

Church Treasurer Basics

(Creating a separate **Internal Financial Controls** policy would be helpful for most churches. The following is a basic outline of a policy which you can follow and adapt for your church. Having a Financial Policy helps the process be efficient, consistent, and helpful to the congregation and for the Treasurer.)

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The Church Treasurer's Manual

A HANDBOOK FOR CHURCH TREASURERS

Concise Information for a Complicated Task

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The Volunteer's Audit Guide for Churches and Other Non-Profits

Step-by-Step Workbook for Internal Reviews of Non-Profit Organizations

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The treasurer's role in finances?

- **Role:** ***Overseeing all aspects of the financial well-being*** of the organization.
- **Tasks:** maintain **orderly books**, follow the instructions of the Board, communicate with the Board regarding potential fraud, **overruns, and questionable spending**, help with the annual audit or financial review, and provide needed information for the budget and stewardship campaign.
- **Reporting:** Usually reports to the board and sits as a voting member of the finance committee.

Job descriptions of all positions,

- ***Have them current***
- ***(review at least every other year)***
- ***For each position:***
 - *treasurer,*
 - *finance committee,*
 - *ushers,*
 - *collections,*
 - *counting,*
 - *depositing,*
 - *recording gifts,*
 - *sending statements/receipts,*
 - *reporting,*
 - *bill paying,*
 - *and record keeping.*

Guidelines available in the Treasurer's Manual

Policies that should be in place

Keep them current, review every other year at least.

- *Accountable Expense Reimbursement,*
- *Benevolence,*
- *Cash Disbursement,*
- *Check writing /signing,*
- *Conflict of Interest,*
- *Credit Card use/reimbursement,*
- *Ethics,*
- *Finance review practices, internal or external audits/reviews,*
- *Gift Acceptance,*
- *Investment,*
- *Property use,*
- *Personnel.*

Filing System, Record keeping

• Temporary Files

- **Vendor files:** which include every bill with attached completed voucher (if needed) and copy of check.
- **Boxed files:** Box for each year or two years so that you can have the box shredded after seven years.

Permanent Files

By-laws, articles of incorporation?

Kept in a safe place and reviewed at least every 3-5 years?

501c3 letter: Have a copy of this letter for your church?

Location of deeds and titles? (for buildings, vehicles, equipment,)

More than one person needs to know the location in case of illness, trips, or death.

Change codes, passwords, keys annually.

Security Issues

- **Where is the safe deposit box?** Who has the key and does someone else know the system if something were to happen to the person in charge?
- **Secure Document Sharing:** Use cloud storage options to avoid sharing sensitive information via email or text. Have folders available for people to upload and read.
- **Antivirus software:** Make sure the protection software is installed on the Church computer system and keep it up to date.
- **Phishing,** Train all who use the Church's computers, and email, to know how to spot phishing techniques, and avoid any potential scams.

Protecting the Church's Money from Fraud

- ***Having policies*** and acting according to those policies is the most important way to protect the church from fraud.
- ***The Most Trusted people*** usually have the least amount of oversight and commit the most fraud.
- ***Having multiple people involved*** in the financial process is key. Especially having two people review and sign checks.
- ***Thorough reports to session*** monthly is important.
- ***Annual Reviews*** are a great deterrent.

Protecting Passwords and Keys

- ***Who is the keeper of all the organization's keys? Does someone else know how to access them if needed? Do you have rules about who can have keys? How do you enforce the policy? **Keep all extra keys under lock and key.*****
- ***Computer passwords? Assure that **more than one person** has access to the Church computers and the financial software and account passwords in case of emergency?***
- Software can be helpful here, stores passwords and only one needed to get in.
- ***Change often: **Change the passwords at least annually** and whenever an employee leaves the Church (pastor, admin, treasurer, etc.)***

Filing the annual paperwork:

- *Statement of Information*
- *Payroll forms*
- *Attorney General's registration*
- *Other*
- ***These forms used to come in the mail but now most agencies are requesting that you know they need to be filed and file them (without notice).***

Miscellaneous Items

- **At the time of a new treasurer?** *Training for the new treasurer or new member of the financial team?*
- **Loans to employees?** *Do not make loans to your board or employees.*
- **Co-mingling funds?** *Keep all Restricted funds in a separate account from general operating funds so that you cannot easily spend the restricted funds for a non-restricted expense?*

Opening and closing accounts,

- **Board authorizes all accounts:** checking, savings, investment, safe deposit boxes, credit lines, loans, etc.
- **Treasurer:** identifies the financial institutions, opens and closes accounts on behalf of the organization.
- **Do not ever open on your own authority:** Accounts should always be in the name of the Church, with the Church's EIN number.
- **Board should approve who can have signing privileges:** Treasurer works with approved signers.
- **Review all accounts regularly:** The board should review and adjust the accounts and the signers annually and this action should be included in the minutes of the Board meeting.

