

**ANGLICAN CHURCH
OF CANADA
DIOCESE OF NIAGARA**

~

**PARISH
TREASURER'S
MANUAL**

~

**The Financial Advisory Committee
Compiled by Gordon Archbell, C.A.**

Parish Treasurer's Manual

Index

Chapter 1. Introduction

Chapter 2. Duties of Treasurer & Auditor

Chapter 3. Cash Accounting

Chapter 4. Accrual Accounting

Chapter 5. Chart of Accounts

Chapter 6. Funds

Chapter 7. Diocesan Financial Summary

Chapter 8. Charitable Return

Chapter 9. Goods and Services Tax

Chapter 10. Retail Sales Tax

Chapter 11. Computers

C

Chapter 1

Parish Treasurer's Manual

Introduction

In the past the Guide to Preparing Year End Financial Summaries has been divided into two parts:

The Parish Accounting System
Preparing the Financial Summary

This year we are replacing this guide by issuing the Parish Treasurer's Manual which includes a chapter on the preparation of the Diocesan Financial Summary.

It is **not** our intention that this manual be a **mandate** from the Diocese, rather **we hope that the Treasurers will take ownership** and make it a source of information to simplify the Treasurer's job. All parishes have the same accounting problems regardless of size. Like it or not all must report to the Corporation, Vestry, Diocese and Federal Government.

In the past the Diocese has attempted to obtain consistency in financial reporting by using the Financial Summary. The Financial Summary became a combination of data required by the Diocese and also a set of working papers to enable the parish to arrive at those numbers. We are now trying to expand on this by suggesting how the financial statements might be presented and then how data may be taken therefrom to be recorded on the Diocesan and Federal returns.

A review of the financial statements of our parishes indicates considerable variety, however, one can conclude that there are two basic types of financial reporting systems which we will generally refer to as **Cash** and **Accrual**.

Chapter 3 describes cash accounting and chapter 4 accrual accounting.

The basic cash statement prepared by many parishes is the Statement of Receipts and Disbursements of the general bank account. While it might appear in a variety of forms it basically summarizes receipts and disbursements, the difference between the two, the surplus or deficit, as the case may be, then balances with the difference in the opening and closing bank balances:

Opening bank balance
Add Receipts (in detail)
Less Disbursements (in detail)

Equals closing bank balance

If there are other funds they would also follow the cash method set out in Chapter 3. Chapter 6 describes additional funds.

Variations to this simple form arise when accruals are introduced. The term accrual is a provision for an expense or revenue which has been incurred in one period but not paid for or received until a subsequent period. The use of accrual accounting leads to the accounting for assets and liabilities and the preparation of a Balance Sheet or Statement of Assets and Liabilities. The majority of our parishes use what we have referred to as cash accounting.

We are not trying to convert anyone to the accrual method but rather wish only to show how it works.

It is our aim in preparing this manual to simplify the job of the Treasurer. If, in the course of doing this, we have oversimplified or have made the explanation too basic then we have achieved our goal.

We recommend that this manual always be read in conjunction with the Handbook of Constitution and Canons.

While this manual has been prepared under the auspices of the Diocese, as a parish treasurer, we hasten to endorse the fine job that the Diocesan Financial Office does for the parishes. Almost all of the parishes use the services of the Diocesan payroll system. Payroll is a specialized area which this writer has been involved with for years and yet we would not wish to handle it at the parish level. The same can be said for insurance and investments.

We would like to acknowledge efforts of Peter Swire, a volunteer, and Ralph Malashevsky and Marge Lange, of the Diocesan staff, for their significant efforts over the years to get us to this point and for their help in compiling this manual.

Gord Archbell

Chapter 2

Parish Treasurer's Manual

Treasurer And Auditor

Treasurer

The dictionary defines the Treasurer as the officer of the organization who is charged with the receipt, care and disbursement of money.

The overall definition of the Treasurer's responsibilities can be found in the section entitled The Office of the Churchwarden appearing in the Churchwarden's manual. In summary the Churchwardens, if they deem it advisable, may appoint or may request that the vestry elect a Treasurer. Either way, the Treasurer is not a part of the Corporation but rather answers thereto.

The Churchwarden's Manual also states with respect to *Books*:

The Wardens shall be responsible for maintaining a proper set of books which reflect at all times the financial position of the Parish. They should submit a *quarterly statement* to any Parish Council properly elected or appointed at a vestry meeting. The books shall be open to the inspection of the rector at all times. They must be presented to the Parish auditors in sufficient time for the auditors to make a proper review and to present an audited statement at the annual vestry meeting.

In Summary

1. The Churchwardens are responsible for the records.
2. They may appoint a Treasurer to maintain the records.
3. The Treasurer answers to the Churchwardens.
4. At least quarterly a statement should be presented to Parish Council.

Auditors

The auditors (only one is necessary) are appointed by Parish Vestry and are answerable to it.

Using the canon for Synod as our guide we set out the duties of the auditors. The Auditors shall make an examination of the books, records and financial affairs of the Parish to the extent that they deem necessary to permit them to report whether, in their opinion, the financial statements presented annually to the Parish, reflect fairly the financial position of the Parish and the results of its operations for the year under review.

The Auditors shall in particular include in their report such statements as they consider necessary -

- (a) if the accounting records, routines and procedures are *inadequate* in their opinion;
- (b) if they have *not* received all the information and explanations they require; and
- (c) regarding any other matter concerning the financial affairs of the Parish.

Some of our Parishes have professional accountants while many don't. For those Auditors who have not had professional training we offer the following suggestions:

Adequacy of records

Receipts are difficult to verify. It is not difficult to verify that the amounts recorded in the books were actually deposited into the bank. The important question is - was all money received by the Parish recorded in the books? Unfortunately there is no foolproof method of proving this. The Auditor should review the procedure for processing receipts to determine if it is reasonable to assume that the money received was actually deposited. Preferably the Treasurer will have no part in this process. This then leaves the Treasurer in the position of being able to perform a checking function. Ideally there should be separate counters and an envelope secretary. The total postings for a particular day should agree within the bank deposit for that day.

Receipt statements prepared and sent out by the envelope secretary are of considerable help in verifying receipts.

Disbursements will normally be supported by a cashed cheque and an invoice from the vendor. The cheque should be followed through the bank account and the invoice should be approved by a Warden. Cheques should be signed by two persons one of whom must be a Warden.

The Auditor should be satisfied that the bank account is being regularly *reconciled*.

Fairness of Financial Statements

Are the Receipts and Disbursements fairly carried onto the Financial Statements? While the average non professional auditor might feel uncomfortable with the following audit report, particularly as it pertains to 'generally accepted accounting principles'(GAAP), *one need only use common sense to do a good job.*

Audit Report

The Institute of Chartered Accountants recommends the following Audit Report (substitute we for I if applicable):

I have audited the balance sheet of as at, 20.. and the statement of receipts and disbursements for the year then ended. These financial statements are the responsibility of the Corporation. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the parish as at, 20.. and the results of its operations for the year then ended in accordance with generally accepted principles.

(signed), Date

Chapter 2

Parish Treasurer's Manual

Treasurer And Auditor

Treasurer

The dictionary defines the Treasurer as the officer of the organization who is charged with the receipt, care and disbursement of money.

