessary forms and notify the insurance carrier if the employee needs to be added to any insurance plans (vehicles, liability, sexual misconduct, workers' compensation).
- If the church offers a Section 125 Flexible Spending Plan or Health Reimbursement Accounts, ensure the employee receives the appropriate forms upon hire and annually (usually in December) for updates. These plans must be supported by proper documentation and comply with legal requirements. Ensure that employees understand the plan and have a copy for their reference.
- Explain payroll procedures and dates to the employee. If a timesheet or time tracking app is used, ensure the employee understands how to access and submit their timesheet on time.

- If the employee will be issued a credit card, ensure all necessary forms are completed and remind the employee of the requirement to submit receipts for purchases.
- If the employee is authorized to sign on bank accounts, CDs, etc., complete the necessary forms and provide them to the bank or other institutions where the signature needs to be on file. Keep copies for record retention.
- If eligible, provide the employee with access to the reporting app or software, along with a copy of the session-approved accountable reimbursement plan.

Termination

When an employee leaves the church's employment, the same procedures used during their hiring process should be followed to reverse any actions taken. For example, update signature cards at the bank, retrieve any issued credit cards, and remove the employee's name from relevant records or documents. Be sure to update personnel records with the termination date and any other pertinent information.

Employee vs. Independent Contractor

Classifying individuals as employees or independent contractors is a critical issue for churches, and misclassification can attract scrutiny during IRS audits. The IRS provides a set of 20 factors for determining whether an individual is an employee or an independent contractor, but these guidelines are subjective and may not apply to every situation. Therefore, churches must exercise caution in making this determination.

In most cases, **church employees**, regardless of the amount paid or the hours worked, are considered **employees**, not independent contractors. This includes nursery workers, church secretaries, pianists/organists, choir directors, worship leaders, janitors, and similar roles. This classification is based on the level of control the

church exercises over how the work is performed. As a general rule: **When in doubt, classify as an employee.**

The IRS criteria for determining the employee vs. independent contractor classification focus on whether the church has control over how the work is performed. While this can be challenging to assess, a written agreement with the worker should clearly outline their responsibilities and specify whether they are considered an employee or an independent contractor.

Employees

If an individual is classified as an employee, they may be eligible for benefits, such as sick leave, paid vacation, retirement plans, or medical insurance. Additionally, the church may be held responsible for the employee's actions while they are on duty.

Employees are subject to income tax withholding, and the church must pay employer contributions for Social Security and Medicare taxes. The employee may also be entitled to unemployment benefits (note that religious nonprofits are exempt from paying unemployment compensation taxes, so employees generally cannot claim unemployment unless they are terminated due to specific circumstances such as a pandemic).

Independent Contractors

An independent contractor, on the other hand, is treated as a sole proprietor. They are responsible for paying their own taxes and providing their own benefits. The payments made to an independent contractor are not subject to income tax withholding, provided the contractor gives the church their federal tax identification number. The contractor is responsible for paying Social Security taxes on their self-employment earnings.

If payments to an independent contractor exceed \$600 in a calendar year, the church must report the payments using **IRS Form 1099-MISC**. The contractor must provide their Social Security number to the church to complete this form.

Independent contractors are not entitled to employee benefits like sick leave, paid vacation, retirement benefits, or health insurance. They are also not eligible for unemployment benefits if they are discharged, as religious nonprofits are exempt from paying unemployment taxes. However, in the case of a pandemic, some independent contractors may qualify for unemployment benefits under specific state provisions.

The Burden of Proof

Despite potential savings from using independent contractors, the church bears the burden of proof when classifying workers. Incorrect classification can lead to significant financial consequences. For this reason, it is typically more advantageous to classify workers as employees when appropriate, ensuring compliance and reducing risk.

