



# Introductory Guide for New Church Treasurers



# You've been asked to be Treasurer of your local Church

## An Outline of the Role and Responsibilities

### **Acknowledgement**

The patience and critical appraisal of those who have perused this booklet and offered constructive suggestions for its improvement has been greatly appreciated and extremely valued.

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# Introduction

You've been asked to become treasurer of your local church, the previous one having decided that after twenty-three years *"it was time someone perhaps a little younger did the job."* Whilst you're not an accountant by any stretch of the imagination and don't know a great deal about the minutiae of church finance, you are someone who is reasonably organized willing and able to taken on something new and "up for a challenge."



## So where to begin?

The Church of England Form of Solemnization of Matrimony (marriage Service) which forms part of the Book of Common Prayer, warns that *"marriage is not by any to be enterprised, nor taken in hand, unadvisedly, lightly,..... but reverently, discreetly, advisedly, soberly, and in the fear of God."*<sup>1</sup> In virtually all respects the same advice should be applied to all who have been asked to take on the role and responsibilities associated with being church treasurer.

Many would regard the treasurer's task as being a thankless one, particularly in the light of falling church membership and general financial pressures. However, "the story is not one of inevitable decline in all areas of the country"<sup>2</sup> and therefore the challenges which a would be treasurer faces are not necessarily all negative.

## What does this booklet seek to achieve?

The purpose of this booklet is to provide a relatively brief introduction to the role of church treasurer and to give some insight into those aspects of church financial management with which he / she will need to be involved.

The following chapters will seek to identify in outline those church and charity related accounting related elements which will require further detailed knowledge, particularly for those with limited, or indeed no knowledge at all of the specific requirements which underpin church and charity accounts.

## What this booklet is not

This booklet is not a technical guide to church accounts and the principles and practice, which must be strictly followed and adhered to. Hopefully, however, it will provide an insight into some of the issues, which will confront the treasurer and the basic accounting principles that must be followed for the challenge to be taken up and embraced. Do not for a minute think that help, advice and support are in scarce supply. They are not. Sources of further and more detailed guidance will be supplied in a short chapter at the end of the booklet.

# Chapter 1 The Starting Point



My personal view is that there are two distinct elements, which are fundamental to any understanding of the church treasurer's role and function. At its basic it is a practical, pragmatic responsibility for an essential part of church life, which underpins mission and ministry.

Put bluntly whilst money is only one of the many resources, which can be called upon to further the growth and development of the body of Christ, very little takes place without finance and a failure to manage it effectively can impair the churches' work. So the need to understand the practical aspects of keeping the financial records in accordance with both charity law and denominational requirements are critical to being an effective church treasurer.

The second distinct element to the role is what I've termed the spiritual calling or vocation. This may seem a little exaggerated, perhaps even open to question. St Paul in his first letter to the Christians in Corinth states quite unequivocally *"In the church God has appointed first of all apostles, second prophets, third teachers, then workers of miracles, also those having the gifts of healing, those able to help others, those with the gifts of administration and those speaking in different kinds of tongues."*<sup>3</sup>

Paul clearly sees administration not only as an essential part of the early Church but also as a spiritual calling. Administration, which incorporates oversight of church finance, is rooted firmly in New Testament authority and those possessing the necessary skills to undertake the required responsibilities have their "gifting" from God. The financial administrator is an essential part of the ministry team and, more than *"just a bookkeeper."*<sup>4</sup>

But these two essential elements; the practical understanding of all aspects of effective church financial administrative management together with a sense of the spiritual calling resulting from the relevant skills which an individual may possess, must be kept in balance.



The role of church treasurer can best be accomplished by the prayerful, orderly, execution of the financial and administrative requirements needed to be effective.

An additional characteristic of the effective church treasurer is arguably to be found in the parable of the shrewd manager in Luke's gospel chapter sixteen. Whilst it may be argued that at the beginning of the story, the manager hadn't distinguished himself in the efficient execution of his duties, surprisingly perhaps Jesus states that in the end *"The master commended the dishonest manager because he had acted shrewdly"*<sup>5</sup>

The Oxford Dictionary definition<sup>6</sup> of "shrewd" is *"having or showing sharp powers of judgment; astute."* However the Bloomsbury English Dictionary has an even more relevant definition of the word; *"showing or possessing intelligence, insight and sound judgment especially in business or politics."*<sup>7</sup>

Sound judgment and insight plus intelligence are a powerful combination of skills and ones, which the church treasurer should cultivate.

So before agreeing to take on the responsibility church treasurers should consider carefully whether they possess the necessary experience and commitment to embrace;

- The practical financial administrative skills necessary to grasp the basic statutory accounting requirements, which should inform and underpin the way the role will be approached.
- An appreciation of the spiritual nature and authority vital for the effective fulfillment of the treasurer's duties and responsibilities
- A reasonable amount of intelligence, some insight into the issues which may arise and sound judgment when needed.

