



The ABC's of Church Financial Management

Your church has important financial assets and the Greater New Jersey Council on Finance and Administration wants to provide you tools to steward these resources well.

Are you a church treasurer, financial secretary, book keeper, pastor, collection counter, or member of the finance committee or trustees? Keep listening and grab a pen to take notes. **The script of this video is also available to download on the GNJ website www.gnjumc.org.**

Our churches face what we call the “**Accounting Challenge.**” The Accounting Challenge ensures that the financial resources of the church are:

1. **Secure and Safe** – that no church funds are embezzled or lost,
2. **Accurate** -- that records and systems accurately reflect the actual status of the church's assets and financial situation,
3. **Clear and Transparent** -- that the church's financial records are clear and transparent to the everyone in the church including the people in chareg of the finances and the congregation as a whole
4. **Follow the Discipline** -- that all of the requirements of the United Methodist Book of Discipline regarding financial record keeping are met.

Policies and Procedures

Each church must have financial policies and procedures that are approved by your church council. These policies should be consistent with the Book of Discipline and used by your auditor to check that the church is adhering to them.

Accounting Process

There are five essential steps in this Accounting Process

Step 1. Receiving funds.

Most churches receive most of their funds during Sunday worship service. However, there are lots of other ways funds are received and for each time, the same policies and procedures should be used:

1. **At least two church members should be counting and checking all received funds.** Many churches rotate different teams of people for this function. Funds should always be counted in the church and never taken home. At least two people must count and sign the voucher for the funds received.
2. **Funds should be deposited in your bank asap.** You can use a night depository or keep them in a locked safe in the church until this can be done.
3. **Both people counting should check and sign the voucher and check the bank deposit slip.** Copies of both should be kept in a record book or file in the church for future reporting and auditing.

The church must maintain a collections receipt voucher to record all checks and cash received at each church function. These records should list separately checks vs. cash and specific category such as:

- **Pledge Offering**
- **General Offering**
- **Collection Plate**
- **Benevolence**
- **Building or Capital Campaign**
- **Special Missions**
- **Flowers**
- **Etc.**

Both counters need to check and sign the vouchers. The vouchers should then be stored safely for entry into the church's financial record keeping system.

Keep a copy of all checks received and keep all pledge envelopes for documentation.

After checking and signing the voucher, one counter should complete a bank deposit slip and both counters need to check that the deposit slip equals the voucher amount.

Deposits should be made in the bank or in the bank's night depository asap. If this is not possible then the deposit slip and funds should be kept in a locked safe place in the church, such as a safe. Under no circumstances should the funds be taken home.



Step 2: Recording and Reporting Offerings

Most churches still use an **annual pledge or commitment card** to the church and this card greatly assists in creating a realistic budget for the church. For most congregations pledge income comprises the major contribution for the church.

Track an individual's giving against their pledge and issue statements to each person on a quarterly or semi-annual basis. **Quarterly statements** encourages people to keep current with their pledge and smooths out the cash flow for the church.

The church treasurer is responsible for ensuring accurate records of all church receipts and that these receipts are posted to the correct income account. Each church needs to develop a review process of its chart of accounts to make sure they are current and that funds are being posted to the right accounts.

Likewise, disbursements for expenses need to be debited to the correct expense accounts. Again, these chart of accounts and sub-accounts, need to be periodically – at least annually – reviewed to ensure that they are current.

Your accounting system needs to be able to distinguish various types of receipts: checks, cash, stock, donations.

Every church, even our smallest ones, every church should give serious consideration to purchasing and using **accounting software** such as CCIS and Quick Books if they are not already doing so. This software is inexpensive, relatively easy to learn and use, and will greatly simplify developing financial reports, balancing your accounts, finding individual receipts or expenses, maintaining and safeguarding financial records, and simplifying the auditing of financial records.

If you do use these systems you must ensure that all of your records are backed-up to a separate and secure storage drive off your computer or onto the Cloud.

Step 3: Disbursing Church Funds

All cash disbursements, such as petty cash, must use a **cash disbursement sheet** indicating the purpose and use of these funds. The sheet also needs to indicate the expense accounts these disbursements are to debit against.

Likewise all invoices received by the church require a separate disbursement sheet indicating the vendor, the date of authorization, the invoice or order numbers, the description of the product or service purchased, and the expense category debited for payment of the invoice.



Check and cash disbursement authorizations must be signed by two unaffiliated parties in the church. Having this procedure is helpful in preventing or preventing the perception of collusion and embezzlement.

Once authorized the church treasurer can create the payment check. The payment check, with the signed authorization, should be signed by someone other than the treasure who cut the check. Some churches have check signing policies which require two signatures above a certain amount such as \$1,000.

Payroll checks

For smaller churches with only one employee, such as a pastor, it may be advisable to perform this function in house by issuing a single payroll check at the agreed upon frequency. Pastors do not have FICA and Medicare deductions, but do have federal and state taxes as well as pension funds deducted.

For churches with more than one employee, we advise using a payroll company. Currently the United Methodist Church of

Greater New Jersey has partnered with and recommends PayChex for payroll services. **For more information about Paychex, contact [Nicole DiGuglielmo](#) or call 908-770-5488 at Paychex or contact GNJ's Treasurer's Office at 732-359-1030.**

Your church is responsible for issuing quarterly 941 tax form returns reporting the employee amounts withheld for taxes, social security and Medicare. Again, with multiple employees it is advisable to use a service such as PayChex to perform this critical function. **For more information about Paychex, contact [Nicole DiGuglielmo](#) or call 908-770-5488 at Paychex or contact GNJ's Treasurer's Office at 732-359-1030.**

Each month the treasurer or finance manager is responsible for performing a **bank statement reconciliation**. Smaller churches can, of course, do this manually. Larger churches, with multiple deposits, withdrawals, and disbursements, will need to use financial software which will facilitate the reconciliation process.

Returned checks, deposits slips, and reconciled statements must be kept in a secured location to be used for the annual church audit.



Step 4: Reporting of Financial Information

The United Methodist Church Book of Discipline requires the reporting of the church's assets, liabilities and income statements to the church's finance committee and the church council.

The treasurer, financial secretary, and finance committee work together to develop an annual budget for the church. The results of the annual pledge campaign can be very useful in estimating the income likely to be received for the upcoming year.

The treasurer is responsible for annually reporting to the church's charge conference the results of the prior year's financial performance and the budget for the upcoming operational year.

Step 5: Auditing the Church's Financial Records

The Book of Discipline of the United Methodist Church requires that every local church perform an annual audit and report the finding of the audit to the finance committee.

The church's audit may be performed by an outside CPA, but this is not necessary. A church member can perform the audit as long as they are not associated with the receipt or disbursement of funds such as the treasurer, financial secretary, collection counters, check signers or chair of the finance committee.

The audit should include all of the funds that are part of the church's federal ID number as well as any other funds administered by the board of trustees.

The audit satisfies the Accounting Challenge we started with – making sure our churches finances are

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These procedures and the annual audit are important to your church.

They safeguard the finances of the church.

They safeguard the people involved in the church's accounting process.



They provide confidence to the congregation that the church is operating in a fiscally sound manner and is being a good steward of the their assets.

Thank you. If you have any questions, the Finance and Administration team from Greater New Jersey is available to help. **Call GNJ's CFO/Treasurer, Rob Zuckerman at 732-359-1030 or email him at rzuckerman@gnjumc.org.**