Risks of Misclassification

If the church incorrectly classifies an employee as an independent contractor, the organization may face the following risks:

- **Increased taxes:** The church may be liable for additional income and FICA taxes, along with associated penalties and interest.
- **Back taxes:** The church could be required to pay retroactive FUTA taxes, including penalties and interest.
- **Wage and hour violations:** The church may be responsible for back pay, including unpaid overtime, under wage and hour laws.
- **Impact on benefit plans:** Misclassification could jeopardize the eligibility or status of qualified benefit plans, potentially leading to compliance issues.

When a minister or commissioned lay pastor is hired, the church must provide benefits in line with the Presbytery's policy and the requirements set by the Board of Pensions (PCUSA). Details can be found on the Presbytery's webpage.

Flexible Spending Accounts (FSA) vs. Health Reimbursement Arrangement (HRA)

Organizations may establish programs that allow employees to use pre-tax dollars for medical expenses not covered by their primary Medical Plan (e.g., Board of Pensions). It is crucial to consult with tax or legal advisors when considering these options. Additionally, the church's session must approve the plan document outlining the terms and conditions of the program.

Both of these programs are supplementary to the Benefits Plan of the Board of Pensions.

Flexible Spending Account (FSA)

A **Flexible Spending Account (FSA)** is a qualified benefit plan under the Internal Revenue Code that enables employees to set aside a portion of their salary on a pre-tax basis to cover various healthcare expenses. The plan document defines eligibility, approved reimbursable expenses, salary reduction agreements, and when employees can modify their elections.

- The funds in an FSA are used to reimburse medical expenses incurred by the employee or their eligible dependents.
- Any unused amount in the account at the end of the year is forfeited.
- Only employees are eligible to participate in an FSA. Self-employed individuals are not eligible.
- Ministers employed by a congregation are considered employees for federal tax purposes (though self-employed for Social Security purposes) and are eligible for an FSA.
- **Additional benefits**, such as dependent care coverage, disability or death benefits, life insurance, or other medical premiums, may also be offered through a cafeteria plan if included.

Health Reimbursement Arrangement (HRA)

A Health Reimbursement Arrangement (HRA), as defined by the Internal Revenue Code, is a program funded entirely by the employer. Employees cannot contribute to the plan. It provides reimbursement on a non-taxable basis for eligible medical expenses, up to an annual limit.

- HRAs can be used by both clergy and lay employees.
- These programs are exempt from Federal and Social Security taxes if established as a group plan, offering reimbursements for medical expenses not covered by a Medical Plan (e.g., deductibles and copayments).

Key Considerations

- Both FSAs and HRAs must comply with specific regulations and requirements. It is advisable to seek guidance from a tax or legal advisor who is well-versed in these programs when setting up or adopting one of these options.

Chapter 8

STEWARDSHIP AND BUDGETING

Stewardship

According to the Book of Order:

- **G-3.0201:** The session is responsible for "encouraging the graces of generosity and faithful stewardship of personal and financial resources; managing the physical property of the congregation for the furtherance of its mission; directing the ministry of deacons, trustees, and all organizations of the congregation; employing the administrative staff of the congregation."
- **G-3.0205:** The session "shall prepare and adopt a budget and determine the distribution of the congregation's benevolences. It shall also authorize offerings for Christian purposes and account for the proceeds of such offerings and their disbursement. It shall provide full information to the congregation concerning its decisions in such matters."

Stewardship is defined as "the responsive practice of Christians making proper use of the gifts God has given them for the sake of God's work in the world" (Stewardship Theology, 2001, 213th General Assembly).

The **treasurer** is not responsible for educating the congregation on year-round stewardship—that responsibility falls to the **session**, which may assign it to a stewardship committee. Several resources are available through the Presbyterian Foundation to assist with this process.

Budgeting

The treasurer may assist in the development of the church's budget, which serves as a plan detailing the sources of income and planned disbursements. The budget reflects the goals and priorities of the congregation, translating those into financial terms. A well-prepared budget should align with the church's mission and anticipate its needs. Since income expectations may not be clear at the outset of

the budgeting process, it's important to evaluate both new and ongoing programs. A properly developed and continually updated budget can lead to several positive outcomes, such as:

- Reduced emotional spending
- Improved use of mission dollars
- Prevention of funds being diverted to low-priority areas
- Increased congregational participation and commitment
- Effective monitoring of spending
- Flexibility to adjust to unforeseen circumstances

The success of a budget ultimately depends on the thoroughness of its planning and how diligently it is managed.