### **1.1 What does the job involve?**

All this personal skills and spiritual foundation stuff begs the question *"what actually does the job of church treasurer involve?"* In essence it can probably be summarized in five simple statements:

- To keep the books straight and so maintain accounting integrity.
- To manage the money ensuring there is sufficient to pay the bills.
- To plan the finances and support the future work of the church.
- To be open and transparent in everything that is done.
- To prepare the annual accounts as and when required.

### **1.2 Maintaining Accounting Integrity**

According to the Charity Commission. *"More than half of small charities' annual reports and accounts do not meet minimum basic standards and many are unaware of their reporting obligations."*<sup>8</sup> This comment whilst referring specifically to those small charities, broadly defined as those having annual gross income of less than £500,000<sup>9</sup>, also includes those churches whose income exceeds £100,000 per year and therefore are required to register with the Charity Commission.

It is not stretching the imagination too far to suggest therefore that this comment may also be applied to the vast majority of churches whose income is below £100,000 per annum. So what do we mean when we speak of “*Maintaining Accounting Integrity?*”

The Cambridge Dictionary defines integrity as “*the **quality** of being **honest** and having **strong moral principles** that you **refuse to change**”<sup>10</sup> Accounting integrity therefore involves ensuring that the records of the church are an honest and complete representation and reflection of its financial transactions. Furthermore that they are records kept in an orderly and uncomplicated manner open and transparent even to the relatively untutored accounting brain.*

Practically speaking, maintaining accounting integrity or put another way, keeping the books straight, involves some very basic rules:

- Keep the accounting records up to date.
- Whatever computer system is used, or if the books are still kept manually, the financial records should be uncomplicated and relatively easy to understand.
- Receipts, payments, any non-monetary transactions, with notes where needed, which provide an adequate explanation.
- Paperwork should be filed in a logical way to ensure that it relates easily to the transactions posted to the accounting system.
- The reports produced should correctly reflect the accounting transactions and the financial position of the church at any given point of time.

### 1.3 Managing the Money

Ensuring that there is sufficient money in the bank to pay bills is fundamental even to our personal finances, how much more so in the context of our churches. Managing the money or cash flow management is not as complicated as it may appear. Here again it's almost a matter of common sense:

- Ensure that there is a budget and it's adhered to. Sometimes deficits occur and for very good, often planned-for reasons.
- Know how much planned giving is likely to be received each month and when.
- Identify the regular bills that require payment and when they become due.
- Be aware of likely abnormal “one-off” payments and their timing.
- If there is a problem which could result in a lack of readily available funds, then tell the church governing body immediately.

The issue of what records to keep and how to keep them will come a little later, however simple cash flow software is available or as an alternative, an excel spreadsheet. It may also be the case that the financial records are still in manual

form. However **“Managing the Money”** is more than ensuring that there is sufficient cash in the bank when the bills need to be paid.

#### **1.4 Planning the Finances**

Sadly it is still the case that too few churches have any credible form of financial plan. Straw polls taken periodically at ACAT seminars, which feature sessions on financial planning, have indicated that only approximately 25% of churches prepare an annual budget, let alone have a longer-term financial plan.

Financial planning takes two forms; an annual budget, which identifies income (receipts) and expenditure (payments) over the next financial year and a longer term (say three or five years) assessment of church needs.

Budgets and financial plans are not ends in themselves but a means of identifying the resources needed to support the vision and mission of the church. In this respect there should be a clear statement of those activities and initiatives which the church sees as being fundamental to its ministry, both in the local community where it is situated and in the wider world. The annual budget and longer term financial plan should therefore be based on this vision statement.

#### **1.5 Transparency in Everything**

Transparency is an important aspect of the work and financial transparency means making information as accessible as possible. This is a basic aspect of the church treasurer’s role and its importance should not be underestimated. Churches should always aim for the highest standards of transparency and integrity in their dealings as a reflection of their faith.

The trap that treasurers sometimes fall into is that they view the finance function as being a specialist part of church administration, which only they are able to understand fully. As a consequence the bookkeeping and record-keeping systems are often more complex than is needed. Financial statements and reports become lengthy lacking in clarity and simplicity. This can only ultimately cause a church governing body to lose confidence in its treasurer and also create an atmosphere of suspicion. *“What is the treasurer trying to hide?”*

The effective treasurer is one whose reports are simple, clear for all to understand, and where there is no attempt to hide bad news. When financial difficulties or unforeseen expenditure looms large, it should be communicated as soon as possible so that possible solutions might be found.

The accounting systems and records, which support the financial statements, should also have a functional clarity, easy to understand with a minimum of training and support.

## Chapter 2 What is the End Product?



Before starting on any venture, project or committing to new responsibilities, it is a good idea to ascertain the ultimate objective, or put another way, “*what is the end product?*”

### 2.1 Financial Statements

For the church treasurer the end product is arguably the financial statement, produced periodically for the governing body, and which accurately reflects the finances for the accounting period in question, providing clear and understandable financial information.