The overall definition of the Treasurer's responsibilities can be found in the section entitled The Office of the Churchwarden appearing in the Churchwarden's manual. In summary the Churchwardens, if they deem it advisable, may appoint or may request that the vestry elect a Treasurer. Either way, the Treasurer is not a part of the Corporation but rather answers thereto.

The Churchwarden's Manual also states with respect to *Books*:

The *Wardens shall be responsible* for maintaining a proper set of books which reflect at all times the financial position of the Parish. They should submit a *quarterly statement* to any Parish Council properly elected or appointed at a vestry meeting. The books shall be open to the inspection of the rector at all times. They must be presented to the Parish auditors in sufficient time for the auditors to make a proper review and to present an audited statement at the annual vestry meeting.

In Summary

1. The Churchwardens are responsible for the records.
2. They may appoint a Treasurer to maintain the records.
3. The Treasurer answers to the Churchwardens.
4. At least quarterly a statement should be presented to Parish Council.

Auditors

The auditors (only one is necessary) are appointed by Parish Vestry and are answerable to it.

Using the canon for Synod as our guide we set out the duties of the auditors. The Auditors shall make an examination of the books, records and financial affairs of the Parish to the extent that they deem necessary to permit them to report whether, in their opinion, the financial statements presented annually to the Parish, reflect fairly the financial position of the Parish and the results of its operations for the year under review.

The Auditors shall in particular include in their report such statements as they consider necessary -

- (a) if the accounting records, routines and procedures are *inadequate* in their opinion;
- (b) if they have *not* received all the information and explanations they require; and
- (c) regarding any other matter concerning the financial affairs of the Parish.

Some of our Parishes have professional accountants while many don't. For those Auditors who have not had professional training we offer the following suggestions:

Adequacy of records

Receipts are difficult to verify. It is not difficult to verify that the amounts recorded in the books were actually deposited into the bank. The important question is - was all money received by the Parish recorded in the books? Unfortunately there is no foolproof method of proving this. The Auditor should review the procedure for processing receipts to determine if it is reasonable to assume that the money received was actually deposited. Preferably the Treasurer will have no part in this process. This then leaves the Treasurer in the position of being able to perform a checking function. Ideally there should be separate counters and an envelope secretary. The total postings for a particular day should agree within the bank deposit for that day.

Receipt statements prepared and sent out by the envelope secretary are of considerable help in verifying receipts.

Disbursements will normally be supported by a cashed cheque and an invoice from the vendor. The cheque should be followed through the bank account and the invoice should be approved by a Warden. Cheques should be signed by two persons one of whom must be a Warden.

The Auditor should be satisfied that the bank account is being regularly *reconciled*.

Fairness of Financial Statements

Are the Receipts and Disbursements fairly carried onto the Financial Statements? While the average non professional auditor might feel uncomfortable with the following audit report, particularly as it pertains to 'generally accepted accounting principles'(GAAP), *one need only use common sense to do a good job.*

Audit Report

The Institute of Chartered Accountants recommends the following Audit Report (substitute we for I if applicable):

I have audited the balance sheet of as at, 20.. and the statement of receipts and disbursements for the year then ended. These financial statements are the responsibility of the Corporation. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the parish as at, 20.. and the results of its operations for the year then ended in accordance with generally accepted principles.

(signed), Date

Chapter 3

Parish Treasurer's Manual

Cash Accounting

The majority of our parishes follow a simple cash book system of accounting which records the ins and outs of the general bank account. The first few columns resemble a bank book or statement. The remaining columns are then used to summarize the receipts and disbursements by category. Unfortunately columnar pads or books are not usually wide enough to provide as many categories as are necessary, thus the treasurer must analyze some of the columns at period end. Another solution to obtaining more columns is to record receipts on one set of pages and disbursements on another.

The best solution to this problem is a computer system because it allows unlimited columns and automatic balancing, however not everyone either has or wants a computer. See Chapter 11 on Computers.

Whether your system is manual or computerized there are certain basic rules that should be followed:

Double Entry Accounting

Without confusing the issue by referring to debits and credits, it is important that each time an entry is made in the bank deposit column an equal amount *must* be entered in one of the receipt category columns and similarly when an item is entered in the cash disbursement column an equal amount *must* be entered in one of the disbursement category columns. There can be circumstances whereby a receipt could be a refund of a disbursement made and would therefore be a negative amount in one of the disbursement category columns. When totalled at the month end the difference in the total bank deposits and the total bank disbursements *must* equal the difference in the total receipts and the total disbursements categories.

Bank Balancing

We strongly recommend that the bank account be *reconciled* with the bank statement or pass book on a *monthly* basis. It might be that a cheque recorded in one month is not cashed until the following month which causes a difference between the book balance and the bank balance.

Accounts

As soon as a name is entered at the top of a column an account has, in effect, been set up. These accounts come into being because we wish to differentiate between say envelope and open receipts.

While there are obvious types of receipt or disbursement accounts others are established because there are too many entries of one kind in the miscellaneous column and rather than analyze them each month a new account is set up.

See chapter 5 for a basic chart of accounts.

Summarization

Totals of the various columns can either be carried foreword in the cash book or transferred to a separate General Ledger. These balances would then be transferred onto the financial statements.

Assets are things the parish owns and liabilities are things owed by the parish. In the cash accounting system the only asset or liability recorded is the cash in bank (the bank is an asset unless overdrawn then its a liability).

As soon as you start to keep track of money that's owed either to or by the parish you have entered the realm of accrual accounting.

Financial Statements

The purpose of the accounts is to produce financial statements which inform the **readers** of the financial position of the parish. It is important, therefore, to identify who the readers are:

Corporation - to enable the intelligent administration of the parish

Vestry - this is the most important group since they are the persons who finance the Parish

Diocese - chapter 7 sets out the form required for the Diocese

Revenue Canada - chapter 8 describes the form required by Revenue Canada

Bank - if the parish borrows money

The only statement necessary for the parish using the cash system is the statement of receipts and disbursements. This statement should appear in the following format:

**St. XXXXXXXXXXXXXXXX Church
Statement of Receipts and Disbursements
For the Year Ended December 31, 1998**

Opening bank balance

Add Receipts

- Regular subscribers
- Open
- Designated donations
- Rentals of Hall, etc
- Gifts to parish
- Donations from church organizations
- Endowment and trust fund income
- Bequests
- Bank interest
- Miscellaneous

Less Disbursements

- Diocesan assessments
- Employment expenses
- Property expenses
- Capital expenditures
- Insurance claims expended
- General operating expenses
- Outreach

Closing bank balance

The above outline is actually an analysis of the transactions recorded through the operating bank account.

The receipt and disbursement accounts listed above are those used on the Diocesan Summary and are those which we would recommend as being basic. For purposes of reporting to Corporation and Vestry various other subheadings could be required

Since the only asset or liability is the bank balance a balance sheet is not necessary. A balance sheet is a report listing the assets, liabilities and accumulated surplus. The total assets must equal the total of the liabilities and surplus.

Budget

We strongly recommend that a budget column be included on the statement of receipts and disbursements. The figures shown should be for the same period as the actual figures ie 1 month, 6 months, etc.

Does Accrual Accounting Apply to You?

