June 2025

Treasurers' Resource Call

Agenda

- Teaching your Vestry to Understand Financials
- 2025 Congregational Audit Process
- Diocesan Bookkeeping Services

Understanding Parish Financials

- Budgets and Financial Statements
- Cash vs. Unrestricted Reserves
- Surpluses and Deficits
- Cash vs. Accrual Accounting
- Designated vs. Donor Restricted Funds
- Endowments and Restricted Bequests
- The TMR and Diocesan apportionment

Required Financial Documents

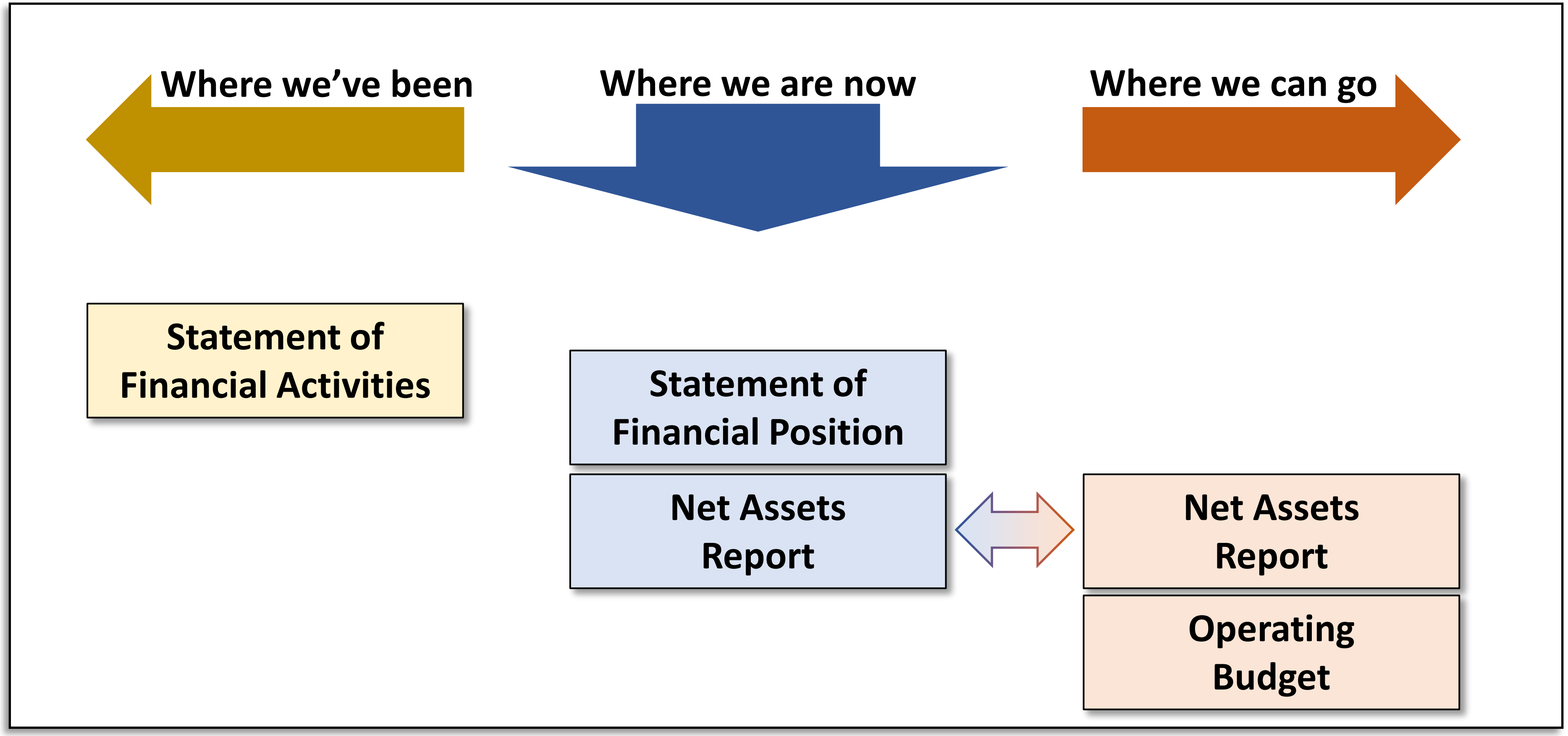
Balance Sheet (Statement of Financial Position)

Net Assets Report (May be part of Balance Sheet)

Unrestricted Funds	Designated Funds	Donor Restricted Funds	Endowments

Income Statement (Statement of Financial Activities) with Budget and Year-to-Date information

What the Financials Tell You



Designated vs. Donor Restricted Funds

- The Vestry can designate a portion of unrestricted net assets for a specific purpose.
- The Vestry can change or remove these designations at any time.
- Donor restricted funds are:
    - Donations made for a specific purpose.
    - Fundraisers where donors are told their donations will be used for a specific purpose.
    - Restrictions on donor restricted funds can be only be changed by the donor(s).
    - Restrictions on funds that have been held for a long period and no longer fit with the church's mission can be removed in certain cases.

Endowments and Restricted Bequests

- Don't call a fund an Endowment Fund if it's not a legal endowment.
- Bequests may restrict spending of the principal of the bequest and set rules for spending.
- The corpus (permanently restricted) portion should be reported separately from the spendable portion.

Cash vs. Unrestricted Reserves

- Cash in bank can comingle funds and may include designated and/or restricted funds.
- If reported correctly, Unrestricted Reserves, provides the true operating reserves of a parish.
- Have a spending policy for unrestricted reserves.

Surpluses and Deficits

- A non-profit **<u>CAN'T</u>** end the year with a surplus or deficit.
- Surplus funds should be transferred into unrestricted reserves.
- Deficits have to be funded from net assets – depending on what caused the deficit, either donor restricted or unrestricted reserves can be used.

Cash vs. Accrual Accounting

- Most churches use Cash Accounting – money is recorded as income when received and payments are reported as expenses when spent.
- Some larger churches use Accrual Accounting – money is recorded as income when earned and expenses are reported when incurred.
- Exceptions:
  - Setting aside a portion of prepaid pledges and record as income over the year.
  - Reporting large annual expenses such as insurance on a monthly basis rather than skewing individual months when payments are made.
  - Reporting the apportionment due for a current month in that month rather than the following month when it's actually paid.

The TMR and Diocesan Apportionment

- The TMR (Treasurer's Monthly Report) is used to calculate the apportionment due to the diocese on a monthly basis.
- Based on income less deductions for outreach and capital expenses.
- Apportionment is calculated on a tiered level with each parish paying the same percentage on the same level of income. For 2025 those percentages are:
  - *$0-$60,000 – 10% (a tithe)*
  - *$60,000- $120,000 – 15%*
  - *$120,000 - $240,000 – 20%*
  - *Over $240,000 – 18%*
  - *Overall CAP – 17%*
- Apportionment **MUST** be calculated on total income adjusted to include any transfers necessary to adjust for a deficit or surplus.

Budgets and Financial Reporting

- The Vestry is responsible for approving a parish budget that includes approved levels of spending for programs and staffing.
- The church bylaws should have policies regarding spending authority for non-budgeted or emergency expenses.
- The treasurer should report significant budget variances to the Vestry on a monthly basis.
- The treasurer or parish administrator should send pledge statements to pledgers on a minimum of a quarterly basis.

2025 Congregational Audit Process

- ✓ Self-audit.
  - ✓ Questionnaire is on website.
  - ✓ Complete and submit to Bishop's office by 5/31.

- ✓ In-person audits will be scheduled for July and August

Diocesan Bookkeeping Service

Questions and Comments