Budget Development

Steps for the Budget Process:

1. **Congregational Leaders' Involvement:** Leadership, including the session and key congregational figures, should collaborate to create plans for the church's future. These plans should focus on both short- and long-term goals (1-year, 3-year, and 5-year plans) for benevolences, programs, and operations. Annual evaluations should assess which goals were met, which programs need adjustment, and what goals should be set moving forward.
2. **Mission Giving:** It's crucial to evaluate the recipients of mission funds regularly, considering the ongoing or increased need for support. Mission giving can serve as a powerful educational tool for the congregation, encouraging greater participation. The committee responsible for mission funding should set clear, measurable goals for the congregation's mission giving, considering the priorities of the Presbytery, Synod, and General Assembly, as well as local organizations. While local mission support is essential, it's important to remember that Presbyterian Mission is a top priority, and support for the broader Presbyterian connection is vital for the collective impact.

3. **Goal Setting and Committee Requests:** Goals are recommended to committees for action. Committees then submit budget requests to the Budget Committee.
4. **Budget Projections:** The Budget Committee will project income for the coming year based on current giving, membership, and other income sources like investments or rental income.
5. **Stewardship Drive:** The church holds its annual stewardship campaign, and pledges are collected. Resources for this campaign are available through the Presbyterian Foundation.
6. **Personnel Reviews:** The Session Personnel Committee conducts annual reviews and recommends salary packages for all staff to the Budget Committee.
7. **Formulating the Budget:** Using the established goals, committee requests, personnel recommendations, and income projections, the Budget Committee prepares the church's budget.
8. **Approval Process:** The proposed budget is submitted to the session for approval. The Terms of call for the **Installed pastor** are excluded from this portion of the approval process. Installed Pastor Terms of call are approved by the congregation at a congregational meeting. Housing allowances must be approved before they can be paid.
9. **Monitoring:** Once the budget and terms of call are approved, the session should continue monitoring the budget through regular financial reports from the treasurer.

A budget created without careful planning lacks effectiveness. The budget should communicate the vision, goals, and aspirations of the congregation, and it should be evaluated regularly against actual financial figures. While the session approves the budget, it is presented to the congregation for informational purposes only.

Presentation of the Budget: There are various ways to present the budget:

- Line Account Budget
- Category Summarization Budget
- Narrative Budget

Each format serves to clearly communicate the church's financial priorities and plans for the upcoming year.

RESOURCES AND OTHER INFORMATION

FINANCIAL REVIEW PROCESS GUIDELINES

G-3.0113 – FINANCES

According to G-3.0113, a full financial review of all financial records and books must be conducted annually. This review should be performed by a certified public accountant or a committee of members who are knowledgeable in accounting practices. Reviewers must not be related to the treasurer(s). The terminology in this section provides general guidance and is not intended to mandate specific audit procedures or practices as recognized by the professional accounting community.

ACCOUNTING METHODS

Cash Basis

Under the cash method, income and expenses are recognized when cash is received (deposited) or paid (checks issued). In this approach, cash is the only recorded asset, and there are no recorded liabilities.

Accrual Basis

With the accrual method, income is recognized when it is earned, or when it becomes unconditionally owed, regardless of when cash is received. Similarly, if the cash payment occurs in a different period, an offsetting prepayment or accrued liability is recorded. This method requires more detailed tracking of expenses and income, making it costlier and more time-consuming. While the accrual method is generally superior for reporting operational results, it may not be necessary for smaller churches, as it may be more complex than required for reasonably accurate financial statements.

Hybrid Method

This method combines the cash basis of accounting with adjustments for certain accrual items. It provides flexibility and may be a practical choice for smaller churches, offering a balance between simplicity and accuracy.