When people think of accruals its usually in terms of normal day to day supplier invoices that apply to one year but are not paid until the next, yet we might easily forget an amount which is owing to the Diocese. The first page of the Diocesan summary asks for debts owing by the Parish including payroll expenses and Diocesan Assessment. If **anything** appears on this page then the parish should be working on an accrual basis (this does not mean to say that the accrual can be avoided by leaving the amount off of this page). For example if the December payroll invoices from the Diocese are not paid until January the amounts owing should be accrued. An alternative, if you do not wish to make an accrual, is to issue a cheque dated December 31 and record it in the December books even though it was not written and cashed until January. You would then include this as an outstanding item on your bank reconciliation.

As you can see accruals can apply to all of us regardless of size or complexity. Not to record something as substantial as an outstanding Diocesan invoice (whether for payroll or assessment) can be misleading to the parish.

Chapter 5
Parish Treasurer's Manual
Chart of Accounts

The Chart of Accounts is the basis of *all* accounting systems *regardless* of size. Though not all parishes have a formal Chart of Accounts the fact is that as soon as the Treasurer writes a heading on the simplest cash book an account has been created. It is the summarization of these accounts that forms the basis of the financial statement(s).

It is our aim in this chapter to simplify the assembly of accounts that we can respond to the requirements of the various readers. The following listing of accounts are only the major items; there can be any number of sub accounts based upon the needs of the particular

parish.

The Balance Sheet accounts are set out below. Parishes operating under the cash accounting system would only use the Bank Account in the Asset section and then skip to the revenue and expenditures sections. Because there no other asset or liability accounts those using cash accounting would have some more receipt and expenditure categories such as capital expenditures, bank loan, etc. Parishes using the accrual system would use the appropriate assets, liabilities and equity accounts.

Page 5 - 1

The following list is minimal and not intended to cover all possible accounts.

Balance Sheet

Assets

Assets are what we own:

Cash in bank

Accounts receivable - amounts owing

Fixed assets - land, buildings and equipment

Liabilities

Liabilities are what we owe:

Accounts payable

Bank loans

Equity

The difference between the assets and liabilities - this is the accumulation of surpluses and deficits over the years. Statement of revenue & Expenditures

Revenue

We must always be mindful that we are given permission to issue charitable receipts (see chapter 8) and we must be able to balance the receipts issued with amounts posted to our accounts. It is desirable, therefore, to segregate accounts for which receipts are issued and others.

The major revenue categories are (please note that as many sub categories as are deemed necessary may be set up, however, they should be maintained under the main category):

Regular Subscribers (Envelopes)

This includes all donations by Parish members intended for the normal operation of the parish, where the donor is identified. Despite the use of the generic subheading (Envelopes), this category should also include donations

from identifiable parish members who do not use envelopes, but who support the parish. Donations from Easter, Thanksgiving, Christmas, etc. would also fall into this category.

Page 5 - 2

Open Offerings

This includes cash donations where a donor cannot be identified.

Designated Donations

This includes all donations designated for specific uses including those for use outside of the parish. Included in this category would be contributions to special funds such as buildings and memorials as well as to PWRDF, the Niagara Anglican, etc.

Rentals

Rentals of Church owned properties resulting from a formal agreement.

Gifts to Parish

This includes gifts received from individuals or organizations outside the parish. This include gifts from organizations who are associated with parish such as Scouts

Donations from Church Organizations

Grants from Diocese

Endowment and Trust Fund Income

Includes income earned from investments less expenses incurred to earn that revenue. Income may include interest on loans or mortgages, dividends, rectory rental income (if the rectory is rented to someone other than the clergy of the parish, expenses should not be netted).

Bequests

Bank Interest

Insurance Claims Received

Miscellaneous Income

Page 5 - 3

Disbursements

Diocesan Assessment

Employment

Salaries - includes housing allowances

Benefits - parish share of employee benefits

Property

The following headings would apply to the church, hall and rectory if applicable:

Property taxes

Insurance

Fuel and hydro

Telephone

Chapter 6

Parish Treasurer's Manual

Funds

The General Fund is the main operating account for recording normal transactions. When should you set up other funds? One answer could be when the Wardens say so.

The basic reason for setting up another fund is if the receipts are restricted for a specific purpose eg Cemetery Fund. Does it necessarily follow that each fund requires a separate bank account? The answer logically should be yes, however as a matter of practicability, size should have some bearing.

Most funds will likely follow the cash accounting method, however, if it is necessary to make any accruals then the accrual method will be followed. Though a separate set of records are required they actually form a part of the books of account for the parish. The assets and liabilities (if applicable) will appear on the parish balance sheet.

It is quite normal to show other funds as accounts in the appropriate section of the balance sheet. For example assume that a separate building fund is established which has initially a bank account and equity representing the total receipts to date. At all times the total receipts should equal the bank balance and the cost of the addition. In normal circumstances the bank and addition costs would appear in the asset section of the balance sheet while the equity would appear under the equity section.

When a separate bank account is set up each fund should balance within itself ie bank balance equals contributions (equity). The balance sheet actually becomes two (or more) balance sheets in one. The balance sheet presentation becomes clearer if it is shown in a columnar basis:

General	Other	Total
---------	-------	-------

Bank	\$\$\$	\$\$\$	\$\$\$
Equity (total surplus or contr.)	\$\$\$	\$\$\$	\$\$\$

In the above format, which is quite oversimplified, the cash (plus other related assets if applicable) should always equal the equity. Additional funds would require more columns.

Page 6 - 1

A somewhat similar columnar statement would be prepared to show the receipts and disbursements.

If a separate fund is set up using the general bank account the statement on the previous page requires an adjustment which subtracts the amount contained in the fund from the general bank and shows it in the appropriate fund column. At all times the various fund columns must balance.

The aforementioned statement presentation is an important part of a new generally accepted accounting procedure known as fund accounting. This is a more advanced subject and is for larger not for profit organizations with over \$500,000 of annual receipts which we will not set out here, however we believe that the setting out of funds in a columnar fashion is clearer method.

Whether you present the statements in this manner or not is not the significant point, what is more important is to understand that each fund must balance within itself.

This concept becomes important when preparing the annual report to the Diocese. The Diocesan summary is intended to reflect the results of the general account.

Page 6 - 2 Chapter 5
Parish Treasurer's Manual
Chart of Accounts

The Chart of Accounts is the basis of *all* accounting systems *regardless* of size. Though not all parishes have a formal Chart of Accounts the fact is that as soon as the Treasurer writes a heading on the simplest cash book an account has been created. It is the summarization of these accounts that forms the basis of the financial statement(s).

It is our aim in this chapter to simplify the assembly of accounts that we can respond to the requirements of the various readers. The following listing of accounts are only the major items; there can be any number of sub accounts based upon the needs of the particular parish.

The Balance Sheet accounts are set out below. Parishes operating under the **cash** accounting system would only use the Bank Account in the Asset section and then skip to the revenue and expenditures sections. Because there no other asset or liability accounts those using cash accounting would have some more receipt and expenditure categories such as capital expenditures, bank loan, etc. Parishes using the **accrual**

system would use the appropriate assets, liabilities and equity accounts.

Page 5 - 1

The following list is minimal and not intended to cover all possible accounts.

Balance Sheet

Assets

Assets are what we own:

Cash in bank

Accounts receivable - amounts owing

Fixed assets - land, buildings and equipment

Liabilities

Liabilities are what we owe:

Accounts payable

Bank loans

Equity

The difference between the assets and liabilities - this is the accumulation of surpluses and deficits over the years.

