Association of Church Accountants & Treasurers

Being a Treasurer: The Basics

Exercises

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Trustee Governance

John Ledger, a retired bank manager, was called upon at short notice to take over as treasurer at Hope Church. All were astonished when at his first Elders meeting, he announced that there were several accounting and governance issues. (At Hope Church, the Elders are trustees, and the treasurer is an Elder.)

1) In last year's accounts, it emerges that the Elders approved a payment to a local music society to cover the costs of a charity benefit concert raising money for a local nature conservation site.

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2) John asks why two of the six existing Elders are not listed on the church's entry on the Charity Commission website. He is told that on a previous occasion the Elders discussed who the trustees for the purposes of the Charity Commission should be, and the other four were nominated.

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3) Another Elder asks why any of this matters, as their income is below £100,000/year and he thinks they do not need to be registered with the Charity Commission.

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4) The son of one of the other Elders is currently attending theological college. Last year, the Elders agreed to pay a one-off study grant towards the cost of his fees, but this is not recorded in the Elders' minutes.

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5) One of the Elders works a heating engineer with a good local reputation, and he normally looks after the church boiler for free. Last winter, it stopped working and needed replacement – he was paid to carry out this job for 20% less than the market rate. The minutes simply state that he was engaged and paid for this.

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6) One of the Elders wants to delay the AGM to allow a mission report to be compiled in time for its publication then. However, the governing document states that the AGM must take place no more than 15 months after the previous AGM, and the currently scheduled date is already pushing this limit. The Elders believe that since they wrote the governing document, they can approve one-off deviations from it.

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7) A new Elder appointment is being considered. The candidate, however, has previously lost a job because of financial irregularities and allegations of fraud, which were never brought to court.

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8) John considers that the previous accounts have been poorly kept, owing to a range of issues including missing receipts and other backing documents, lack of documentation of decision-making in minutes and bank reconciliations not being carried out until several months after the dates they cover. He wants to allocate time to discussing how to remedy these issues, and to prepare for the upcoming Independent Examination, at the next Elders meeting. The minister responds that as these fall within the treasurer's remit, it should not be on the Elders' agenda and that John should deal with the issues himself.

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9) John observes that Hope Church does not prepare an annual budget, and that this has contributed to their spending £20,000 more than their income last year, leaving them with very little in reserves. The minister responds that that since as Christians they trust God to provide for their needs, it would be inappropriate to prepare a formal budget.

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Finance Operations

	In pursuit of the ideal……	Yes	No
1	Do you understand why it is essential to have sound financial procedures and controls?		
2	Do 2 people count cash collections together and prepare and sign a written record of the count?		
3	Is cash stored securely on the premises and banked promptly to keep cash inventory to a minimum?		
4	Do 2 people bank the money together? Do they vary their route and time?		
5	Do you bank gross?		
6	Do you use separate paying in slips for separate incomes?		
7	Is anyone paid in cash? Are receipts always obtained?		
8	Do you have a system in place for managing petty cash?		
9	Are occasional fees recorded (e.g. for weddings / funerals)? Are they paid by cheque / direct transfer?		
10	Do you receive and issue payments via direct transfer?		
11	Are there ever any signed blank cheques in existence?		
12	Is there a process for deciding what to spend money on and to approve expenditure?		
13	Do you have dual authorisation for cheque / online payments?		
14	Is supporting documentation always seen when payments are authorised / cheques signed and countersigned?		
15	Does the Treasurer have an audit trail? Is it filed appropriately and kept for the right duration (considering GDPR)?		
16	Do you conduct bank reconciliations?		
17	Are irregular transactions and decisions minuted?		
18	Have you a reliable recording procedure in place in respect of Gift Aid and the Gift Aid Small Donations Scheme?		
19	Does anyone except the Treasurer have visibility of the accounts?		
20	Do you regularly report to the trustees and membership?		

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Accounting Basis

1) Harrowdale Community Church uses Receipts and Payments accounts. The treasurer is preparing accounts for the year ending 31st December 2019. She claims Gift Aid every quarter and in early January 2020 submitted a claim for £10,000 of Gift Aid due on donations received in the final quarter of 2019. HMRC paid over the £10,000 later that month. How should this be reflected in the 2019 accounts?

