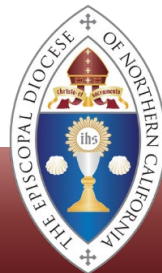


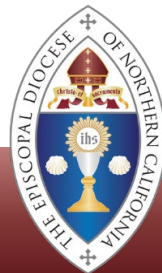
March 2024

Treasurers' Resource Call



Agenda

- Surpluses & Deficits
- TMR FAQ's
- Fund Reporting
- 2024 Congregational Audit Process



Surpluses or Deficits

In a perfect nonprofit world, with 100% predictable spending and fundraising, year-end balance sheets would show exactly zero on the bottom line.
The real world, unfortunately, does not work this way.

Its important is that the Vestry and finance committee understand the implications of both outcomes and how to make the best decisions to handle either scenario.

- If your bottom line reveals a surplus, make sure the surplus doesn't contain restricted donations.
- A year-end surplus should be transferred to unrestricted or designated funds as determined by the Vestry.
- A year-end surplus must be deducted from the TMR.



Surpluses or Deficits

- If your bottom line reveals a deficit, you still need to make sure the income doesn't contain restricted donations.
- The funds necessary to offset the deficit must be transferred from net assets.
- The funds transferred in to cover the deficit must be included on the TMR and are subject to apportionment.
- Develop a plan for sustainable spending of reserves.
- Don't be afraid to ask the parish for help.



TMR Categories – Operating Income

Operating Income

- a. Pledge & Plate Offerings
- b. Investment Income
- c. Rental and Facilities Usage Income
- d. Fundraising Events
- e. Grants
- f. Other Operating Income
- g. Restricted / Designated Offerings
- h. Transfers from Subsidiary Funds for Operating Expenses

TOTAL OPERATING INCOME



TMR Categories – Operating Income

- Pledge & Plate Offerings
 - All non-designated offerings used to pay operating expenses
- Investment Income
 - Interest and Dividend income from investments and operating accounts.
- Rental & Facilities Usage Income
 - Income/Fees charged for use of church facilities
 - Rental income from rental of other church property.
- Fundraising Events
 - Gross proceeds raised from fundraising events.
- Grants
 - Grants received from the diocese or other sources used to pay for operating expenses (including outreach).
- Other Operating Income
 - All other unrestricted income not reported in one of the categories above.



TMR Categories – Operating Income

➤ Restricted/Designated Offerings

- Offerings with restrictions or designations – i.e. Outreach offerings.
- It's important that these offerings are either directly offset by operating expenses in the month recorded or are transferred out of the operating statement into a restricted or designated fund.

➤ Transfers from Subsidiary Funds for Operating Expenses

- Any transfer from an unrestricted/restricted/or designated fund used to cover operating expenses, outreach or capital/major expenses reported on the deductions part of the TMR.
- At year-end any deficit on your operating statement must be reported on this line to transfer funds from unrestricted reserves to offset the deficit.



TMR Categories – Deductions

Outreach

- i. Outreach Expenditures
- j. Allocation of Costs due to Use of Facilities for Outreach Purposes

TOTAL OUTREACH

Rental & Fundraising Expenses

- k. Direct Expenses applicable to Non-Outreach Rental Property
- l. Expense of Fundraising Events

TOTAL RENTAL & FUNDRAISING EXPENSES

Other Deductions

- m. Capital Expenditures / Major Expenses
- n. Loan Payments (*Principal & Interest*)
- o. Rental/Lease Payments
- p. Transfers to Subsidiary Funds for Designated/Future Purposes
- q. Other Deductions

TOTAL OTHER DEDUCTIONS

r. Year to Date Surplus (Deficit)



TMR Categories – Deductions

- Outreach Expenditures
 - Include ONLY outreach expenditures reflected in your operating statement.