Statement of revenue & Expenditures

Revenue

We must always be mindful that we are given permission to issue charitable receipts (see chapter 8) and we must be able to balance the receipts issued with amounts posted to our accounts. It is desirable, therefore, to segregate accounts for which receipts are issued and others.

The major revenue categories are (please note that as many sub categories as are deemed necessary may be set up, however, they should be maintained under the main category):

Regular Subscribers (Envelopes)

This includes all donations by Parish members intended for the normal operation of the parish, where the donor is identified. Despite the use of the generic subheading (Envelopes), this category should also include donations from identifiable parish members who do not use envelopes, but who support the parish. Donations from Easter, Thanksgiving, Christmas, etc. would also fall into this category.

Page 5 - 2

Open Offerings

This includes cash donations where a donor cannot be identified.

Designated Donations

This includes all donations designated for specific uses including those for use outside of the parish. Included in this category would be contributions to special funds such as buildings and memorials as well as to PWRDF, the Niagara Anglican, etc.

Rentals

Rentals of Church owned properties resulting from a formal agreement.

Gifts to Parish

This includes gifts received from individuals or organizations outside the parish. This include gifts from organizations who are associated with parish such as Scouts

Donations from Church Organizations

Grants from Diocese

Endowment and Trust Fund Income

Includes income earned from investments less expenses incurred to earn that revenue. Income may include interest on loans or mortgages, dividends, rectory rental income (if the rectory is rented to someone other than the clergy of the parish, expenses should not be netted).

Bequests

Bank Interest

Insurance Claims Received

Miscellaneous Income

Page 5 - 3

Disbursements

Diocesan Assessment

Employment

Salaries - includes housing allowances

Benefits - parish share of employee benefits

Property

The following headings would apply to the church, hall and rectory if applicable:

Property taxes

Insurance

Fuel and hydro

Telephone

Chapter 4

Parish Treasurer's Manual

Accrual Accounting

An accrual is a provision for an expense or revenue which has been incurred in one period but not paid for or received until a subsequent period. As an example, if the parish records the diocesan assessment in the month to which it belongs but does not pay it until the following month, then an accrual, called accounts payable, is set up in the current month. When the payable is paid the offset to the accrual is processed.

In chapter 3 we referred to cash accounting, concentrating on the 2 major account headings of receipts and disbursements. We stated further that there is only one asset account - the bank. When we refer to accrual accounting it is important to understand that there are really 5 major account headings:

Assets - what is owned by or owed to the parish

Liabilities - what is owed by the parish

Equity - the difference between total assets and total liabilities

Revenue - operating income

Expenses - operating costs

The main reason for using the accrual method is to be able to match the current year's revenue with corresponding expenses. Since one of the biggest expenditures made by a parish is for wages it is important that the wage expenditure should reflect the actual wages paid for in the year. The fact that it is possible to leave some of the expenses off because they have been paid by the diocese and not yet paid for by the parish is misleading to the readers. This might be a way of helping balance the receipts to the disbursements but it really does not show the parishioners whether they have met all of their obligations or not.

The Diocese follows the accrual method and as a result shows money owing by parishes as an account receivable. As this balance increases because of parishes not meeting their obligations it can leave the Diocese questioning what is to be done about delinquent parishes when the parishioners may be unaware that they are delinquent if the treasurer has not accrued the liability.

Page 4 - 1

When we use the accrual method of accounting we must also use double entry accounting and understand the meaning of debits and credits. Every time we post a debit a credit of an equal amount must be posted and vice versa. The total of debits in the month's postings must always equal the total credits for the same period.

The following chart is an easy method of understanding the concept of debits and credits:

	Debit	Credit
Assets	Increase	Decrease
Liabilities	Decrease	
Surplus	Decrease	Increase
Revenues	Decrease	rease
Expenses	Increase	Increase
		Decrease

To use the above chart look at **any** entry you may wish to make, remembering that **an entry must balance**. Determine which of the above categories the various accounts belong to and if the account is an asset and the entry increases it then the amount in question is a debit.

Assume an entry that records a payment of say \$107.00 for the purchase of office supplies of which \$7.00 is GST and of which \$3.50 is recoverable. The entry would appear as follows:

Decrease of bank account (asset) hence a credit of \$107.00
 Increase of office supplies (expense) hence a debit of \$103.50
 Increase of GST recoverable (asset) hence a debit of \$3.50

You will note that the two debits (\$103.50 and \$3.50) equal the credit balance. This same rational can be applied to all entries no matter how complex they are.

Set out in chapter 5 is a list of the basic accounts, the Chart of Accounts, that a parish would require.

Obviously there is much more to accounting than the above explanation. In no way do we wish to insult our trained accounting friends, however, we will try to explain those more straight foreword accounting problems that parishes might encounter in as simple terms as we can.

Page 4 - 2

Debts to Diocese

To record an amount owing to the Diocese, for say assessment, at year end:

Increase in accounts payable (liability) hence a credit
Increase in assessment (expense) hence a debit

When the amount is paid:

Decrease in bank (asset) hence a credit
Decrease in accounts payable (liability) hence a debit

Fixed Asset Additions

A fixed asset is something which has a useful life of more than one year. Obviously a stapler falls into this category, however, one must also take into consideration the value of the item. There is no rule as to minimum value, its up to the parish to decide. We suggested \$500 for the financial summary.

When fixed assets are purchased using the cash method of accounting it is likely that, without extra effort, the parish will lose track of their cost. It is mainly for this reason we use the balance sheet to accumulate costs.

Assume a new organ is purchased:

Increase in fixed assets (asset) hence a debit
Decrease in bank (asset) hence a credit

Long Term Debt

The purchase of a fixed asset could be financed by way of a loan which has a repayment term of more than one year:

Increase in bank (asset) hence a debit
Increase in bank loan (liability) hence a credit

Then when the payment to the vendor is made:

Increase in fixed asset (asset) hence a debit
Decrease in bank (asset) hence a credit

It might well be that the above two entries are lumped together as the bank pays the vendor directly.

Page 4 - 3

Repayment of Bank Loan

As the loan is repaid:

Decrease in bank loan (liability) hence a debit
Increase in interest expense (expense) hence a debit
Decrease in bank (asset) hence a credit

Financial Statements

The accrual method means that two financial statements are prepared rather than one:

Balance Sheet

Summarizes:

Assets
Liabilities
Equity

The assets total must equal the total of the liabilities and equity.

Statement of Revenues and Expenditures

Summarizes:

Revenues
Expenditures

At the end of the year the difference between the revenues and expenditures, whether surplus or deficit, is transferred to the equity account. In fact the statement of revenues and expenditures is actually an analysis of the equity account for the current year. The equity account is an accumulation of surpluses or deficits since the beginning of the parish.

The significant difference in the Receipts & Disbursements statement in the cash method and the accrual method is the balancing factor in the:

cash method - the difference between receipts & disbursements is the same as the difference in the opening and closing bank balance whereas

accrual method - the difference between the receipts & expenditures is the the same as the difference between the net of the opening assets & liabilities and the net of the same closing balances

Page 4 - 4

You will note that with the cash method we refer to disbursements while in the accrual method we refer to expenditures. Accruals, usually, do not affect the bank account. This means that when it is necessary show an opening or closing balancing

figure, as in the Diocesan annual return, one must include all of the assets and liabilities in the calculation.