A variety of Forms of Inflows

- **Contributions,**
- **Gifts, stocks, non-cash,**
- **QCDs and RMDs**
- **Income from investments,**
- **Beneficiaries, Life Ins, IRAs**
- **Leasing out your facility,**
- **Moneymaking ventures,
Book Stores, Thrift Store**
- **Cell Towers,**
- **Wills and Trusts,**
- **Endowment accounts,**
- **Royalties,**
- **Employer Matching Plans,**
- **Campaigns,**
- **Unrelated Business Income,**
 - **Not substantially related
to your exempt purpose.**

Collecting Money

- **Accepted methods:** Board determines which methods will be used. Options include through the offering, cash, check, credit cards, mail, **electronic means** like bank transfers, Paypal, Venmo, Zelle, etc. and certain **non-cash gifts** like stock, valuables, etc.
- **Regular oversight:** The Treasurer watches over all methods of receiving money on a monthly basis and keeps records of where the money came from, how much was given, what funds the amount was given for, and the date of the gift.
- **Non-cash gifts:** The Board should decide to hold for appreciation or liquidate immediately.

Collecting Money

- **Memorial gifts:** *The Board should have a plan of how to handle the gift. Whether for general expenses or accumulate the money in a Memorial Fund for special expenses later.*
 - *Thank you's and receipts should be sent to the donor at the time of the gift.*
 - *The names of the givers should be communicated to the family.*
- **Notify board when gift includes a restriction:** *if the restriction is new to the organization versus adding to an existing fund, the Board needs to be notified before the check is deposited. The Board can then discuss the Restriction and approve receiving the gift with the stated Restriction.*

Counting money, **two people**

- **Who authorizes money counting:** *The Board should approve a list of people who are authorized to count, record and deposit funds for the organization.*
- **Keeping records:** *A record sheet for counting by date should be kept which includes a photocopy of all checks (kept for purposes of future clarification). These records need to be kept in a secure place for three years and can be shredded after that.*
- **Protecting the counters:** *The Treasurer should make sure all counters are bonded in the insurance policy.*
- **Paper trail:** *The Treasurer and whoever does the recording of all gifts should be given the recording sheet along with the deposit information following the money being deposited in the bank.*

Depositing money

- ***Secure deposits:*** Those counting and depositing the money need to make a ***copy of the deposit slip, take the money to the bank, return the verification receipt of the amount deposited,*** and attached the verification receipt to the copy of the deposit slip.
- ***Verifying the deposit on the bank statement:*** At the time of ***reconciling,*** the Treasurer should match the deposit records with the bank records and clear up any discrepancies.
- ***Paper trail:*** File documentation appropriately.

Recording the donation,

- ***For each donation:*** All donations should be recorded in a timely fashion, by donor, by date, amount, and account for which the gift was given.
- ***Receipts*** should be sent to the donor if they give non-cash gifts; stocks, bonds, property, items, etc.
 - ***Receipt should say what was given*** but the church does not set the value of the gift, the donor is responsible for that.

Donor statements

- **Communicating with donors:** *At least annually, but also quarterly as needed, each donor should receive from the finance team a statement of all gifts they have given to the organization, listing the date, the amount, and the purpose of the gift.*
- **Responsibility for statements:** *The Treasurer is responsible for the statements but might authorize someone else in the Church to carry out the task.*
- **Note:** *Treasurer should keep a copy of the annual statements for four years so that a copy of a donor's statement can be made available if they are in the midst of an audit by the IRS or the State.*
- **Statements:** *When the statements are sent, it is a great opportunity to thank the donors and tell them the ways their gifts are being used by the organization.*

Payment of all bills and obligations, 1 of 5

- **Bill paying vouchers:** Require a voucher for bill paying or reimbursements. This voucher states the purpose, the amount, who gets paid, their address, and which account the cost should come out of. Treasurer, put the burden on the person seeking the reimbursement.
- **Who can sign checks, who can authorize expenses?** The board choose who will oversee bill paying and sign checks.
- **Protecting your signers:** Require two people to review the check before it is signed and sent. This relieves one person from the burden and temptation of handling the Church's money and it provides for assistance when one person is unable to perform the task.