- Allocation of Costs due to Use of Facilities for Outreach Purposes
 - Can be calculated one of two ways:
 - Calculated as a percentage of Outreach Facilities Usage Income reported on Line C; or

 - Calculated based on the costs associated with providing space (including space provided for free) for outreach purposes whether performed by the church or by an outside group. The chart to the right shows items that should and should not be included

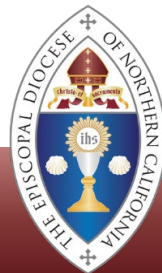
Include	Exclude
Utilities	Property Taxes
Janitorial Costs	Insurance
Administrative costs	Other Fixed costs
Security	
Wear & Tear on Property	



TMR Categories – Deductions

- Direct Expenses applicable to Non-Outreach Rental Property
 - Only applicable if the parish owns a property that it rents out to a for profit commercial or residential tenant.
 - Deductions include: Property Taxes, Insurance, Maintenance costs, etc.

- Expenses of Fundraising Events
 - Only applicable to records expenses associated with fundraising events where the income is included on Line D.
 - Does not include stewardship or annual giving campaign costs.



TMR Categories – Deductions

➤ Capital Expenditures / Major Expenses:

Expenses should only be recorded if they meet the following criteria:

- Capital expenditures or major expenses paid out of operating costs; or
- Capital expenditures or major expenses paid out of designated restricted funds but ONLY if the funds used to pay for the expenses are reported on Line H.

➤ Loan Payments

- Principal and Interest on loan payments for real property or equipment.
- Only deductible if funds used to pay for the loan payments are out of operating expenses or transfers recorded on Line H.

➤ Rental/Lease Payments

- Rental payments for real property used by the parish.
- Long-term Lease/Rental costs for equipment
- Only deductible if funds used to pay for the rental/lease payments are out of operating expenses or transfers recorded on Line H.



TMR Categories – Deductions

- Transfer to Subsidiary Funds for Designated/Future Purposes
 - Any designated/restricted donations recorded on Line G that are not used in the current month should be recorded as a transfer out of your operating statement (under Other Expenses) and deducted on the TMR.
 - Year-end surplus funds should be transferred out of your operating statement and deducted to avoid paying apportionment on funds that have been moved to unrestricted reserves.

- Other Deductions
 - New section to provide a place to record other deductions including:
 - Creative staffing deductions
 - Grants that are to be excluded from apportionment
 - Other deductions as approved by the Bishop's office.



Important TMR Completion Items

- Reporting monthly payments for prior period apportionment.
- Reporting year-to-date surplus or deficit balances.
- Double check year-to-date figures and make adjustments if necessary.
- Email monthly TMR spreadsheet to accountant@norcalepiscopal.org

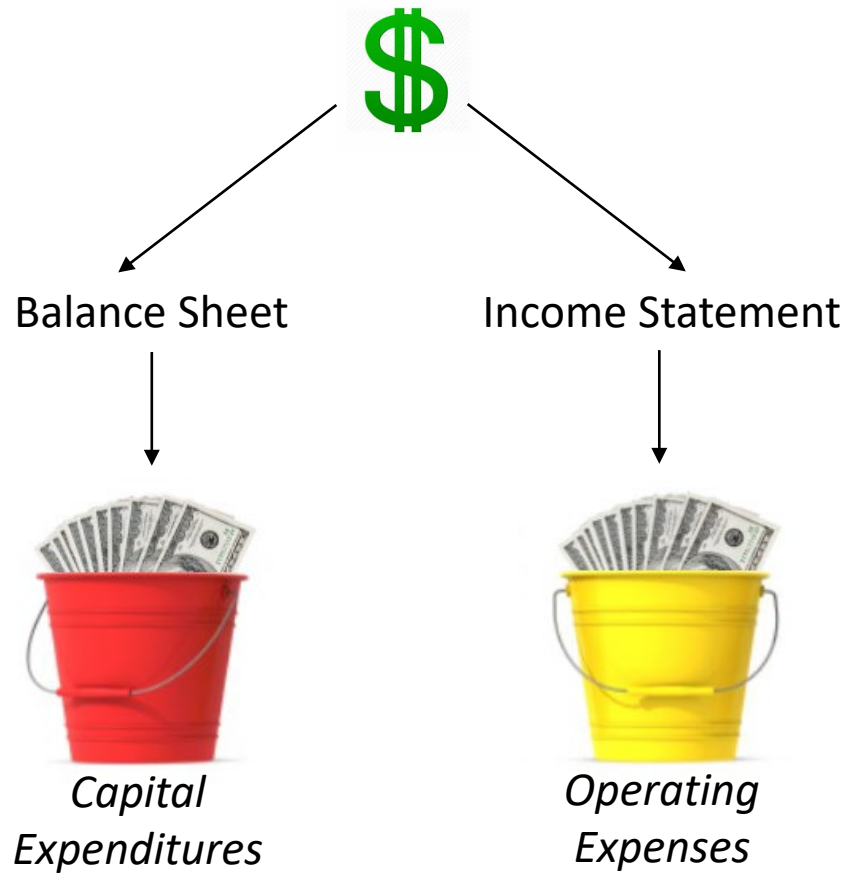
DONT...