If there is more than one fund involved in the parish's balance sheet this changes the considerations in the previous paragraph. It's likely at this point that one would seek the help of an experienced accountant.

Budget

We strongly recommend that a budget column be included on the statement of revenue and expenditures. The figures shown should be for the same time period as the actual figures ie 1 month, 6 months, etc.

Summary

In chapter 3 we showed the format of a very simple statement of receipts and disbursements:

Opening Bank Balance
Add Receipts
Less Disbursements
Closing Bank Balance

The main difference when the accrual method is used is that the opening and closing 'bank balance' is substituted with the net of those balance sheet accounts that affect the receipts and disbursements. In particular this net might be calculated as follows:

Bank balance
Add Accounts Receivable (if any)
Less Accounts Payable (accruals)
Net Balance

Please note that there might be more asset and liability accounts than just the above however this gives the general idea of what we are talking about.

When attempting to write a simple set of instructions for accrual accounting it is difficult to know how and where to end. There are many books written about accounting and we can only advise that if you wish to pursue the subject further that you obtain one.

Chapter 11

Parish Treasurer's Manual

Computers

On the assumption that the Treasurer is so inclined and that a computer is available, the computer is an excellent method of maintaining the parish financial records. There are inexpensive (under \$200) computer accounting software packages that are simple to use. Usually they permit the user to enter in a bank transaction; either a receipt or disbursement and will not let you go on until the amount is distributed to a valid distribution account (or accounts if it is a split entry). Preparation of financial statements is generally as simple as pressing a button.

My personal preference is Quickbooks produced by INTUIT the manufacturers of Quicken and QuickTax. Other popular packages Simply Accounting and MYOB (Mind Your Own Business).

Some Treasurers have designed their own system using a spreadsheet program. If you have gone this far the extra leap to an accounting package is well worth the small cost.

Page 11 - 1 Chapter 10

Parish Treasurer's Manual

Retail Sales Tax

For most businesses it is obligatory that they charge retail sales tax (RST) on the goods that they sell. Companies with a license are allowed to purchase goods tax exempt. Churches are not usually in the business of selling goods and therefore do not require a license. The tax department do give churches a break by allowing them to purchase certain goods tax exempt and also to claim RST refunds for certain other goods.

Attached is a copy of the Retail Sales Tax Guide 806 for Religious, Charitable & Benevolent Organizations.

The guide is well written and we don't believe that we have anything to add. We do believe, however, that it is worthwhile that you know that there are savings to be enjoyed.

Page 10 - 1
Chapter 9

Parish Treasurer's Manual

Goods and Services Tax

Not for profit organizations fall into a special category with respect to Goods and Services Tax (GST). After making application they may claim for a refund of 50% of all GST paid by them. All other organizations, if they collect tax, can claim 100% of the GST that they pay. Normally organizations that sell in excess of \$30,000 annually of specific goods and services must collect tax. Most not for profit organizations would not normally fall into the category of collecting tax.

Information regarding rebates is well explained in a booklet entitled *GST/HST Public Service Bodies' Rebate (RC4034(E) G158)* published by Revenue Canada. This booklet may be obtained at your local tax office or on the internet at <http://www.rc.gc.ca/>. The booklet contains a form which you may use. After the first filing you will automatically receive the next form with your name and number on.

If you have not been filing, you should be, you have up to 4 years, after the day you have to file your return, to claim a rebate.

The summarization of the GST paid can be a difficult task unless it is done as the invoices are entered. This can be done by splitting the invoice at the time of recording. An example of how to split the account can be found on page 4 - 2.

Page 9 - 1Chapter 8

Parish Treasurer's Manual

Registered Charity Information Return & Charitable Receipts

Overview

Without the ability of providing charitable receipts most charities would cease to exist. In this chapter we will try to clarify the rules that allow parishes to retain their charitable number and under what circumstances they can issue charitable receipts.

It is *important* to note that *the charitable number we have been using on our receipts changed in 1998* and is now referred to as the BN/Registration number. We will cease using the term charitable number. Every number in the Diocese of Niagara begins 10809 9771 RR followed by 4 digits that identifies the specific parish. For example the Diocese' number is 10809 9771 RR0001.

Registered Charity Information Return

The Registered Charity Information Return, form T3010, must be filed within six months after the year end or by June 30 for Niagara Parishes. Instructions for completing the return are reasonably well documented in the booklet 'Completing the Registered Charity Information Return' supplied by Revenue Canada. Our intention is to supplement these instructions with matters that might be unclear and affect all Parishes.

Aside from providing various information regarding the organization the return's main function is to prove to Revenue Canada that the charity is spending its money in the manner that it specified. In very simple terms to keep its registration the charity must spend an amount at least equal to 80% of the prior year's tax receipted gifts. If there is a shortfall it may be applied to up to five year's accumulated excesses or carried forward for a year against an excess in that year.

Section A. Identification

A1 as noted above all Parishes have a business number, which should be used on your charitable receipts. This will appear on the label. If you have no label enter your number on the form.

A3 each Parish is a legal entity therefore answer 'No' with respect to being an internal branch.

Page 8 - 1

A4 yes you are affiliated with:

Name: The Synod of the Diocese of Niagara

Location: 252 James Street North, Hamilton, Ontario L8R 2L3

A7 the answer is very likely 'No' for most Parishes.

Section B. Directors/Trustees

This is the Corporation ie the Rector, Rector's Warden and People's Warden.

Section C. General Information

C1 we would like to suggest a standard answer for this section however you might rather use your own ingenuity. We would however recommend that you review section C5 Fields of Work and incorporate this into your answer.

C2 answer 'Yes' and tick the 'D' box 'National'; your payments to the Diocese and their subsequent payments to General Synod would cause this reply.

C3 answer 'Yes' for the same reasons as in C2 plus the fact that you will likely show contributions to the PWRDF. If you know where these contributions have subsequently gone then tick the appropriate boxes otherwise tick 'Don't Know'.

Section D. Financial Information

The booklet describes this section in reasonable detail. We will comment only on those areas that we believe are most important:

Lines 100 & 101 these amounts should equal the total of the tax

receipts

that you have issued. It is this total that will be used on schedule C to determine the disbursement quota.

capital

Be warned that if you have a fund raising campaign for a

to

expense to be made in a future period you will not be able

you

claim the costs as part of your disbursement quota unless

explanation.

received prior approval. See schedule B for further

As a general rule parishes will only have expenses which they will list

is

on lines 120, 121 & 122. Line 122 - gifts to qualified donees

should *start*

reasonably well defined. Line will be the total of everything not included on lines 121 & 122. This means that you

general

by determining the total for line 122 - management and

the

administration. Lines 120 & 121 will be used to determine

than

disbursement quota on schedule C. If line 122 is greater

problem.

20% of your tax receipted income, you could have a

Page 8 - 2

Sections E and F

These are reasonably explained.

Section G. Political Activities

In the context referred to in this section it seems reasonable that we are not involved in political activities.

Section H. Gifts to Qualified Donees

A qualified donee is an organization that is qualified to issue charitable tax receipts.

Donees are to be listed in descending order of size, which means that the most significant donee is likely the Synod of the Diocese of Niagara. It will not be checked as an associated charity, located in Hamilton, business registration number 10809 9771 RR001 and the amounts remitted will be shown as a gift (not specified). Specified gifts are explained in the booklet.