At this point, things can become a little complicated. The form and content of the annual financial reports are determined by the size of a church’s income. The underlying basis on which the statutory accounts are produced is summarized below:

- Income under £250,000 per annum: the accounts may be on a “*Receipts & Payments*” basis, simply summarizing all sums received and paid during the year. In addition to a Receipts & Payments Account, only a Statement of Assets and Liabilities will be required rather than a formal Balance Sheet
- Annual Income over £250,000 per annum: the accounts must be on an “*Accruals*” basis, which will include income due but not received and liabilities for expenditure unpaid in the accounting period in question. In this example a Statement of Financial Activities will be prepared in addition to a Balance Sheet.
- Gross Income over £100,000 for any financial year requires the church to register with the Charity Commission but de-registration can be requested if income falls below that level.

Where accruals based accounts are produced, the same rule applies for all churches whether or not registered with the Charity Commission, i.e., the Income & Expenditure Account format is different from the commercial world and called a Statement of Financial Activities, (SOFA).

A *Balance Sheet* is a summary of all the balances within the accounting system, showing assets, liabilities, the funds held to which they belong, and should demonstrate the financial integrity of the church or charity.

A *Statement of Assets and Liabilities* does not balance but contains:

- Assets – Details of land and buildings, equipment and other non-monetary assets owned by the church
  - Bank current account balances
  - Bank deposit balances
  - Financial investments
  - Amounts owing to the church, e.g. Gift Aid claims
- Liabilities
  - Loans (if any)
  - Unpaid liabilities for supplies and utilities

## 2.2 Fund Accounting

“Accounting for the particular charitable funds held by a charity is a key feature of charity accounting. Each class of fund has unique characteristics. Fund accounting distinguishes between two primary classes of fund: those that are unrestricted in their use, which can be spent for any charitable purposes of a charity, and those that are restricted in use, which can only be lawfully used for a specific charitable purpose.”<sup>11</sup>

Put simply, charities and churches having the legal status of charities receive funds, which support particular aspects of their work in fulfilment of their aims and objectives. These funds may be divided into two distinct categories, restricted and unrestricted. Unrestricted funds may also include designated funds whilst restricted funds may incorporate endowment funds. Simple definitions of each type of fund are as follows;

- **Unrestricted Funds** - General Funds used to fulfil the aims of the charity.
- **Designated Funds** - Unrestricted funds earmarked for a particular purpose by the trustees.
- **Restricted Funds** - Money given or raised for a specific purpose
- **Endowment Funds** - Funds where the capital cannot be spent and the income is usually restricted to a specific purpose.

Church accounts will reflect the extent to which it possesses the various types of fund summarised in the financial statements. The usual method is to show the funds in columnar form on the Receipts & Payments Summary/ Income & Expenditure / SoFA and included on the Balance Sheet where Capital and Reserves would normally be shown in commercial accounts.

At first glance charity accounting principles, which churches as charities are obliged to follow, can appear complex. However in essence they are very straightforward provided the rules are followed.

### **2.3 Frequency of Reporting**

#### **Periodic within the financial year**

It is recommended that financial statements are produced quarterly as a minimum, although this will to some extent depend on the frequency with which the church governing body meets. Treasurers should anticipate having to provide a finance report of some description at each meeting and it is important that the expectations of the governing body in respect of the content are clearly understood and complied with.

#### **Annual**

Churches are required by law to prepare and submit an annual report to accompany the financial statements. The Charity Commission guidelines state, "*All charities must maintain accounting records and prepare accounts.*"<sup>12</sup> The rules governing submission of the annual report and accounts to the Charity Commission must be strictly observed.

It is the practice for the major denominations to require all churches to prepare their annual reports and financial statements in a manner consistent with denominational as well as charity law requirements.

# Chapter 3 Keeping the Books – Transactions



The rules governing charity accounting, which all churches registered with the Charity Commission are required to follow, are detailed in a Statement of Recommended Practice (SORP), issued by the Financial Reporting Council. The current SORP 2015, which came into force on 1st January 2015, is a lengthy document and one which the average church treasurer should only need to consult on very rare occasions. It can however be found at: [www.charitySORP.org](http://www.charitySORP.org)

The underlying principle governing church bookkeeping is that the records follow the rules relating to fund accounting, which were summarized earlier.

## 3.1 Receipts & Payments

Transactions fall into two basic categories: Receipts, either of money, or donated assets received in whatever form and for whatever purpose; or Payments for expenditure incurred again for whatever purpose. Let's look a little closer at the various types of receipts & payments.

### Receipts

Receipts will come in various forms depending upon the size and activities of a particular church;

- **Planned Giving:** Planned giving is defined as the amounts of money, which members of the church agree to donate (or covenant) on a regular basis, weekly, monthly or annually. The donations are usually given, increasingly by either direct debit /standing order from the donor's bank, or through a set of pre-numbered envelopes which are placed in the collection plate each week. Planned giving is arguably the backbone of church income simply

because the treasurer can predict with a reasonable degree of certainty the core income which can be relied upon. This should form the basis of any financial planning or budgeting. Planned giving is also frequently provided by the tax-paying donor under the government's "Gift Aid" Scheme. This is a scheme enabling registered charities to reclaim tax on a donation made by a UK taxpayer, effectively increasing the amount of the donation.