Payment of all bills and obligations, 2 of 5

- **Protecting your money:** *Keep blank checks in a **safe locked location**. Review checks regularly to make sure they are being used **in consecutive order**, and all checks are accounted for. Again, make sure more than one person knows the location and has access to the location of the checks, computer codes and accounting software.*
- **Record keeping:** *Keep all canceled checks or a copy of them **attached to their respective bills** for help in reviewing the payments at a later date and to help with the audit process.*

Payment of all bills and obligations, 3 of 5

- **Electronic Payments:** *If you use electronic payments, and this is the wave of the future, you need to have some safeguards to protect the financial people in the organization and to protect the Church's funds. If you make payments regularly to other organizations or people, have them fill out an ACH payment request form so you can deposit the payment directly into their account.*
- **Positive Pay:** *This is a system provided at your bank to prevent fraudulent checks. Look into it and see if it might be helpful for your Church.*

Payment of all bills and obligations, 4 of 5

- **Credit Card Expenditures:** *When the Church uses Credit Cards, the statement should be **reconciled with receipts for each purchase**, and info of what was purchased, for what program of the church, and which account the expense should be taken from. Any expenses not having receipts and documentation need to be reimbursed to the Church or added to the employees W-2.*
- **Petty Cash accounts:** *If you choose to have Petty Cash around the office, keep it in a safe place and replenish it only when you receive valid receipts for the expenses so you can charge the expense to the appropriate account.*

Payment of all bills and obligations, 5 of 5

- **Sales Tax:** *If your Church has a need to pay sales tax, file the appropriate paperwork to receive a valid sales tax number, and learn the rules for filing and paying sales taxes in your State.*
- **Per Capita and General Mission Giving (PCUSA):** *Remittance is done through the designated receiving center in your area. Keep clear records of your transactions.*
- **Guard your Restricted Funds well:** *Make sure you have board approval to spend the money, receipts, and clear documentation.*
 - *More information later under Restricted Funds.*

Reconciling, Who should balance the checkbook?

- **Separate the duties:** Someone other than the person handling the receivables and payables should do the monthly reconciliation.
- **Resolving old (3 months or more) uncleared items:** Old uncleared items produce reports that do not present a true and accurate accounting of current position. Resolve them as soon as possible, i.e. issue new checks, void entries, etc.
- **Checks and balances:** The Treasurer should retrieve the bank statement from the bank website or the mail and reconcile the statement with the books in the computer, comparing all deposits and withdrawals. This should be done by someone other than the regular bookkeeper to avoid the temptations of fraud.
- **Note: most fraud is committed by those who are most trusted** because they have little oversight and the temptation is great.

Restricted and UnRestricted Funds:

- ***UnRestricted Funds: General Fund Money:***
- ***Most money is given to the Church as UnRestricted Funds:***
*These are usually called general fund monies or operating funds. This money can be used by the Board for taking care of Church business. They have the freedom to set some funds aside for specific purposes and we call these set aside funds, **Board Restricted Funds**. These can become unrestricted at any point the Board votes to do so as long as they have not asked for donor contributions for the Restriction and added money to the fund.*

Donor Restricted Funds:

- ***Handling restricted funds:*** *The Treasurer sees to it that the difference between Donor Restricted funds and Board Restricted funds are maintained.*
- ***Keep accurate documentation for all Restrictions,*** *including the date of the gift or restriction, the amount of the gift, the specifics of the restriction, and donor's information. Add Notes to the Balance Sheet reports annually.*

Donor Restricted Funds:

- ***Oversee the spending of Restricted funds*** so that the fund is only used for purposes in keeping with the planned Restriction.
- ***Restricted and benevolence fund record keeping:*** Require that no funds are spent out of Restricted or benevolence or expense accounts without proper receipts signed by authorized signers. Make sure the expense is according to the account Restriction and for a legitimate expense according to IRS guidelines?

