

May 2023

# Treasurers' Resource Call



# Agenda

- TMR Do's & Don't's
- Church Credit Card Usage
- Fund Accounting
- 2023 Congregational Audit Process



# TMR Do's & Don't's

## DO...

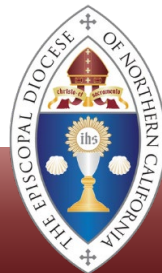
- Reflect **ALL** financial information reported in your Statement of Activities.
- Develop a formula or rationale supporting a deduction on Line J.
- Make sure that deductions reported on Line M or Line Q are paid from income or transfers reported on Lines A-H.
- Report year-to-date surplus/deficit on Line R.
- Report the payments made in the chart on the bottom left side of the TMR.
- Pay the apportionment shown as the Total XXXX Outstanding Balance
- Email a copy of the TMR spreadsheet (Excel file) to [accountant@norcalepiscopal.org](mailto:accountant@norcalepiscopal.org)
- Send a paper copy of the TMR with your payment.



# TMR Do's & Don't's

## 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.
- Don't be afraid to ask questions if you run into a situation that is confusing.



# Church Credit Card Usage

## GENERAL POLICIES

- Card should be a business credit card associated with the church.
- An individual has to be the “guarantor” on the credit card (Rector/Treasurer)
- Individual cards issued to authorized users.
- Each card should have a reasonably limited spending cap.
- DO NOT share credit card numbers or information.
- Credit Cards must be FULLY paid off each month.



# Church Credit Card Usage

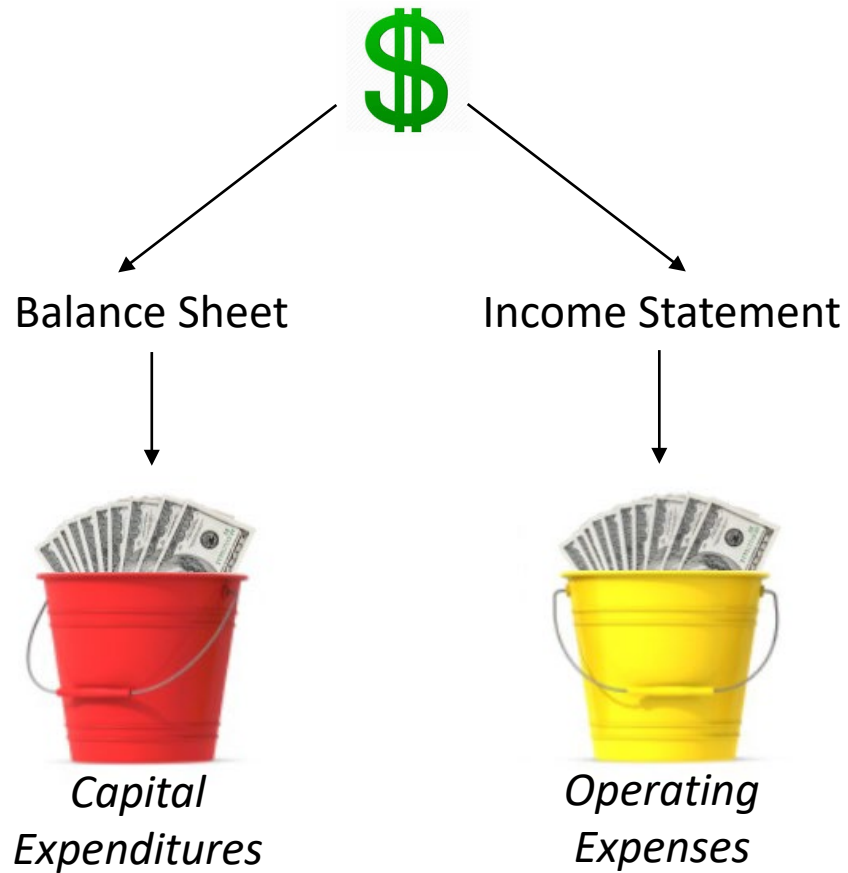
## USE/REPORTING

- Expenditures on a credit card require the same approval process as any other expense.
- EVERY transaction must have a receipt or other payment confirmation showing, IN DETAIL, what was purchased or what the payment was for.
- Amazon receipts should be printed AFTER the product is shipped – showing the amount charged on the card.
- Individuals should sign a credit card usage policy acknowledging that they are personally responsible for any unauthorized or personal charges.

