

# *10 Things Your Religious Organization Finance Leadership Team Should Know*



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CLAAconnect.com

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# About CliftonLarsonAllen

- A professional services firm with three distinct business lines
  - Accounting and Consulting
  - Outsourcing
  - Wealth Advisory
- 3,600 employees
- Offices coast to coast
- Nonprofit group serves 6,000 clients across the country



# Speaker Introductions

- **Harold Parsons, CPA**

Harold is the Principal-in-Charge of religious organizations in our nonprofit practice at CLA. He has over 30 years serving nonprofit clients of all sizes, and he has led the firm's efforts surrounding health care tax credits for this industry.

- **Tori Lehman, CPA**

Tori Lehman is a Principal in the nonprofit group in our Lakeland, Florida office. She has over 20 years experience serving nonprofit organizations . She works with a variety of churches and is currently working with the Methodist Conference in Florida to assist with the health care credits.

# Learning Objectives

- Prioritizing learning objectives for your treasurer and finance council
- Identifying risks associated with ill-informed financial governance
- Communicating with non-accountant ministers
- Complying with tax-exempt requirements

# **1. Are You Accounting For Contributions Correctly?**

- **Different types of contributions**
  - Unrestricted
  - Temporarily Restricted/Designated
  - Permanently Restricted
- **Record as revenue when received**
- **Establish written policies and procedures for contributions:**
  - ◇ Document how the gift is to be used
  - ◇ What happens if there is excess of what is needed for the designated purpose
  - ◇ Ability to redirect the gift

## 2. Have You Considered Online Giving?

- **Online giving is on the rise**
  - Giving available through the website
  - Automatic bill pay set up
  - Credit or debit card payment options
  - Mobile giving options
  - Kiosks throughout campus for giving
- **Consider your congregation and offer best solution for giving**
- **Advertise these options**



### **3. Are There Proper Checks and Balances?**

- **Rotate tithe/offering counters**
  - Always have at least two people counting
  - Rotate or limit how many weeks in a row they count
  - Have someone separate make the deposit
- **Have segregation of duties in place**
  - Separate task amongst different employees
  - Monitor the duties
  - Document the procedures and approval process

## 4. Are You Using A Budget?

- **Establish budget timeline**

- Maintain records, keep them up to date
- Review historical information
- Meet with church committee leaders, pastors
- Verify programs to continue, what changes can be made
- Be flexible

- **Report budget to actual regularly**

- Now that you have budget, monitor it
- Report to committees, program leaders spending trends, remaining amounts to be spent
- Report to finance committee and congregation on regular basis
- Are your financial statements you see comprehensive?

## **5. Do you Know When to Ask for Help?**

- **Utilize the talents that can be found within your organization**
- **Hire a bookkeeper or consider outsourcing**
- **Engage a CPA**
  - Assist with all areas of taxes, even though tax exempt organization, many areas of concern
- **Consult with insurance agents on regular basis**

## 6. What Are You Doing to Address Risk?

- **Establish security team**
  - Develop emergency plans
  - Have security teams in place when necessary
  - Work with local law enforcement
- **Review children's programs**
  - Require background checks on all staff and any volunteers who will be working with children and youth
  - Always have more than one adult present with the children
  - Safety should be #1 priority
  - Have regular training on abuse prevention/control

## **6. What Are You Doing to Address Risk? (cont'd)**

- **Review transportation activities**
  - Licensed drivers
  - Well maintained vehicles
- **Review property & liability policies annually**
  - Verify coverage limits that you have
  - Different types:
    - General liability
    - Directors & Officers
    - Automobile
    - Workers' Compensation

## 7. Are You Handling Housing Allowances Properly?

- **Handling the housing/parsonage allowance properly**
  - Allowance must be used to provide housing
  - Limits to the amount, Lesser of:
    - ◇ Amount designated as housing allowance
    - ◇ Amount of actual housing expenses or
    - ◇ Fair rental value of the property
- **Example 1:**
  - Church pays pastor annual compensation of \$45,000, of which \$10,000 is housing allowance.
    - ◇ Pastor owns home, fair rental is \$10,000
    - ◇ Actual expenses of operating home \$10,000
    - ◇ Do not report the \$10,000 of housing allowance on W2

## 7. Are You Handling Housing Allowances Properly?

- **Example 2:**

- Church pays pastor annual compensation of \$45,000, of which \$10,000 is housing allowance.
  - ◇ Pastor owns home, fair rental is \$10,000
  - ◇ Actual expenses of operating home \$8,000
  - ◇ Do not report the \$8,000 of housing allowance on W-2

- **Example 3:**

- Church pays pastor annual compensation of \$45,000, of which \$8,000 is housing allowance.
  - ◇ Pastor owns home, fair rental is \$10,000
  - ◇ Actual expenses of operating home \$10,000
  - ◇ Do not report the \$8,000 of housing allowance on W-2

## **7. Are You Handling Housing Allowances Properly?**

- **Formally adopt housing allowance resolution**
  - In order for to claim allowance, church has to adopt housing allowance resolution
- **Reasonable expenses:**
  - Mortgage payments, down payments, taxes, insurance, utilities, yard maintenance, and repairs



## **8. How Does Technology Affect You?**

- **Maintain adequate software for accounting systems**
  - Review software and determine if meeting your needs
- **Establish routine backup's of information**
  - Should be often and kept offsite
- **Use of social media**
  - Use to reach congregation and others beyond the walls of the church
  - Streaming video of services online
  - Facebook, twitter all great communication tools for outreach
- **Read what's on your website and Facebook page**

## **9. How to Deal with Finance Council?**

- **Establish committee of church members to participate on regular basis with financial plans**
- **Use the committee as extension of internal controls**
- **Provide information in various medias:**
  - Financial statements
  - Graphs
  - Budget to actual

## **10. Are You Asking the Right Questions?**

- **Hesitant to state the obvious, ask for donations**
- **Give people the opportunity to provide financial support**
- **Analyze the giving of your church**
  - What is the age group of your biggest supporters?
  - What group is not giving to their potential?
- **Ask and you shall receive!**

# Questions?

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