- **Open Plate Collections:** Most churches still take up a collection during each service or provide an opportunity for those attending to make a donation. The cash collected should be counted in a controlled manner, verified and then banked during the following week.
- **Ad Hoc Donations:** Many churches, particularly those with a historical connection attracting visitors during the week, will provide an opportunity for single donations to be made.
- **Fees:** Fees are chargeable for baptisms / christenings / dedications, weddings and funerals. These fees are either retained by the church or in most denominations paid over to a regional administrative body.
- **Legacies:** From time to time churches will receive legacies from the estate of a deceased person. The Will may contain specific instructions as to how the funds are to be used. Occasionally the legacy will be in the form of an endowment, defined as being "*Funds or property donated to an institution, individual, or group as a source of income.*"<sup>13</sup> In this case the original donation or legacy will be maintained and only the income spent in accordance with the donor's wishes. However the endowment should be large enough to produce a reasonable annual income.
- **Grants for Specific Purposes:** Building projects in particular can attract grant funding as may specific community related initiatives such as the establishment of drop-in centres and the employment of youth workers. Again it is vitally important that such receipts are accounted for correctly, recorded as restricted funds and spent in accordance with the terms on which they were given.
- **On Going Fundraising:** Most if not all churches will have some form of continuing fund raising in particular coffee mornings, jumble sales, concerts, book stalls etc. Care must be taken to ensure that all such events are with the sole purpose of raising funds to support the charitable objectives of the church.
- **Hire of Church / Hall:** Churches and church halls can provide a source of income by being hired for events and by local community groups, again, provided it is to support the charitable activities of the church.



- **Investment Income:** Some churches are fortunate to have investment income. This may derive either as interest on bank deposit balances, income distributions from funds placed with fund managers to invest in stocks and shares or hopefully investment gains on those stocks and shares. Such income must again be accounted for correctly and in accordance with any specific terms governing the original capital sum donated.

### 3.2 Payments

The continual challenge facing many church treasurers is how to make sure that there are sufficient funds to meet the expenditure necessary to keep the doors open and the ministry developed. Payments fall into a number of categories some of which directly relate to the income received.

- **Church Running Expenses:** This may include the basic costs, mostly administrative, associated with keeping the church open but excluding repairs and maintenance, which will be shown under a separate heading. Lighting, heating, telephone expenditure, hymn books, candles etc. would all fall under this heading.
- **Clergy Expenses:** These may include stipends, allowances, travel and running costs in respect of clergy accommodation.
- **Staff Costs:** Where churches employ staff other than clergy, youth workers, administrative staff, these costs will be shown here.
- **Church Repairs & Maintenance:** This is usually a very significant item on the payments side and frequently the largest. It will include the costs of all repair items however small or large and however funded. Maintenance of equipment and heating installation will also be shown in this category.
- **Contribution to Denominational Central Costs:** With the exception of independent churches, calculated contributions towards a denomination's central or pooled costs also form part of the expenditure. Church of England parishes are required to pay a "parish share primarily to support the payment of clergy". Methodist churches pay what is called a "circuit assessment".
- **Church Hall Costs:** Expenditure relating to the church hall, its lighting and heating, together with maintenance and repairs, will be separated from other payment categories. This can be of particular relevance where income is derived from hiring out the hall, as the extent to which the running costs are being met from receipts is critically important to the governing body.
- **Building Projects & their control:** Preparing detailed project costs and simple cash flow forecasts can be crucial for maintaining good financial order.

- **Donations to Charities & Missionary Support:** Ensuring that information on the use of the funds donated, whether general or for a specific purpose, should be available to church members on a regular basis.
- **Trading (where relevant):** This is a complex area that could require professional advice, if HMRC rules governing charitable trading are not to be broken. Monitoring the nature of the trading activities is essential to ensure that they comply with the objects of the charity (church) and do not exceed VAT thresholds or become subject to tax generally.

**Procurement:** Participation in buying schemes for energy, stationery, photocopier equipment can reduce expenditure significantly. These are areas the treasurer should consider carefully. In this respect Parish Resources, although part of the Anglican Church, is able to provide a very helpful link to cost effective procurement

### **3.3 Reporting Receipts & Payments**

It is of particular importance that “Receipts & Payments” are grouped in such a way that when they are included within the annual financial statements, as well as the periodic reports to the church governing body, it is clear even to non-finance members what are the sources of funds and how they have been spent.

## Chapter 4 Minimizing Fraud



Sadly, fraud is a fact of life even within the church and the reasons are frequently all too common. Often it is a combination of personal financial hardship and the temptation of readily available unsupervised cash. In some cases it can be simply greed and the perceived opportunity provided by too trusting fellow church officers combined with inadequate control systems and procedures.