Board Restricted Funds:

- **Benevolence Funds:** Funds to care for the needy in the community. These might become a Donor Restricted fund if funds come from the congregation request or plea.
- **Scholarship Funds:** These also might be a Donor Restricted fund if the money comes from donors rather than general fund monies appropriated by the Board.

Reserve Funds: Usually Board Restricted Funds

- *Money set aside by the Board for months when the contributions are low and bills need to be paid. Usually set at 3 to 6 months of operating expenses.*
- *Use only if you have to.*
- *Replenish the account as soon as possible.*
- *Reassess each year, adjust the amount as needed.*

Investment Accounts:

- *These can be Restricted or not, depending on the source of the funds and the intended use of the investments. They are Donor Restricted if donor money is included and designated for a specific use. They are Board Restricted if the Board sets aside excess contributions for growth and income.*
- *Best Practice is to hire an **outside investment advisor.***
- *Limit investments to index stock accounts, mutual funds, ETFs, and individual bonds if possible.*
- *Do not be overly conservative, 50 – 80 % stock, 20 – 40 % fixed income.*

Employees: *Personnel Files 1 of 2*

- *what to include:*
- *Documents used to determine qualifications for employment, promotion, compensation, and corrective action;*
- *Employment applications and résumés, transcripts and references;*
- *Immigration (1-9) form;*
- *Payroll authorization notice/change of status,*
- *Personnel action notices and any supporting documents;*
- *Performance evaluations and supporting documents;*

Employees: *Personnel Files 2 of 2*

- *what to include:*
- *Corrective action memos and employee responses;*
- *Salary or hourly pay changes or actions;*
- *and other, similar documents.*
- *Benefits-related and confidential medical information.*
- *Annual update of the W-4 to make sure you have the latest address, dependent information, and emergency contact data.*
- *Current contact person in an emergency,*

Employees: Payroll

- *Choose to do your payroll in house or by an outside company. I encourage Churches to use outside companies because they are more familiar with current laws and practices.*
- *Comply with all State personnel laws.*
- *File all payroll forms regularly.*
- *Have current data for withholding taxes.*
- *Send checks to government.*
- *Keep employees informed with paystubs or access to their paystubs.*
- *Track all medical, retirement, and sick days.*

Employees: W2 or 1099?

- **Handling independent contractors?** *Obtain a W9 form prior to issuing a check to a 1099 independent contractor or worker so you can comply with the laws and send a 1099 tax form at the end of the year if necessary. Up until December 2025 the Church needed to issue a 1099 for any non-corporation worker who was paid over \$600 during the calendar year. Beginning in 2026, the number increases to \$2,000 and will step up with inflation every year after that.*
- **Clergy receive a W-2 and do not have taxes withheld:** More information is provided below.

Clergy Compensation

- **Salary:** *This includes basic salary, non-accountable allowances, Social Security Allowances, etc. This gets reported in Box 1 of the W-2 form.*
- **Housing/Manse Allowance:** *This money is paid to the Clergy for housing expenses. The amount of the Housing Allowance must be set in advance and if not spent on accepted household expenses will be considered taxable income. The whole Housing Allowance is subject to the SECA tax at the time of filing the 1040 Tax Return.*
- **Tax and SECA withholding, None.** *However, if the clergy chooses to have the church send in estimated payments, they can fill out a W4 form with additional amount to withhold. Suggested amount 20% of paycheck, Fed and 5% State. (States vary, check your local amts)*

Clergy -W-2 FORM

22222		Void <input type="checkbox"/>		a Employee's social security number 123-45-6789		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN) 12-345678				1 Wages, tips, other compensation 30,000		2 Federal income tax withheld estimated taxes paid	
c Employer's name, address, and ZIP code First Church 123 Main St Anytown, CA 12345				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Control number				9		10 Dependent care benefits	
e Employee's first name and initial Our		Last name Pastor		Suff.		11 Nonqualified plans	
123 Home Street Anytown, Ohio 12345				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a Instructions for box 12	
				14 Other Housing allowance 40,000		12b Do not include info on Pension Plan, do include info on employer 403b contributions	
f Employee's address and ZIP code				12c		12d	
15 State STATE		Employer's state ID number your State number		16 State wages, tips, etc. equal to box 1		17 State income tax estimated taxes paid	
18 Local wages, tips, etc.		19 Local income tax 403b contributions		20 Locality name			

Form **W-2** Wage and Tax Statement

Copy A For Social Security Administration — Send this entire page and Form W-3 to the Social Security Administration; photocopies are not acceptable.