- Don't make changes to prior months once a TMR has been completed/submitted!
- Don't include capital/outreach/other expenses paid out of funds not reported on the Statement of Activities.
- Don't leave Line R blank.

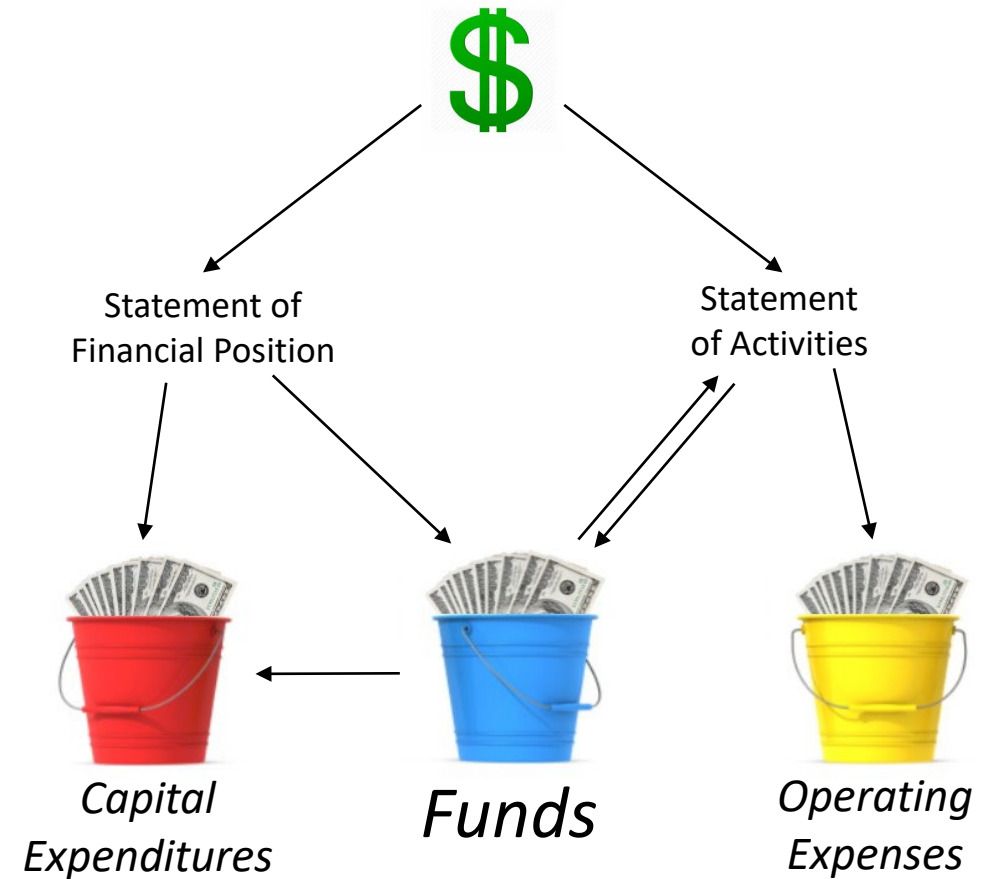


Fund Accounting

For Profit Business Model



Church/NonProfit Business Model

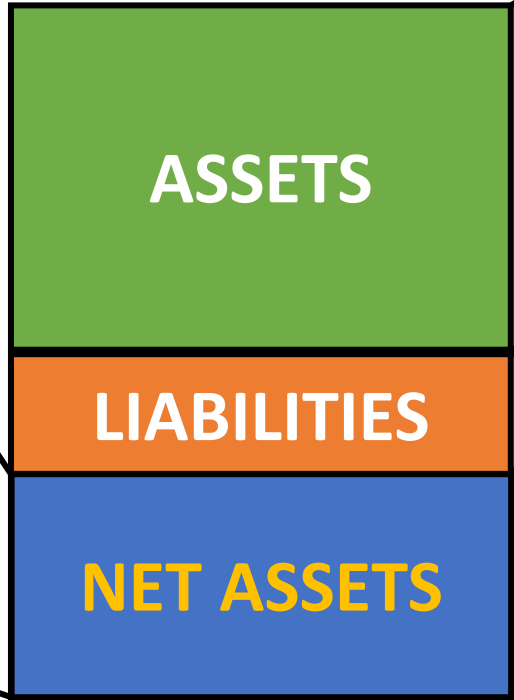


Statement of Financial Position

➤ For Profit businesses report: $Assets = Liabilities + Owner's Equity$

➤ **Nonprofit entities report: $Assets - Liabilities = Net Assets$**

- Net Assets:
- ✓ Fixed Assets
 - ✓ Retained Earnings (Unrestricted Net Assets)
 - ✓ Designated Funds
 - ✓ Donor Restricted Funds
 - ✓ Endowment Funds



- Assets:
- ✓ Checking/Savings Accounts
 - ✓ Investment Accounts
 - ✓ Other Bank Accounts
 - ✓ Prepaid Expenses
 - ✓ Fixed Assets

- Liabilities:
- ✓ Accounts Payable
 - ✓ Payroll Taxes Payable
 - ✓ Loans/Mortgages
 - ✓ Accrued Expenses



Unrestricted Net Assets

- QuickBooks default account for Unrestricted Funds is the Retained Earnings account.
- The Vestry can Designate unrestricted funds for specific purposes. Some examples of Designated Funds include:
 - Sabbatical Fund
 - Continuing Education
 - Capital Improvements
 - New Programs
 - etc.....



Unrestricted Net Assets

- Designated funds can be redesignated by the Vestry for other purposes or have the designation removed and return into the unrestricted fund pool.
- Don't comingle designated and donor restricted funds because designated funds can be changed while donor restricted funds cant.