A 2013 blog by Stephen Matthews entitled *“Financial Fraud in the Church – It could never happen here”*<sup>15</sup> articulates the issue very clearly

*“We want to believe that the relationships and trust that are central tenants of church life mean that financial fraud would never take place. Sadly, and often all too late, we can come to realize that this is not always the case. Recent statistics from the National Fraud Office showed that charities remained vulnerable to fraud (with 25% of those reported involving those within the organization) supporting the view from the Charities Commission that many charities have weaknesses within their fraud prevention policies and that their trustees have gaps in their financial understanding.”*

He then proceeds to summarize two incidents, which serve to highlight the potential problems and consequences when the need for simple financial controls is ignored.

*“In the first case, a church trustee responsible for putting on conference and other church events requested these to be operated within a personal bank account so that he could deal more efficiently with the numerous suppliers required for these types of events. Some of the money was diverted for personal use with the church hearing of it when the suppliers pressed them for unpaid bills. This cost the church over £10,000 with some difficult pastoral issues thrown in for good measure.”*

*“In the second case a church was in the midst of a building project and to ease the administrative burden of getting joint signatures on cheques etc. money was transferred into the personal bank accounts of a church member who was responsible for overseeing the project. Unbeknown to anyone within the church that individual had financial difficulties and used some of the money to relieve them, leaving the church out of pocket to the extent of more than £20,000”.*

In both cases, the personal bank account of a church officer was used for purposes of expediency and without thinking through the potential consequences. It is frequently the case that professional members of a church governing body will sanction practices which they would not dream of approving in their business life.

Whilst responsibility for the management of the church finances ultimately rests with its governing body, the treasurer should ensure that practically speaking the systems and procedures which support the financial administration are such that the possibility of fraud is kept to a minimum.

This is as much for the protection of the treasurer as anyone because that is where the day to day responsibility for ensuring protection against fraud lies. So here are a few simple principles to follow to minimize the possibility of fraud occurring:

- Ensure that there is a supporting document for all transactions.
- Payments above an agreed limit should be authorized by at least one trustee.
- A minimum of four signatories should normally be available to sign cheques or other payment instructions.
- Each cheque or payment instruction should be signed by two people.
- On-line banking payments should only be made using software which provides the facility for at least dual authorization by Board-approved personnel. In some circumstance a supplementary list of payments made should be subsequently countersigned by a trustee.
- Loose cash from collections should always be counted by two people.
- A Collection Record Sheet should be completed and signed by those counting the cash.
- Cash should be banked promptly and in-tact without any deductions for expense payments.
- Planned-giving receipts should be recorded on a control sheet, which can then be reconciled with a register of donors committed to supporting the church financially on a regular basis.
- Expense-reimbursement claims should be paid either by cheque or bank transfer.
- If small expenses are paid in cash then a separate imprest float should be kept and all payments recorded and supporting vouchers/receipts filed. These payments should then be signed off by a trustee each time the cash float is topped up.
- Investments in deposits or other financial products should always be approved by the trustees or in their absence the standing committee.
- Similarly any transfers of investments should also be authorized by the trustees or their standing committee.

## Chapter 5 Financial Planning



It is safe to say that this is an area frequently neglected by churches. The reason for this lies between a failure to take financial stewardship seriously on the one hand and, on the other, a view that “God will supply all our needs.” Financial planning is therefore regarded erroneously as unnecessary.

Financial planning in the shape of budgets combined with simple cash flow forecasting will ensure that the ministry and mission of the church is adequately resourced and can be carried through without suddenly running out of cash.

The treasurer’s task is not only to ensure that these simple tools are used, but also that the church governing body fully appreciates the need to plan the finances. Budgets in particular need to be carefully prepared and involve all those who have responsibility for significant expenditure items.

### 5.1 Cash Flow Forecast

*“A **cash flow forecast** estimates the amount of money you expect to flow in (receipts) and out (payments) of your business, including projected income and expenses. A **forecast** is usually done over a 12 month period but could also cover a shorter period, such as a month.”<sup>16</sup>* Whilst a church is not a business, its finances should be managed in a businesslike manner and therefore this definition is very appropriate.

In very practical terms the church members and those involved in the various activities need to be sure that the gas and electric bills are paid on time and that there are sufficient funds to meet future expenditure.

The treasurer should therefore have a detailed knowledge of precisely how receipts and payments will flow in and out of the bank account(s) each month. As a result overdrafts, or short term loans to meet an excess of expenditure over income, will be avoided.

## **5.2 Budgets**

Annual budgets are essential for effective financial management and a critical element in ensuring that the mission and ministry objectives of a church are achieved.

Budgets have several important functions, summarized as follows:<sup>17</sup>

- Budgets provide a focus on the key mission objectives and their achievement, encouraging churches to plan in a structured manner.
- Budgets are a mechanism for allocating limited funds.
- Budgets are a means of evaluating financial progress throughout the year when compared to actual income and expenditure as reported in the periodically prepared statements. In this context they are an important means of financial communication.
- Budgets are the collective responsibility of the church governing body and whilst the preparation process may be in the hands of the treasurer, nevertheless approval is the function of the wider executive and is an acknowledgement of a shared responsibility for financial management.
- Budgets should also aim to reduce the possibility of nasty surprises brought about by unforeseen larger than anticipated expenditure items.