2025

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page

Accountable Reimbursable Allowances:

- ***Auto, Professional Expenses, Study:*** These allowances, when ***fully receipted*** are not reported as income to the Clergy.
- ***NON-Accountable Allowances:*** Is an account where the ***employee can spend the money without providing documentation*** for the expenditure.
- These are lumped with salary for tax purposes for the individual spending the money.
- ***a Social Security Allowance for clergy, is Non-accountable and needs to be included with salary in Box 1 of the W2 form.***

Benefits,

- ***Pension, medical, insurance:*** *These are costs paid on behalf of the employee and are not considered income for Tax purposes.*
- ***Withholding for Clergy:*** *Do not withhold income or FICA taxes from Clergy payroll for any reason unless they have submitted a W-4 form requesting additional taxes withheld. The Church is exempt from and should refrain from withholding taxes for all Clergy.*
- ***For PCUSA Churches: Board of Pension's "Total Effective Salary" is different from IRS Taxable salary.***

Budgets:

- **Provide information to the team preparing the budget:** *The Treasurer should prepare information needed to help the Board or the Finance Committee in preparing the budget for the coming year. They will also have the role of helping the Board and Finance Committee become aware of budget overruns or potential overruns during the year.*
- **Fiscal year to date expenses vs annual budget** *helps the budget planners see what changes might need to be made in the coming year.*
- **Any increases known by the treasurer**
 - **Such as insurance costs going up, utilities going up,**
 - **Any approved expenses that have not yet been accomplished or paid for.**

Budgets:

- **Any significant pledging or giving differences that might be beneficial for the Board or Finance Committee to know:**
- **Donors who have increased or decreased their giving:** *This should be amounts not names. It might be helpful for the pastor to know that “Mr. and Mrs. Jones have significantly changed their giving pattern recently.” This way the pastor can check up on them and see if they have additional needs or concerns in their lives.*
- **Flow of money from one project to another; i.e., from general giving to youth fund or building.** *Sometimes there is a shift that the Treasurer can see and the Board needs to be made aware of, like significant changes to a donors gift away from the general fund to a specific project, like, building, missions, or youth.*

Financial Review, Audits:

- ***The financial review or audit?*** Most Churches have in their bylaws a need to have an annual audit. This might be a **CPA driven audit** or just a general Financial Review by a committee of church members.
- *These reviews take a lot of time, and many Churches ignore this when it would be helpful for them to have this annual look at the finances.*
- *Does your organization require an annual audit or review? PCUSA does.*
- *If so, **does your organization comply** with this requirement? If not, seek to change the by-laws. Can an audit be requested by two or more board members at any time?*

Exemptions:

- ***Is your Church incorporated and exempt?*** This would show up in your official papers and your 501c3 letter. Make sure that these documents are in order. If not your donors cannot legally deduct their contributions.
- ***PCUSA Churches are exempt under the denomination's exclusion:*** Receive a copy of your letter of exemption from www.pcusagroupruling.org
- ***Local exemptions for Property Tax: (California)*** If these documents or something similar are needed file them regularly, Religious, Welfare, Supplemental, Church

Insurance:

- *Review your coverage every time you receive a renewal notice.*
- *Are your limits high enough to replace the building in a disaster?*
- *Are your special programs covered?*
- *Are your volunteers covered adequately?*
- *Is the board covered properly?*

Preparing for Disasters:

- ***Take Pictures***

- *What you Use and What you Don't use.*
- *Estimate the Cost of Purchase.*
- *Include all renter's property also*
- *Insurance pays for all that is lost, whether you use it or not.*

- *Make sure you have a way to approve immediate funds, up to \$10,000*
- *Wish list on-line for people to donate*
- *Mobilization*
- *If total, how do you continue to meet*
- *Don't change the time you meet*
- *Seating meets your parking (if rebuild)*

Record Retention:

- ***Permanent papers***
- *Permanent Papers keep forever or until you no longer own the item.*
- ***Annual paperwork***
- *3 year receipts etc.*
- *5 year*
- *7 year what would be tax related docs*
- *One box per year.*