Section I. Expenditures for Programs Outside of Canada

This section makes reference to direct expenditures only, not indirect through the Diocese or PWRDF.

Schedule B. Statement of Property Accumulated

This section of the booklet starts by saying 'only charities that have received our permission to accumulate funds should complete this schedule'. What they don't explain clearly is when and why charities should ask for permission. It appears that if you intend to begin fundraising for a building campaign you should first request permission from Revenue Canada.

Without the permission there is no explanation on how to deal with the expenditure; with permission the amount received is considered a 'deemed expenditure' see line 833 in schedule C.

Schedule C. Disbursement Quota

'The disbursement quota is an expenditure test. To keep their registration, charities have to spend a minimum amount (the quota) on their charitable programs, including gifts to qualified donees.' The income figures used in Part 1 of the calculation are from the previous year's return, while the expenditures are from the current return.

Page 8 - 3

If you spent more than 80% (a disbursement excess) you may apply it to the previous year's shortfall (if there was one) or carry it ahead for five years. If you spend less than 80% (a disbursement shortfall) you may apply it to prior year's excesses or next year's excess.

If you are unable to use your shortfall in the following year you will lose your charitable receipt designation.

As noted in the section on Schedule B the parish may treat accumulated property ie funds raised for a capital expenditure as a deemed expenditure, if it has applied for permission to accumulate the funds. These deemed expenditures will be entered on line 833.

Charitable Receipts

If the parish is in good standing with Revenue Canada it may issue charitable receipts. We shall divide this section into two parts - what may tax receipts be issued for and how they should appear.

What Gifts Qualify ?

The general rule is - a gift, for purposes of sections 110.1 and 118.1, is a voluntary transfer of property without valuable consideration. Generally a gift is made if all three of the conditions listed below are satisfied:

some property - usually cash - is transferred by a donor to a

registered

charity

the transfer is voluntary; and

the transfer is made without expectation of return.

It is important to note that 'some property' must be given. This definition would exclude services that someone has contributed. If the property is not cash this then raises a question of value. This is referred to as a gift in kind. It is necessary to establish a fair market value of the gift. Fair market value generally means the highest price, expressed in a dollar amount, that the property would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed and prudent, and who are acting independently of each other.

Page 8 - 4

Official Charitable Receipts

A charity may issue official receipts only while it is registered and must not issue receipts for funds that it will not be responsible for spending. Each receipt must contain at least the following:

a statement that it is an official receipt for income tax purposes;

the charity's registration number, name and address as recorded with

Revenue Canada;

the day on which or the year during which the donation was received;

The day on which the receipt was issued;

the amount of the gift; and

the name and address of the donor

Each receipt must be prepared in duplicate and signed by an

authorized person

Page 8 - 5Chapter 8

Parish Treasurer's Manual

Registered Charity Information Return & Charitable Receipts

Overview

Without the ability of providing charitable receipts most charities would cease to exist. In this chapter we will try to clarify the rules that allow parishes to retain their charitable number and under what circumstances they can issue charitable receipts.

It is *important* to note that *the charitable number we have been using on our receipts changed in 1998* and is now referred to as the BN/Registration number. We will cease using the term charitable number. Every number in the Diocese of Niagara begins 10809 9771 RR followed by 4 digits that identifies the specific parish. For example the Diocese' number is 10809 9771 RR0001.

Registered Charity Information Return

The Registered Charity Information Return, form T3010, must be filed within six months after the year end or by June 30 for Niagara Parishes. Instructions for completing the return are reasonably well documented in the booklet 'Completing the Registered Charity Information Return' supplied by Revenue Canada. Our intention is to supplement these instructions with matters that might be unclear and affect all Parishes.

Aside from providing various information regarding the organization the return's main function is to prove to Revenue Canada that the charity is spending its money in the manner that it specified. In very simple terms to keep its registration the charity must spend an amount at least equal to 80% of the prior year's tax receipted gifts. If there is a shortfall it may be applied to up to five year's accumulated excesses or carried forward for a year against an excess in that year.

Section A. Identification

A1 as noted above all Parishes have a business number, which should be used on your charitable receipts. This will appear on the label. If you have no label enter your number on the form.

A3 each Parish is a legal entity therefore answer 'No' with respect to being an internal branch.

Page 8 - 1

A4 yes you are affiliated with:

Name: The Synod of the Diocese of Niagara

Location: 252 James Street North, Hamilton, Ontario L8R 2L3

A7 the answer is very likely 'No' for most Parishes.

Section B. Directors/Trustees

This is the Corporation ie the Rector, Rector's Warden and People's Warden.

Section C. General Information

C1 we would like to suggest a standard answer for this section however you might rather use your own ingenuity. We would however recommend that you review section C5 Fields of Work and incorporate this into your answer.

C2 answer 'Yes' and tick the 'D' box 'National'; your payments to the Diocese and their subsequent payments to General Synod would cause this reply.

C3 answer 'Yes' for the same reasons as in C2 plus the fact that you will likely show contributions to the PWRDF. If you know where these contributions have subsequently gone then tick the appropriate boxes otherwise tick 'Don't Know'.

Section D. Financial Information

The booklet describes this section in reasonable detail. We will comment only on those areas that we believe are most important:

Lines 100 & 101 these amounts should equal the total of the tax receipts

that you have issued. It is this total that will be used on schedule C to determine the disbursement quota.

***Be warned* that if you have a fund raising campaign for a capital**

to expense to be made in a future period you will not be able
you claim the costs as part of your disbursement quota unless
received prior approval. See schedule B for further
explanation.

As a general rule parishes will only have expenses which they
will list on lines 120, 121 & 122. Line 122 - gifts to qualified donees
is reasonably well defined. Line will be the total of everything
not included on lines 121 & 122. This means that you
should *start* by *determining the total for line 122* - management and
general administration. Lines 120 & 121 will be used to determine
the disbursement quota on schedule C. If line 122 is greater
than 20% of your tax receipted income, you could have a
problem.

Page 8 - 2

Sections E and F

These are reasonably explained.

Section G. Political Activities

In the context referred to in this section it seems reasonable that we
are not involved in political activities.

Section H. Gifts to Qualified Donees

A qualified donee is an organization that is qualified to issue
charitable tax receipts.

Donees are to be listed in descending order of size, which means that the most significant donee is likely the Synod of the Diocese of Niagara. It will not be checked as an associated charity, located in Hamilton, business registration number 10809 9771 RR001 and the amounts remitted will be shown as a gift (not specified). Specified gifts are explained in the booklet.

Section I. Expenditures for Programs Outside of Canada

This section makes reference to direct expenditures only, not indirect through the Diocese or PWRDF.

Schedule B. Statement of Property Accumulated

This section of the booklet starts by saying 'only charities that have received our permission to accumulate funds should complete this schedule'. What they don't explain clearly is when and why charities should ask for permission. It appears that if you intend to begin fundraising for a building campaign you should first request permission from Revenue Canada.

Without the permission there is no explanation on how to deal with the expenditure; with permission the amount received is considered a 'deemed expenditure' see line 833 in schedule C.