The process of preparing and agreeing budgets or financial plans should never be complicated but kept clear and simple.

However there are some basic principles, which underpin effective budget preparation:

- Their format must be simple and easy to understand even for those who are not necessarily financially literate.
- They must be realistic and achievable.
- Based on consultations with those in the church responsible for areas of activity and expenditure.
- They should be challenging as the ministry objectives are challenging.
- The underlying assumptions and any risks associated with projected expenditure should be clearly stated.

Marvin Owen in an article on “*Basics of Budgeting*”<sup>18</sup> provides a précis of the main principles of budget preparation as being:

- What we started with
- What we might receive
- What it will be intended for
- What we might also spend
- What we might have left
- How are we doing?

In the last analysis budgets are a simple balancing act; income on the one side expenditure on the other with hopefully a surplus of the former over the latter. Whilst responsibility for preparing a budget almost always rests with the treasurer, it must be approved by the trustees, simply because they have ultimate responsibility for the management of a churches’ finances. Having successfully prepared and agreed the budget what next?

A budget is an essential tool for controlling on-going expenditure and as such should always form part of any finance report as a comparison with actual costs. It therefore should act as a control mechanism for proposed expenditure. In this respect a budget should always assist and support financial decision-making. The question “is it in the budget?” should always be asked when expenditure proposals are being discussed.

All too frequently those responsible for various groups within a church (youth work, Sunday school, book stall, hall lettings etc.) are not kept fully informed throughout the year as to what they are spending and how this compares to the original budget. As a source of financial information budgets serve a very useful purpose in communicating the financial state to all those involved with the various activity groups within a church.

A final thought on the subject of budgets. The whole object of any form of financial planning, as has been emphasized earlier, is to support the mission and ministry of the church. It could therefore be argued that the extent to which budgets form part of the ministry planning is a reflection of a church’s spiritual state.

## Chapter 6 Other Areas to Be Aware of



Finance is a fundamental part of most elements within an organization and therefore there are a number of areas which the treasurer will need to be aware of, since they will directly influence the management of the money.

### 6.1 Taxation

Taxation as it relates to churches is mostly limited to three elements:

- **Gift Aid** - Gift Aid allows UK charities to claim a refund of basic-rate UK tax already paid or to be paid on donations by the donor. The donor is required to make a Gift Aid declaration to confirm that UK tax has, or will be, paid and therefore the charity is able to reclaim the tax. The donor must be an individual, the donation must be a gift of money paid over and the donor receives a negligible benefit or nothing in return.
- **Gift Aid Small Donations Scheme** - Shortened to GASDS the scheme allows churches to make a claim for repayment of tax at standard rate on small cash donations of £20 or less subject to a maximum threshold of £8,000 in any one tax year. Where a church operates in more than one community building, a separate and additional claim may be made. However there are strict criteria governing such claims, which the treasurer will need to be aware of.
- **VAT and the Listed Places of Worship Scheme** - The Listed Places of Worship Grants Scheme makes grants towards the VAT incurred in making repairs and carrying out alterations to listed buildings mainly used for public worship. The scheme has a fixed annual budget from the government and is currently scheduled to run until 2020. The church or place of worship must be listed and the alterations and repairs covered within the terms of the scheme.



- **VAT in general** - Value Added Tax is extremely complex and therefore the treasurer should always seek external advice to ensure that the correct rate (0%,5%,20%) is being applied by suppliers of goods and services contracted for, depending upon the category and VAT reliefs available to charities (see HMRC website).

## 6.2 Employment

The extent to which most churches employ people is minimal. However that does not absolve them from ensuring that those who work for a church either as a salaried member of staff or a volunteer are dealt with correctly, in accordance with good practice and the law. Pensions legislation is another aspect to be borne in mind for any employees.

It is particularly important that volunteers have a clear understanding of what is required of them and the procedures in place for dealing with issues as and when they arise.

It is also important for both employees and volunteers to be subjected to independent checks where required.

## 6.3 Giving & Fundraising

It is perhaps inevitable that the treasurer will be involved to a greater or lesser extent in general fundraising and promoting the concept of planned giving among church members. The constant need to fund raise either for specific projects or just to balance the books will be a priority for the treasurer. However if financial stewardship is taken seriously by church members the need for general fund raising is reduced.

In a technology driven age with an ever increasing move towards cashless transactions, contactless payments using mobile phones and credit cards, the treasurer may well be called upon to think the unthinkable and investigate ways by which church income can be increased using twenty first century methods. In this respect Steve Pierce's book *"Beyond the Collection Plate"* offers some challenging insights into modern charitable giving methods.