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2) In 2019 the church received £140,000 from unrestricted donations, £80,000 in restricted donations and £60,000 from the sale of a plot of land near the church. The treasurer thinks they do not need to switch to Accruals accounts as their total income excluding restricted funds is only £200,000 for the year, less than the accounting threshold of £250,000.

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3) The nearby St. Fingolfin's Church is larger and uses Accruals accounts. Their treasurer produces monthly accounts for the PCC. In October 2019 they organised a Roots of Jazz outreach event and sold tickets, with much of the ticket revenue received in September. They pay the performers for the event in November. The treasurer is now preparing accounts for October.

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4) The treasurer is preparing accounts for the year ending 31st December 2019 and, in accordance with generally accepted accounting principles, wants to split the latest CCLI licence and gas bill between the 2019 and 2020 accounts. The CCLI licence was renewed in July 2019 for £1,000, covering the period July 2019 to June 2020. The last gas bill covering part of 2019 was for £1,500, covering a period of 90 days split half-and-half between late 2019 and early 2020, received and paid in 2020. How should these be reflected in the 2019 accounts?

Fund Accounting

1) Grumbly Town Independent Church uses a building held for their exclusive use by an independent trust, and do not hold the deeds to the property themselves. They do not include the building in their accounts.

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2) Engleby Baptist Church has received a legacy of £200,000 to purchase a manse. Their current income is £80,000/year, and the church is an Excepted Charity with Receipts and Payments accounts. The treasurer is concerned that they will have to register with the Charity Commission and change to Accruals accounts.

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3) Engleby Baptist Church runs several fundraising events. Volunteers are reimbursed expenses from cash proceeds, and the residual profits are paid into the church bank account and reported to the treasurer.

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4) The trustees of Grace Church Stibbleton have allocated £15,000 to a fund for building works. They now wish to employ a youth worker using money from this fund. One trustee is arguing that this is illegal.

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5) St Cedd's operates funds in separate bank accounts. Unrestricted Offertory has been accidentally paid into one of the 'restricted' accounts and the treasurer is uncertain if this must now be used for that fund.

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6) The late Bob Smith left £5,000 in his will to the church in the following terms: *"I leave £5,000 to the PCC of St James Church in the hope that they will use the money to set up a scholarship fund to train the choir."*

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7) Eliza Doolittle hosts coffee mornings to raise money for the church flowers. She hands the money to the treasurer to pay the florist and keeps records of the amounts raised. She also arranges the flowers for weddings and charges the wedding party for this service. She refuses to show the treasurer her records.

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8) The PCC has a fund-raising evening by way of mounting a Saturday night concert in church: the organist gives a recital. On the posters, the strapline is: *"All proceeds to the Organ Restoration Fund."*

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9)Farmer Giles donated a field providing: *"I give Bumble Field to the church, to be used as a car park, the income from which is to maintain the car park so created, and to maintain the fabric of the church."*

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10) Sodor Pentecostal Church has an annual summer fete. It was mentioned at the PCC meeting that the proceeds could be used to defray the expenses of the Youth Club to go on pilgrimage.

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11) The church holds £20,000 in a "Heating Fund" to replace the heating system, put aside over 10 years. The fund originated from a Minute of the PCC which said: *"It was resolved to establish a Heating Fund by devoting the proceeds of the annual Carol Concert, and the annual surplus on the accounts."*

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12) St John's is a prominent city centre church that receives many legacies from local dignitaries, which are kept in a separate bank account and recorded in the published accounts as *"Legacy Fund: £15,000"*.

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13) The scout troop makes a surplus on summer camp and gives that to the (already existing) Choir fund.

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14) The treasurer is asked to make a grant application. He is concerned that the finances look "too healthy" so he decides to exclude all the restricted funds and asks the Friends of St John's to delay their grants.

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15) St Mary's raises £900 in a Christmas appeal for Tearfund. They claim £200 Gift Aid but are unsure what to do with it. In March, a funeral is held for Agnes Jackson, and her family organise a retiring collection for her favourite charity and ask to pass the money through the church, so Gift Aid can be added.

Budgeting and Risk Management

1) Think about how you would go about budgeting the following areas of expenditure:

a) Youth and children's work.
b) Supporting an established mission partner.
c) Staff salary and other fixed employment costs.
d) Church building / manse utility costs.
e) IT costs.