Donor Restricted Funds

- Donations where the Donor designates the purpose of the gift.
- Fundraisers where the goal is for a specific purpose
- Endowment income if it is restricted for a specific purpose.

✓ Outreach

✓ Capital Campaign

✓ Altar Guild

✓ Discretionary Funds

✓ Youth Group

✓ Scholarship Fund

✓ Building Fund

✓ Music Funds

✓ etc.....



Permanently Restricted Funds

- Fixed Assets (Land, Buildings, Equipment)
- Endowment Funds



Determining Operating Reserves

If funds are reported in these categories, you can determine, and report clearly to your vestry, what your parish operating reserves are.

In many accounting software programs (i.e. QuickBooks), the operating reserves are often shown on the “Retained Earnings” line.

Another way to determine Operating Reserves is to use the following calculation:

$$\begin{aligned} & \text{Total Assets} \\ & - \text{Total Liabilities} \\ & \hline & = \text{Net Assets} \\ & - \text{Permanently Restricted Funds} \\ & - \text{Donor Restricted Funds} \\ & \hline & = \text{Unrestricted Net Assets} \leftarrow \\ & - \text{Designated Funds} \\ & \hline & = \text{Unrestricted/Undesignated Net Assets} \\ & \hline & \quad \quad \quad \text{(Retained Earnings)} \end{aligned}$$



2024 Audit Process

- Upload documents to <https://www.norcalepiscopal.org/site/church-accounting/#congregationaudits>
- Audit team is meeting in the next few weeks to plan the 2024 Audit process.



Questions and Comments