## 6.4 External Scrutiny

If the annual income of a denominational church exceeds the statutory limit of £25,000 then it must have a professional audit or independent examination of its annual accounts, depending upon the terms of its governing document. However Church Measures require all Anglican PCC's however small, to have an independent examination of the accounts.

The Charity Commission guidelines<sup>19</sup> are extremely helpful and should be consulted as a priority. These should also be read alongside the specific denominational requirements governing external scrutiny or any one off conditions imposed by a grant making body.

## **6.5 Risk Management**

Risk is a part of our everyday lives and inevitably will be something that the church treasurer will have to deal with in some form or other. For the treasurer it is likely to be financial in nature and mitigated by careful, thoughtful planning. Budgets should play an important part in this process to the extent that they are based on a thorough appraisal of church activities and building-related needs and possible associated costs.

There may also be other forms of risk to which a church is exposed, with the potential for significant financial consequences. The process of risk assessment and management is one which trustees are required to take seriously.<sup>20</sup>

# Chapter 7 The Treasurer's Status



## 7.1 The Treasurer as Trustee

So far our concentration has been on what the treasurer does and is responsible for rather than where he or she fits into what may be described as the governance structure of a church. In most cases the treasurer will be a trustee, a member of the governing council. This statement summarizes the treasurer's status in relation to the trustees.

*"A key role in the effective governance of most charities is that of the Honorary Treasurer (treasurer) as an 'office holder' among the charity trustees. While financial matters are the responsibility of all trustees, it is often the treasurer that the other trustees look to for advice, guidance and reassurance on all aspects of the charity's financial management."<sup>21</sup>*

The treasurer's status within the board of trustees should not be underestimated. It is to the treasurer that trustees will look to for advice on the financial management of the church.

It is also of critical importance for the effective governance of the church that the treasurer has a good working relationship with the chair of trustees. In many, if not all cases this may be the minister. Most clergy will freely admit that church financial management is not something they were trained to do, nor feel entirely comfortable with.

The treasurer therefore has to support the minister in the role of chair of the governing body by ensuring that he or she understands the financial issues as they arise and before they are discussed in detail at their periodic meetings.

The treasurer, as a trustee, also has a responsibility to ensure that fellow trustees act in accordance with their obligation under charity law. Put simply this may be summarised as follows:

- To show a reasonable degree of care and skill in the administration of the church.
- To be transparent and open in the way in which the business of the church is conducted, not concealing matters of importance from the church membership as a whole.
- To ensure that all dealings are honest and that the law is strictly observed in all aspects.
- To be prudent in the decision-making process and to ensure that elements of risk which attach to a decision are carefully weighed and the implications fully understood.

The treasurer should also ensure that fellow trustees fully understand the concept of joint and several liability, which may be defined as where all members of the board can be held liable for the action of one of their number and be responsible individually for the consequences of such action.

## Chapter 8 The Effective Treasurer



There is no magic formula which will ensure the effectiveness of a treasurer in the execution of their role and responsibilities. Whilst that effectiveness will depend very much on the personality and skills he or she possesses, nevertheless there are some useful pointers which may assist.

### **8.1 Know and understand the responsibilities**

It is all too easy to take on a role, particularly within the church, and not fully understand the complexities or the responsibilities which come with it. Hopefully this brief introduction to a church treasurer's functions will have provided some indication of what awaits.

It is therefore vital that the would-be treasurer discusses the expectations of the church governing body with the chair of trustees and also if possible with the outgoing treasurer. It is also a good idea to persuade the previous post holder to put down in writing the extent of the responsibilities and how they went about fulfilling them.

A simple statement from the chair of trustees including basic terms of reference is probably asking too much but nevertheless is worth pursuing, simply because misunderstandings in respect of roles and responsibilities can and do take place particularly in voluntary organisations.

Different people will approach the task in different ways and therefore it is important to have a thorough understanding of what faces the new treasurer before taking on the role.

## **8.2 Establish effective working relationships**

An effective treasurer is one who, whilst recognising the particular nature of their role and responsibilities, recognises the importance of establishing good, effective working relationships with other members of the ministry team in particular. Chief among these will be the minister, church wardens, senior deacons, elders and the external independent examiner or auditor.

The treasurer is part of a team. *“A team that works well together understands the strengths and weaknesses of each team member. One of the benefits of strong teamwork in the workplace is that team leaders and members become proficient at dividing up tasks so they are done by the most qualified people.”*<sup>22</sup> This observation, whilst referring specifically to the working environment is nevertheless just as relevant to the financial administration of a local church, which in many respects resembles a small to medium sized enterprise.

## **8.3 Principled and not swayed by majority views**

As the person responsible for effectively controlling the church purse strings, it is important that the treasurer develops clear views on finance related issues. The treasurer may also frequently be in the position of adopting a cautionary approach to a particular proposal or new initiative and as a result find himself (or herself) in the minority.

In such circumstances it is important to maintain a balance between holding fast to principles and at the same time looking for a compromise. However, the latter should never be allowed to undermine the former.