2) Consider what risks affect the finances of your church in the following areas: income, expenditure, investment, fraud. What controls are in place for them at your church?

Gift Aid

1) Mrs Jones hands to the treasurer an envelope from Mrs Smith, and says it is a gift to the church.

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2) The organist's grandson had trained at Missionary College and was about to be posted to Ghana: he needed his fare and 6 months' keep while he established himself. The church raised the money by a special appeal which included Gift Aid.

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3) St John's is the city centre church: a survey found that the impressive tower was unsafe. Having heard of the success of telephone fundraising, the Church Council drafted volunteers to mount a campaign. Including Gift Aid, the target of £250,000 was met within the year. The case was picked up for a Gift Aid Review, and the Inspector was inclined to refuse the claims on the basis that there were no Declarations.

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4) The Will of Phil Snodgrass left the residue of his estate to the church. This comprised cash at the bank, shares and a property. To enable the church to claim Gift Aid, the mother in law of an executor bought the shares and, being a higher rate taxpayer, donated them to the church, along with a Gift Aid Declaration.

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5) On a similar basis, the firm of solicitors, dealing with another estate, sold a property and donated the proceeds to the beneficiary church along with a Gift Aid Declaration.

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6) The vicar is training as a clock mender for his retirement: on the death of his auntie Jean, he inherited a clock which he serviced and then valued at £300: it did not fit with his collection so he donated it to the church charity shop pointing out that he has a valid Gift Aid Declaration already, in favour of the church.

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7) Pat Powell is the Brownie leader: on hearing of a flood in the Philippines which made many people homeless, the Brownies agreed to have a sponsored silence and raised sponsorship under Gift Aid.

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8) In the course of raising the sponsorship money for the Philippines Appeal, Pat incurred mileage expenses and to help the Appeal, waived her claim and submitted a Gift Aid Declaration.

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9) Just like the National Trust, the church has an open day to tour the church and have its historic furnishings explained. A charge of £5 is made which can be Gift Aided.

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10) If you have paid under Gift Aid to tour the church, then for a further payment of £15, you can attend the fundraising concert, which is to be held in connection with the tour experience, and hear the organ.

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11) After Sunday Service, the congregation is encouraged to stay behind and have tea and toast: for fear of trading, worshippers are invited to make a donation of £3, which when they tick a sheet, is married up with their Gift Aid Declaration.

GASDS

How much can be claimed?

a) A charity has one community building. During tax year 2019/20 it collected £10,000 in eligible small donations.

b) A charity has 2 community buildings. During the tax year 2019/20 it collected £10,500 in eligible small donations as follows:

- £2,000 in Local Authority Area (LAA) of Building A
- £1,500 in LAA of Building B
- £7,000 outside the LAAs of these buildings

c) A charity has 3 community buildings. During the tax year 2019/20 it collected eligible small donations as follows:

- £3,000 in LAA of Building A
- £2,000 in LAA of Building B
- £9,000 in LAA of Building C
- £2,500 outside the LAAs of these buildings

d) A charity has 3 community buildings in the same LAA. During 2019/20 it collects £15,000 in eligible small donations inside this LAA as follows:

- £4,000 inside Building A
- £11,000 outside the community buildings

e) A charity has 3 community buildings: 2 in LAA A and 1 in LAA B. During 2019/20 it collects in eligible donations as follows:

- £20,000 in LAA A
- £2,000 in LAA B

Who can be an IE?

1) Mark Brown holds a master's degree in physics and teaches maths and physics at the secondary school. He offers to be your IE. His father was a butcher and he used to help him balance the books.

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2) Elaine Green is your organist on Sundays and is a florist during the week: she is engaged by the church on a self-employed basis because the florist's is her own business.

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3) The treasurer of St John's is looking for an IE and speaks to the treasurer of Engleby Baptist Church. They agree to act as IEs for each other.

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4) Anita Singh is an accountant at the local firm of Chartered Accountants: she usually audits their largest client, an engineering works, and expects to be made a partner next year.

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5) Anne Turnbull is a pensioner who used to work for the local accountants as a bookkeeper: she has just been released from prison having been put away for refusing to pay Council Tax, because the Council does not empty her bin often enough, and the street is never swept. The church paid the tax for her because she sings in the choir and her tones were sorely missed.