Schedule C. Disbursement Quota

'The disbursement quota is an expenditure test. To keep their registration, charities have to spend a minimum amount (the quota) on their charitable programs, including gifts to qualified donees.' The income figures used in Part 1 of the calculation are from the previous year's return, while the expenditures are from the current return.

Page 8 - 3

If you spent more than 80% (a disbursement excess) you may apply it to the previous year's shortfall (if there was one) or carry it ahead for

five years. If you spend less than 80% (a disbursement shortfall) you may apply it to prior year's excesses or next year's excess.

If you are unable to use your shortfall in the following year you will lose your charitable receipt designation.

As noted in the section on Schedule B the parish may treat accumulated property ie funds raised for a capital expenditure as a deemed expenditure, if it has applied for permission to accumulate the funds. These deemed expenditures will be entered on line 833.

Charitable Receipts

If the parish is in good standing with Revenue Canada it may issue charitable receipts. We shall divide this section into two parts - what may tax receipts be issued for and how they should appear.

What Gifts Qualify ?

The general rule is - a gift, for purposes of sections 110.1 and 118.1, is a voluntary transfer of property without valuable consideration. Generally a gift is made if all three of the conditions listed below are satisfied:

**some property - usually cash - is transferred by a donor to a registered charity
the transfer is voluntary; and
the transfer is made without expectation of return.**

It is important to note that 'some property' must be given. This definition would exclude services that someone has contributed. If the property is not cash this then raises a question of value. This is referred to as a gift in kind. It is necessary to establish a fair market value of the gift. Fair market value generally means the highest price, expressed in a dollar amount, that the property would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed and prudent, and who are acting independently of each other.

Page 8 - 4

Official Charitable Receipts

A charity may issue official receipts only while it is registered and must not issue receipts for funds that it will not be responsible for spending. Each receipt must contain at least the following:

a statement that it is an official receipt for income tax purposes;

the charity's registration number, name and address as recorded with

Revenue Canada;

the day on which or the year during which the donation was received;

The day on which the receipt was issued;

the amount of the gift; and

the name and address of the donor

Each receipt must be prepared in duplicate and signed by an authorized person

Page 8 - 5Chapter 7

Parish Treasurer's Manual

Diocesan Financial Summary

Overview

The Diocesan Financial Summary not only provides the basis for assessing parishes for their share of the cost of operating the Diocese but also provides statistical data for both the Diocese and General Synod.

It is important to understand that only pages 1 to 3 of the Summary are used by the Diocese. The balance of the pages are intended as schedules to assist the parish and also attain consistency. As might be expected it is difficult to design a single report that is simple for all parishes regardless of size. Page 2 is designed to reflect the transactions recorded through the parish's general bank account and guide the user in a consistent presentation. It assumes the general account appears somewhat as follows:

Receipts (broken down per page 2 of summary)
Add opening bank balance
Total
Disbursements (broken down per page 2 of summary)
Add closing bank balance
Total (must equal above total)

For a variety of good reasons not all parishes keep their records in the same format as the financial summary. Aside from simply having a different set of accounts, eg benefits maintained in total and perhaps by department, rather than separately, there can be the following differences:

Parishes using the accrual method of accounting must include the accounts receivable and payable balances with the opening and closing bank balances.

Similarly if a parish shows an amount as a capital transfer out of the general fund, when no transfer actually happened, it can create a balancing problem which must be reflected in the closing bank balance.

Since *not all* data from page 2 is used for the assessment it is important to be clear on what is and what is not included.

Page 7 - 1

Assessment

Following Synod each parish will be sent a Diocesan Assessment Recapitulation for the next year which averages the net income for the last 3 years (see sample attached). It is the intention that only revenue and expenses deemed for the purpose of the parish's day to day betterment be included for assessment purposes. Very simply it includes the following:

Total Income Reported by Congregation (Line R16)

Deduct:

Clergy Employment Expenses (with some limits - Line E2)

Capital Expenditures including Major Repairs (Line E4)

Insurance Claims expended (Line E5)

Loan and Mortgage Payments (Lines E7)

Capital Transfers out of the General Church Fund (Line E8)

Outreach (Line E9)

Equals Net Income

Please note that lines R17, E1, E3, E6, E11 are not used on the assessment.

Clergy salaries include assistants, interims, honoraria, licensed lay workers, parish / youth workers and supply clergy all to a maximum of \$37,740 each. Also included are 50% of living allowances.

If the parish records its transactions through more than one fund then the Financial Summary should include *only* the details of the general fund, provided that a fund has not been set up deliberately to shelter income to reduce the assessment.

We would call your attention to a change that we have made to the current form which sets out in more detail the allowable deductions for rentals of hall, etc. In the past the instructions allowed for deduction from rent (line R4) of all identifiable direct costs associated with earning that income. This statement was somewhat ambiguous in that it left it up to the preparer of the form to decide what these costs were. The problem was compounded by the instructions for line R5, Gifts to the Parish, which identified receipts from Scouts, Brownies, AA, etc. These gifts would likely have been in lieu of rent and therefore, if they were shown as rent, one could then deduct identifiable costs. Since these costs will often exceed the income received, the deduction, if taken, would likely exceed the income leaving the line in a negative balance. While the instructions did not say it, the intention was to allow a deduction for Outreach, being the cost the parish's facilities used by persons or groups that are outside the parish activities (see E9.7 and E9.8).

Please note that the assessment notice is *not an invoice*, the first invoice is issued separately in January.

Page 7 - 2

Financial Summary

The Financial Summary is the basis for preparing the Assessment. Set out below are explanations for those lines that are not self explanatory:

Page 1 - Debts Owning by Parish Lines D1 to D8

For those using the cash method of accounting this summary is for statistical purposes only, while those using the accrual method must incorporate this total in their closing balance line R11.

Line R1 Regular Subscribers (Envelopes)

This includes all donations from parish members intended for the normal operation of the parish, where the donor is identified. Despite the use of the generic sub-heading (Envelopes), this category should also include donations from identifiable persons not using envelopes, but regularly support the parish. Donations from Easter, Christmas, etc. would also be included.

Line R2 Open Offerings

This includes cash donations where the donor cannot be identified.

Line R3 Designated Donations inc. PWRDF, etc.

This category includes donations designated for specific uses. Nominal memorial gifts, for example, would be reported in this section, whereas more significant bequests would be reported on line R9. Donations designated for use outside are reported here as well. Some common examples being the Primate's World Relief and Development Fund, the Canadian Bible Society, the Niagara Anglican, St. Matthew's House, etc. Payment of these amounts to the agency involved will be treated as expenditures and shown as deductible items on line E9. Other special receipts for memorials, capital items, etc. for which there is *no separate fund* but rather are recorded through the general fund will be included here. This latter group may be reduced through the assessment by recording the amounts on lines E4 Capital Expenditures and/or E8 Capital Transfers Out.

Line R4 Rentals of Hall, etc.

Income from parish owned properties such as a parish hall, a rectory (if rented to a third party) or other properties should be reported here on a *gross basis*. All identifiable direct costs associated with earning income are deductible for assessment purposes should be shown as an expense on either line E9.7 or E9.8 under Outreach.

Page 7 - 3

Line R5 Gifts to Parish

This includes gifts received from individuals and organizations outside of the parish. This may include gifts from organizations who are associated with the parish such as Scouts, Brownies, Alcoholics Anonymous, etc. but raise money independently from the church or may include special one time gifts to the parish. If the gifts are for the use of the facilities record on line R4.