For smaller churches, it's common practice to ignore unpaid liabilities for regular expenses, such as utility bills, which are often paid a month after services are received. If these expenses are

consistently paid but not accrued, it has little effect on the financial statements. However, if the church employs individuals, it's recommended to record gross salaries under the appropriate expense account, with tax liabilities and employee benefits tracked separately.

Additional considerations include accounting for cash conversions to investments, assets acquired through debt (such as a copier), and the treatment of receivables, inventories, payables, and bank debts on a case-by-case basis to ensure useful financial reporting.

FUND ACCOUNTING

Smaller churches typically manage multiple funds, such as the operating fund, building fund, activity funds, and various endowments—both with and without legal requirements. Some funds may be commingled, while others are kept separate. Proper financial reporting requires distinguishing between donor restrictions on net assets, with the following categories:

- **Unrestricted Net Assets** – May be designated for specific purposes.
- **Temporarily Restricted Net Assets** – Subject to donor restrictions that expire after a set period.
- **Permanently Restricted Net Assets** – Subject to permanent donor stipulations.

The financial reviewer must assess the need for compliance with generally accepted accounting principles (GAAP) established by the American Institute of Certified Public Accountants (AICPA).

GENERAL PURPOSE OF THE REVIEW

The purpose of the financial review includes the following:

1. **Internal Control System Review**
Evaluate the reasonableness of the internal control system and the applied accounting policies.

2. Accuracy of Records

Test the accuracy of the books of entry in relation to the underlying accounting records.

3. Asset and Liability Verification

Verify major asset and liability balances at year-end to ensure they are accurate and complete.

4. Annual Reports

Relate the annual and other reports required of the Treasurer to the books of entry for accuracy and consistency.

The financial review process should be guided by a set of questions to evaluate the internal control system. This will help determine the extent of the review and identify potential improvements. These guidelines should be tailored into specific financial review programs for each individual church.

At the conclusion of the review, a report should be submitted to the Session that includes an opinion on the findings and any recommendations for improving the internal control system.

RECORD RETENTION GUIDE

A

- Accident reports and claims (settled cases): 7 years
- Accounts payable ledgers and schedules: 7 years
- Accounts receivable ledgers and schedules: 7 years
- Articles of Incorporation: Permanently
- Audit report of accountants: Permanently

B

- Bank deposit slips: 3 years
- Bank reconciliation: 1 year
- Bank statements (excluding canceled checks): Permanently
- Bills of lading: 6 years
- Brokerage statements (annual): Permanently
- Budgets: 2 years

C

- Capital stock and bond records (e.g., ledgers, transfer registers, issue stubs, interest coupons, options): Permanently
- Cash books: Permanently
- Cash projections: 2 years
- Checks (canceled; see exception below): 7 years
- Canceled checks for important payments (taxes, property purchases, special contracts, etc. — filed with related transaction papers): Permanently
- Contracts, mortgages, notes, and leases (expired): 7 years
- Contracts, mortgages, notes, and leases (still in effect): Permanently
- Copyright registration: Permanently
- Correspondence (routine with customers or vendors): 1 year
- Correspondence (general): 3 years
- Correspondence (legal or important matters): Permanently
- Credit memos: 3 years

D

- Deeds, mortgages, and bills of sale: Permanently
- Depreciation schedules: Permanently
- Duplicate deposit slips: 2 years

E

- Employee expense reports: 3 years
- Employee payroll reports (W-2, W-4, annual earnings records, etc.): 4 years
- Employee personnel records (after termination): 6 years
- Employment applications: 3 years
- Expense analyses and expense distribution schedules: 7 years

F

- Financial statements (end-of-year, others optional): Permanently
- Freight bills: 4 years

G

- Garnishments: 7 years
- General and private ledgers (and end-of-year trial balances): Permanently

I

- Insurance policies (expired): 6 years
- Insurance records, current accident reports, claims, policies, etc.: Permanently
- Internal audit reports (longer retention periods may be needed in some situations): 3 years
- Internal reports (miscellaneous): 3 years
- Internal work orders: 3 years
- Inventories of products, materials, and supplies: 7 years
- Invoices to customers: 8 years
- Invoices from vendors: 8 years