Reporting:

- *Board monthly*
- *Congregation at least annually*
- *Committees as needed*
- **Reports**
- *Profit and Loss, year over year*
- *Balance Sheet, year over year*
- *Breakdown as needed to show restricted funds*
- *Add notes about the restricted funds so everyone knows*

Resources Available on Amazon:

- ***The Church Treasurer's Manual. Edd Breeden***
- ***A Handbook for Church Treasurer's. Edd Breeden***
- ***The Volunteer's Audit Guide for Churches and Other Non-Profits. Edd Breeden***
- ***Church Compensation. Elaine Sommerville***

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TREASURERS

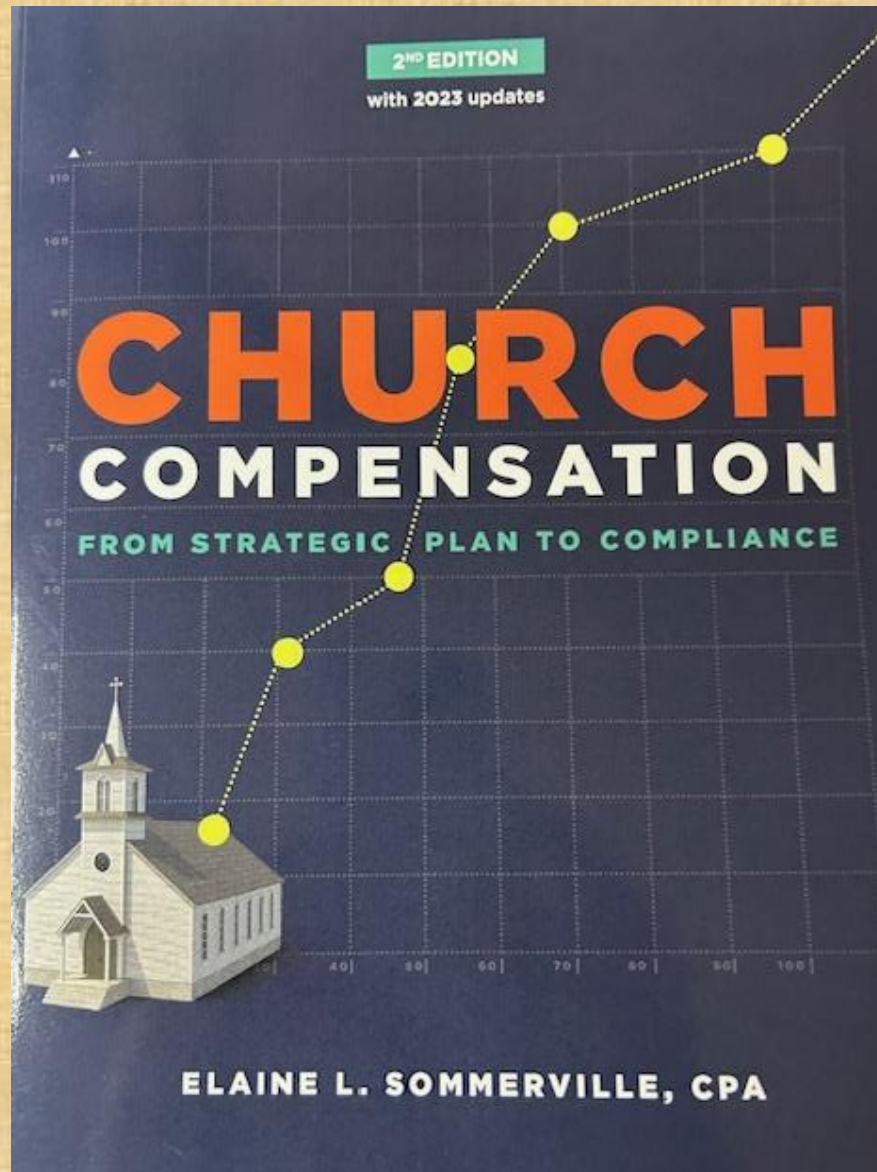
Concise Information for a
Complicated Task

EDD BREEDEN

The
Volunteer's
Audit Guide
for
Churches
and Other
Non-Profits

Step-by-Step Workbook for Internal
Reviews of Non-Profit Organizations

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For more information
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