Line R6 Donations from Church Organizations

Gifts from groups such as Bazaar Committee, the ACW, the choir, etc., who are working on behalf of and under the sponsorship of the parish are included here. These items should be recorded *net* of any costs paid by the parish in relationship to these events.

Line R11 Capital Transfers to the General Church Fund from endowments

This category could be the opposite E8 (set out on the following pages), if the funds were recorded here even though no actual transfer to the general fund had taken place. For example, if the parish had collected a large sum of money in the general account in the previous period with the intention of spending in the current period, the balance carried forward would be entered as a receipt under this heading

Line R14 Sales Tax Refunds

While both P.S.T and G.S.T. refunds arrive in the form of a receipt, they are actually a return of money expended for the purchase of something and should therefore *not be shown as a receipt* but rather deducted from the appropriate disbursement. A desirable method of recording the GST, in particular, is to set it up as a receivable at the time of recording the disbursement (accrual method). If, however, the parish is using the cash method and unless the refund is for a capital item, enter the amount as a negative on line E6.7. If part of the refund pertains to a capital purchase then it should be deducted from that cost.

Line R17 Opening Balances January 1

The total will equal the closing balance for last year. See E11 below for method of preparing the closing balance.

Line R18 must equal line E12

Page 7 - 4

Line E2 Employment Expenses

See page 3 for breakdown - only lines E2.1 through to E2.16 are deductible on the assessment. Since only specific items on this page are used for the assessment calculation please take care in itemizing the various amounts. There is a maximum allowable deduction for specific salaries and only half of a housing allowance is deductible. Benefits, *which are not deductible*, are the parish's share of the CPP, UIC, pensions, etc. *If more convenient, benefits need not be broken out; only the total needs to be reported on Line E2.28.*

Line E2.29 allows for a portion of employment expenses that pertain to rental income; see line E9.7 for explanation.

Line E3 Property Expenses

These include normal expenses attributed to the cost of the church building, parish hall and rectory. If expenses are not broken down between the various buildings then enter your amounts in the general column. These expenses would not include capital expenditures or major repairs. The value of items that would qualify as capital or major repairs is arbitrary however we would suggest it not be less than \$500.

Line E3.8 allows for a portion of property expenses that pertain to rental income; see line E9.8 for explanation.

Line E4 Capital Expenditures

In addition to the cost of purchasing those items which would normally be included in this category are:

- Clergy Moving Expenses
- Maintenance expenses for rental properties
- Cost of leasing or buying a photocopier
- David Gordon Fees

Please note, that if you normally record any of the above categories elsewhere, their cost should not be duplicated.

Page 7 - 5

Line E5 Insurance Claims Expended

Money received as a result of insurance claims which are ***actually expended*** to repair damages or replace equipment. Insurance payments that are not actually used cannot be claimed here. If money is received in the current year for a specific purpose and is not expended in the same year, then this amount may be entered as a ***Capital Transfer "OUT"***. The insurance deductible is considered to be an ordinary expense of the Parish and is not deductible.

Line E6 General Operating Expenses

This heading includes all expenditures that are not included elsewhere.

Line E8 Capital Transfers Out of the General Church Fund

This section is intended to shelter income from assessment where money is being saved in the general account for future purposes. If the eventual purposes of the funds are of a capital or outreach nature, it is likely that the monies will be deductible for assessment purposes when actually expended. Insurance claims not expended during the fiscal period are eligible for this treatment as explained in section E5. These monies are usually brought back into the General Fund on line R11 (Capital Transfer into the General Fund) in the future years as expended. An entry into this category on the summary but not in the Parish's books must be deducted from the closing bank balance in order to balance.

Line E9 Outreach

This section should be used to itemize any amounts received by the Parish on behalf of any outside charity or project and should record only actual amounts expended during the year for these purposes. Payments over the amount assessed by the Diocesan Assessment are deductible here. At year end, every effort should be made to ensure that monies received and reported for furtherance to social service groups at page 2, section R3 equals amounts remitted and reported at section R9.

Lines E9.7 and 8 allow for the deduction of a portion of employment and property expenses that pertain to the cost of earning rental income. If you believe that a portion of these costs are attributable to persons or organizations outside of the parish that use the facilities, then determine the percentage of the appropriate expenses that can be moved to these two lines resulting in a deduction on the assessment. Please provide details of your reasoning. Please note that the total of E9.7 must equal the minus entered on line E2.29 and E9.8 to the minus amount on line E3.8.

Page 7 - 6

Line E11 Closing Balances December 31

If the Parish has a basic financial statement, quite likely the balance listed here is simply the bank balance; however if there are accruals and/or there was a balance listed on line R11 Capital Transfers In or on line E8 Capital Transfers Out, it then becomes necessary to account for the Capital transfer balance.

Line E12 must equal line R18

Signing the Financial Summary

The name of the individual, usually the Treasurer, who is best able to answer questions as to it's content should be shown on page 4. The Rector/Incumbent/priest or Deacon-in-charge and both Church Wardens must sign and accept responsibility for the completed report.

Page 7 - 7Chapter 6

Parish Treasurer's Manual

Funds

The General Fund is the main operating account for recording normal

transactions. When should you set up other funds? One answer could be when the Wardens say so.

The basic reason for setting up another fund is if the receipts are restricted for a specific purpose eg Cemetery Fund. Does it necessarily follow that each fund requires a separate bank account? The answer logically should be yes, however as a matter of practicability, size should have some bearing.

Most funds will likely follow the cash accounting method, however, if it is necessary to make any accruals then the accrual method will be followed. Though a separate set of records are required they actually form a part of the books of account for the parish. The assets and liabilities (if applicable) will appear on the parish balance sheet.

It is quite normal to show other funds as accounts in the appropriate section of the balance sheet. For example assume that a separate building fund is established which has initially a bank account and equity representing the total receipts to date. At all times the total receipts should equal the bank balance and the cost of the addition. In normal circumstances the bank and addition costs would appear in the asset section of the balance sheet while the equity would appear under the equity section.

When a separate bank account is set up each fund should balance within itself ie bank balance equals contributions (equity). The balance sheet actually becomes two (or more) balance sheets in one. The balance sheet presentation becomes clearer if it is shown in a columnar basis:

	General	Other	Total
Bank	\$\$\$	\$\$\$	\$\$\$
Equity (total surplus or contr.)	\$\$\$	\$\$\$	\$\$\$

In the above format, which is quite oversimplified, the cash (plus other related assets if applicable) should always equal the equity. Additional funds would require more columns.

Page 6 - 1

A somewhat similar columnar statement would be prepared to show the receipts and disbursements.

If a separate fund is set up using the general bank account the statement on the previous page requires an adjustment which subtracts the amount contained in the fund from the general bank and shows it in the appropriate fund column. At all times the various fund columns must balance.

The aforementioned statement presentation is an important part of a new generally accepted accounting procedure known as fund accounting. This is a more advanced subject and is for larger not for profit organizations with over \$500,000 of annual receipts which we will not set out here, however we believe that the setting out of funds in a columnar fashion is clearer method.

Whether you present the statements in this manner or not is not the significant point, what is more important is to understand that each fund must balance within itself.

This concept becomes important when preparing the annual report to the Diocese. The Diocesan summary is intended to reflect the results of the general account.