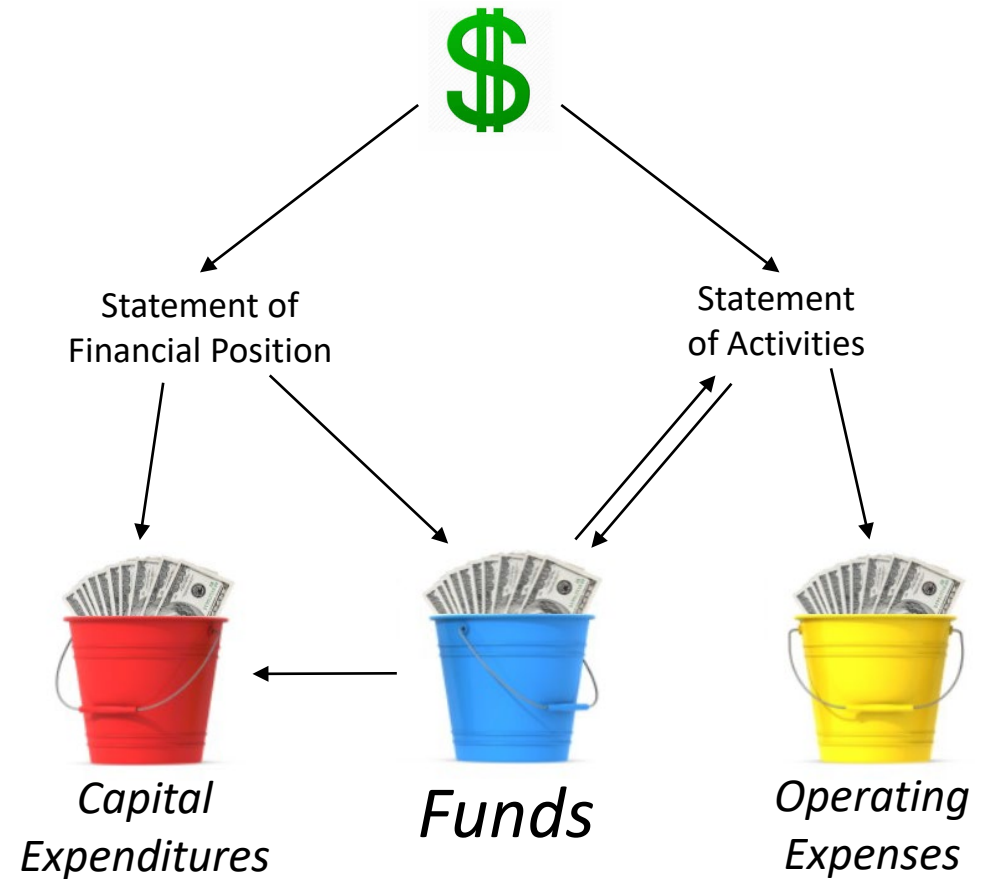


# Fund Accounting

## For Profit Business Model



## Church/NonProfit Business Model



# Standardized Chart of Accounts

## ASSETS

### ➤ Operating Bank Accounts

- Operating Checking Account
- Bank Savings Account

### ➤ Investment Accounts

- EFNC Investment Accounts
- Other Investment Accounts

### ➤ Other Bank Accounts

- Rector's Discretionary Fund Account
- ECW or other Subsidiary Org Accounts

### ➤ Accounts Receivable

- Facilities Usage/Rent

### ➤ Other Assets

- Prepaid Expenses

### ➤ Fixed Assets





# Standardized Chart of Accounts

## LIABILITIES

### ➤ Accounts Payable

### ➤ Other Current Liabilities

- Payroll Taxes/Pension Obligations
- Prepaid Pledges
- Facilities Usage Deposits
- Accrued Expenses

### ➤ Long-term Liabilities

- Loans/Mortgages



# Standardized Chart of Accounts

## EQUITY (NET ASSETS)

### ➤ Unrestricted Net Assets

Unrestricted/Undesignated assets with no restrictions on use.

### ➤ Designated Funds

Vestry (not donor) has designated for a purpose.

### ➤ Donor Restricted Funds

Funds like Outreach, capital campaigns, etc. where funds were donated for a specific use.