J

- Journals: Permanently

M

- Magnetic tape and tab cards: 1 year
- Minute books for directors & stockholders (including bylaws & charter): Permanently

N

- Notes receivable ledgers and schedules: 7 years

O

- Option records (expired): 7 years

P

- Patents and related papers: Permanently
- Payroll records & summaries (including payments to pensioners): 8 years
- Petty cash vouchers: 3 years
- Physical inventory tags: 3 years
- Plant cost ledgers: 7 years
- Production & sales reports: 3 years
- Property appraisals (by outside appraisers): Permanently
- Property records (including costs, depreciation, reserves, trial balances, depreciation schedules, blueprints, and plans): Permanently
- Purchase journals: Permanently
- Purchase orders (except purchasing department copy): 1 year
- Purchase orders (purchasing department copy): 7 years

R

- Receiving sheets: 1 year
- Requisitions: 1 year
- Retirement and pension records: Permanently

S

- Sales commission reports: 3 years
- Sales records: 7 years
- Savings bond registration (employee records): Permanently
- Scrap and salvage records (inventories, sales, etc.): 7 years
- Stenographer's notebook: 1 year
- Stock and bond certificates (canceled): 7 years
- Stockroom withdrawal forms: 1 year
- Subsidiary ledgers: 7 years

T

- Tax returns & worksheets, revenue agent's reports & other documents relating to income tax liability determination: Permanently
- Telephone logs/message book duplicates: 7 years
- Time books/cards: 7 years
- Trademark registrations: Permanently
- Training manuals: Permanently

U

- Union agreements: Permanently

V

- Voucher register & schedules: 7 years
- Vouchers for payments to vendors, employees, etc. (includes allowances and reimbursements for travel/entertainment expenses): 7 years

W

- Withholding tax statements: 7 years

FULLY ACCOUNTABLE EXPENSE REIMBURSEMENT PLAN

The Presbyterian Church operates a fully accountable expense reimbursement plan for its ministers, employees, and volunteers, in compliance with Internal Revenue Service (IRS) regulations. According to the IRS, an employee is not required to report expenses incurred for the sole benefit of the church, provided the employee accounts for the expenses and they are charged directly or indirectly to the church.

In addition to the IRS regulations, the following guidelines apply to the church's expense reimbursement process:

- 1. Mileage Reimbursement:** All mileage expenses will be reimbursed at the IRS-approved rate. A detailed report must accompany the request, including the date, location, total mileage, business identification, and a statement explaining the business purpose. *Note: Commuting mileage to and from work is not reimbursable.* Employees are encouraged to use mileage tracking apps.
- 2. Receipts Required:** Receipts must be submitted for reimbursement requests. Employees are encouraged to use expense tracking apps.
- 3. Meals and Entertainment:** Requests for reimbursement of meals or entertainment expenses must include a clear description of the business relationship with the involved parties, explaining the business purpose and the necessity of the expense for the church.
- 4. Reimbursement Request Process:** Reimbursement requests must be submitted on an expense report or via an expense tracking app, signed by the payee, and approved according to the church's approval processes for checks. The approval must come from someone other than the payee.
- 5. Program Area Charging:** Expenses will be allocated to the program area related to the reason for the expense.

Professional development costs will be charged to the appropriate personnel account.

6. **Submission Deadline:** Reimbursement requests must be submitted within 60 days of incurring the expense. Year-end expenses should be submitted to the treasurer by December 31 or as soon as any credit card charges for the new year are posted.
7. **Document Retention:** The church will retain all documentation for reimbursement requests to substantiate the expense.

Acknowledgement

I acknowledge that I have received a copy of the Church's Accountable Reimbursement Plan and understand the guidelines and policies outlined for expense reimbursement. I recognize that it is my responsibility to maintain accurate records and submit all supporting documentation, including expense reports and receipts, to the church.

Name: _____ Date: _____

This is a sample policy that can be adapted to your specific needs.