## **8.4 Clear financial communicator**

Clarity in communicating financial matters is of paramount importance, both to fellow members of a governing body and also to the wider church membership. The treasurer will almost certainly be among fellow trustees who, whilst possessing a reasonable level of what may be termed “professional expertise” in business related matters, will nevertheless find it difficult to read and understand a balance sheet or a series of financial statements.

Clarity and simplicity go together when communicating financial information. An effective treasurer should produce a simple finance report to each meeting of the church governing body. This report may be limited to a statement of funds in the various bank accounts, any unforeseen expenditure items and likely issues, which may arise in the immediate future.

Each quarter a detailed finance report in one of the following formats should be produced:

- Receipts & Payments Account Summary distinguishing restricted funds
- Statement of Assets and Liabilities

OR

- Statement of Financial Activities distinguishing any restricted funds
- Full Balance Sheet
- Simple explanatory notes explaining major items

The Receipts & Payments Accounts Summary or the SoFA should also show a comparison against the current year budget (explaining the reason for any major variances) and also for comparison the equivalent actual figures for the same period in the previous year.

If an incoming treasurer finds that this has not been the practice, it is important that changes are made and the governing body is reminded of their responsibilities for businesslike financial management of the church finances.

Charts and graphs should be used where possible as a means of pictorially demonstrating the financial position. An effective financial statement should paint a picture or tell a story. It should clearly demonstrate the condition of the church finances and the underlying reasons for its healthy (or otherwise) state of affairs.

Good financial communication should result in effective management. Poor communication of financial issues will certainly result in confusion.

### **8.5 A “Can Do” Approach**

It is very easy for a treasurer to be over cautious in considering financial issues and particularly when it comes to large expenditure commitments.

One expression of this “Can Do” approach states that *“Applying positive thinking to create financial success is a powerful process. When you change your financial outlook, or how you see your finances and how you view your current relationship with money, and apply positive thinking to your financial outlook, you actually change the way you see money and in the process you change how you handle money.”*<sup>23</sup>

This may or may not be true in practice but if the treasurer is to be effective and also maintain credibility within the governing body and the wider church membership, an approach to financial matters, which doesn’t immediately rule things out is very important. “Let’s see if it is possible,” is always a good first response rather than “I don’t see how we could consider that.”

There may be occasions when the treasurer has to state simply that, in their opinion, a project or proposed item of expenditure cannot be afforded and the financial consequences need to be spelt out. In those circumstances it is vital that trustees explore all avenues, which might have made the project possible. The treasurer should always be seen as someone who will help if at all possible.

### **8.6 Part of the Ministry Team - Understanding the Spiritual nature of the role**

This introduction to the treasurer's role and responsibilities has centered on the very practical aspects involved. However as emphasized at the outset, the important spiritual dimension, should not be ignored.

Those taking on the role of church treasurer or indeed any administrative function within the church are seen as possessing a very special God-given gift. It is significant that they are included with those who have been given what may be termed the more spectacular gifts which they feel may elevate them to a special position. Paul is clear that there is no distinction between the gifts and the skills which they represent.

The church treasurer is an essential part of the ministry team, which itself is very concerned with the spiritual wellbeing and growth of the church and the wider community. With this in mind, the treasurer should develop what may be called an attitude of "Spiritual Pragmatism". This recognises that the essential role of a treasurer is to do with very practical finance-related issues, which go to the heart of a church's continuation, growth and development. However because the church is a spiritual community in which prayer and worship feature prominently, that is also where the treasurer must exercise the "gift of administration."



## Chapter 9 Final Thoughts



I hope that this introduction to the role and responsibilities of the Church Treasurer has not diminished your interest in considering taking on the job.

By way of reassurance, although the responsibilities are great nevertheless you will not be on your own.

- **Other Church Treasurers**

There are other church treasurers with similar problems to the ones you will face, and they should be more than willing to help and share their experiences.

- **Denominational Support**

If you are a member of a denomination then support and advice is often available from the central, regional or diocesan administrative office.

- **Charity Commission ([www.gov.uk/government/organisations/charity-commission](http://www.gov.uk/government/organisations/charity-commission))**

The Charity Commission website is a source of accessible and understandable publications on all aspects of charity accounting and related matters.

- **Parish Resources ([www.parishresources.org.uk](http://www.parishresources.org.uk))**

Parish Resources, whilst being mainly an Anglican focused organization, nevertheless is also able to provide general help and advice on issues which confront church treasurers.

- **Association of Church Accountants & Treasurers ([www.acat.uk.com](http://www.acat.uk.com))**

Last but by no means least should be ACAT, formed eighteen years ago and now with over 17,000 members across the United Kingdom offering a range of support services, online advice, seminars and workshops.

The Christian writer Joyce Meyer is quoted as saying, “If you are facing a new challenge or being asked to do something that you have never done before, don’t be afraid to step out. You have more capability than you think you do.”

There it is....GO FOR IT.



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ACAT provides advice, training and information on accounting, financial and other related matters to treasurers of Christian churches



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