### ➤ Endowments/Permanently Restricted Funds

### ➤ Fixed Assets

Direct offset of amount listed in Assets

### ➤ Retained Earnings/Current Year Surplus(Deficit)



# Fund Accounting

- Bank Accounts vs. Funds
  - Bank or Investment Accounts are NOT the same as funds. A bank account simply reports the total in a physical bank and is reported as an Asset.
  - Bank/Investment accounts should generally not be named for specific funds – Investment accounts are a vehicle for investing money, not tracking fund balances. Instead Bank/Investment Accounts should be named according to the Bank and Account type: For example – “US Bank – EFNC Investment Fund” or “XYZ Bank – Checking”.
  - Fund balances may be comingled within a single or multiple bank accounts and the balance of each fund is reported in the Equity section of the Statement of Financial Position.



# Fund Accounting

- Single Entry Accounting:
  - Regular Income and Expenses paid out of the operating account.
  - Direct contribution to a fund
  - Transfer between bank accounts.
- Double Entry Accounting
  - Contribution to a fund if the donation needs to be transferred to a separate bank account. (i.e. Discretionary Funds)
  - Transfer of a fund to operating funds to cover pay for an operating expense.
  - Transfers of restricted donations from operating income to a fund.



# Fund Accounting

## SAMPLE JOURNAL ENTRY – DISCRETIONARY FUND/DEPOSIT/BALANCE TRANSFER

|                                     | Debit | Credit |
|-------------------------------------|-------|--------|
| <b>Step 1: Record Deposit</b>       |       |        |
| Deposit Bank Account                | \$\$  |        |
| Discretionary Fund (Equity) Account |       | \$\$   |
| <br><b>Step 2: Move Money</b>       |       |        |
| Deposit Bank Account                |       | \$\$   |
| Discretionary Fund Bank Account     | \$\$  |        |

*After these entries, the Discretionary Fund Bank account and Discretionary Fund (Equity) account balance each other.*



# Fund Accounting

## SAMPLE JOURNAL ENTRY – TRANSFER FUNDS TO OPERATING ACCOUNT

|   | Debit | Credit |
|---|-------|--------|
| Step 1: Record Expense                      |       |        |
| Operating Bank Account                      |       | \$\$   |
| Expense Account                             | \$\$  |        |
| Step 2: Transfer funds to Operating Account |       |        |
| Fund (Equity) Account                       | \$\$  |        |
| Income Level (Transfer “From”) Account      |       | \$\$   |

*If you have a capital or non-operating expense, it is also possible to simply pay the expense directly from the fund itself. If that’s the method used, then a single transaction can be used to pay for the expense.*



# Fund Accounting

## SAMPLE JOURNAL ENTRY – TRANSFER DONATIONS TO FUND BALANCE

|   | Debit | Credit |
|---|-------|--------|
| Step 1: Record Donation                   |       |        |
| Deposit Bank Account                      | \$\$  |        |
| Restricted Donation Income Account        |       | \$\$   |
| Step 2: Transfer funds to Restricted Fund |       |        |
| Fund (Equity) Account                     |       | \$\$   |
| Expense Level (Transfer “To”) Account     | \$\$  |        |

*Restricted donations can be recorded directly to fund balances, bypassing the Statement of Activities.*



# Fund Accounting

## WHY IS THIS IMPORTANT

Asset accounts tell you how much money you have.

But...

Fund accounts tell you how much money you have available to spend within different restricted or unrestricted funds.

- It's very important to keep in mind that any transaction that affects a fund is likely to need two accounting transactions to keep the fund balances accurate.
- Fund balances should be reviewed regularly to make sure that transactions affecting funds have been correctly reflected.
- It is useful to consider having a "Due to/from Funds" balance sheet account which can act as a temporary placeholder to make sure that fund account entries happen.





# 2023 Audit Process

*The Diocese of Northern California annual audit policy*  
*(established August 2022)*

All Parishes will submit annual financial reports, TMRs, and Parochial Reports to the Office of the Bishop no later than March 1 of each year. After reviewing such documents, the Congregational Audit Team will either assign a reviewer to meet with your treasurer and/or finance team to review the churches operations or request that the parish do an internal review using a committee of independent members of the parish.



# 2023 Audit Process

- Congregational Audit Committee reviews Uploaded Files
- **Committee will prioritize the churches to receive in-person audits.**
- Those churches not receiving an in-person audit:
  - Will be sent the comments (if any) from the financial statement / TMR / Parochial Report review.
  - Will be asked to complete a self-review of the internal control survey looking at internal control procedures.
- Those churches receiving an in-person audit:
  - Will be contacted by a member of the audit team to schedule an audit.



# Questions and Comments

