

## Finance/Treasurer/Trustee Workshop When to Pay Special Attention

The United Church of Canada  
L'Église Unie du Canada



Prepared for Manitou Conference  
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Erik Mathiesen



### AGENDA

1. Introduction - The Big Picture
2. Basic Treasurer Responsibilities
3. Balancing acts internally
4. When to pay special attention
5. What's new – Bill 148
6. Questions and answers - interactive

The United Church of Canada Mission through Finance April 2012

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### QUICK SURVEY - Hands up ! Do you

1. have an old building?  
struggle with building costs ?
2. struggle to break even?
3. participate in the United Church Group  
Insurance plan ?
4. formal financial audit? independent  
financial review?
5. Subscribe to CRA "what's new"
6. do you file for HST/GST rebates ?



### Our Goal Today

1. Help you do the work
2. But more important, flag possible  
problems and risks
3. Point you to additional resources



### The Big Picture

1. 86,000+ registered charities
2. \$ 9 BILLION+ in donations
3. 2 Billion hours of volunteer time
4. foregone federal tax revenue of  
\$2.2 - 2.7 Billion

**With charitable status comes  
responsibility for more rules.**



### The Big Picture – Treasurer JOB

1. Ensuring a smooth transition with your  
predecessor
2. Try to implement some incremental  
improvements on your watch
3. Plan for a smooth transition to your  
successor



### Stewardship Best practices

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1. **Mission Evaluated every 1-3 years**
2. **Narrative Budget**
3. **Annual Financial Response Program**
4. **Multiple Opportunities for Generosity**
5. **Thank You Letters**
6. **Gift Planning**
7. **Personal Finance Training**



### Stewardship Best practices

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[www.stewardshiptoolkit.ca](http://www.stewardshiptoolkit.ca)

Susan Graham- Walker

1-800-268-3781 ext 3071

[sgwalker@united-church.ca](mailto:sgwalker@united-church.ca)



### CHURCH FINANCIAL MANAGEMENT - Must Do

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- **Meet Payroll and CRA reporting**
- **Proper charitable tax receipts**
- **Stay on side with the Canada Revenue Agency (CRA)**

➤ Everything else flows from these:

- Pay the bills, Keep the books, Budget



### FINANCIAL MANAGEMENT – Should Do Items

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- Financial controls
  - Cash custody and counting
  - Segregation of duties
- Multi-year maintenance plan
- Finance / Administration Committee
- Adequate back-up
- Annual stewardship plan in place



### CHURCH FINANCIAL MANAGEMENT – Nice to Have

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- professional audit
  - Independent review at least
- narrative budget
  - Make the numbers come alive!



### Common Tensions for Treasurer

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**You try to enforce rules others may not appreciate**

- use of restricted funds
- working with trustees
- working with UCW
- CRA compliance
- fee policy for rentals, weddings, etc
- Definition of an employee

**The Basics of the Job**

You will hopefully inherit an existing process, budget and financial statements.

**Get the routine duties down first**

- Recording revenue & expense
- Existing reporting restricted funds
- Then work on understanding why

**The Basics of the Job**

**DONATIONS**

- Unrestricted donations
- Internally restricted donations
- Externally restricted donations

Most of this is routine. If something sounds convoluted, pay close attention.

**The Basics of the Job**

**COUNTING AND RECORDING GIVINGS**

- Two counters, rotating
- Segregation of duties
- Treasurer should not be involved

The process should protect the counters and the treasurer.

**The Basics of the Job**

**PAYING THE BILLS**

- Payroll
- Regular invoices
- Gifts to qualified donees
- Benevolent payments

**All monies expended must be for the charitable purpose of the church itself.**

**PAYROLL –**

**ADP Tip for 2015 – if 2x / month payroll**

If you need 2x/month payroll and want to save money, (saving for 3 employees is \$220/YR) here is what to do:

- Change frequency to once per month
- Issue advance by cheque mid month and have ADP deduct the advance amount at month end.
- Note: this change in setup can only be done at year end and there is a \$125 fee
- contact ADP Client Services (1-877-377-4784) two weeks prior to your January input date

**IMPLEMENTING ADP for all staff**

**KEEP SEPARATE**

- Business reason for duplicate effort?
- extra fees for benefits
- Need to keep up with changes in rates and regulations
- OK now but successor?

**COMBINE**

- Try to minimize time and effort focused on administration.
- Source reporting and all remittances done for you
- Focus on the big picture



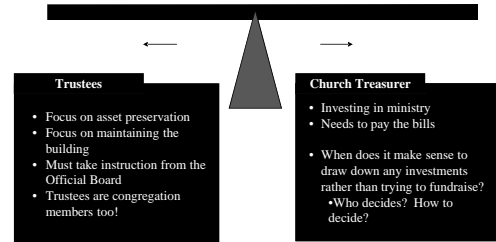
## Trustees – THE RULES

### Section 259

The Board of Trustees shall discharge such duties and exercise such powers as are set out in Appendix II. The Board of Trustees shall obey all lawful orders and directions respectively of the Official Board or Church Board or Church Council of the Congregation, the Presbytery, or the Conference.



## Congregation ~ Trustees Balancing Act



## Trustees – THE RULES

### Section 265

1. Trusts of Model Deed. Subject to the exceptions set out in Section 266, all lands, premises, and Real Property and Personal Property acquired for the use of a Pastoral Charge or Congregation of the United Church shall be held, used and administered under the Trusts of Model Deed.



## Trustees – IN PRACTICE

### Typically (but not always) Administer

1. Property insurance coverage
2. Building capital maintenance plan
3. Long term investments (if any)
4. Would sign any legal documents related to the building



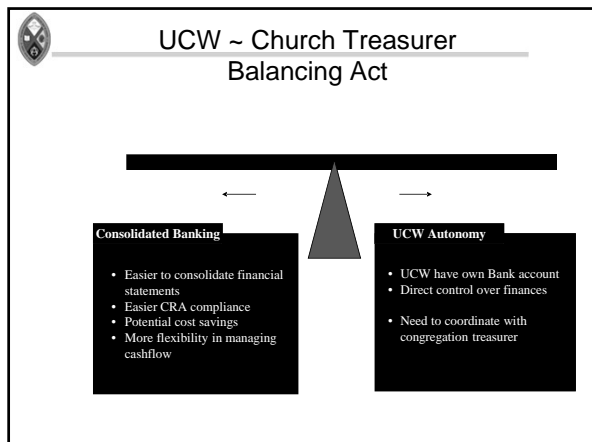
## INSURANCE - make sure

1. Coverage is current
2. Consider the United Church Plan
  - a. competitive
  - b. specialists
  - c. larger pool protects you
3. Directors & Officers liability coverage for all congregations under national umbrella



## Trustees – IN PRACTICE

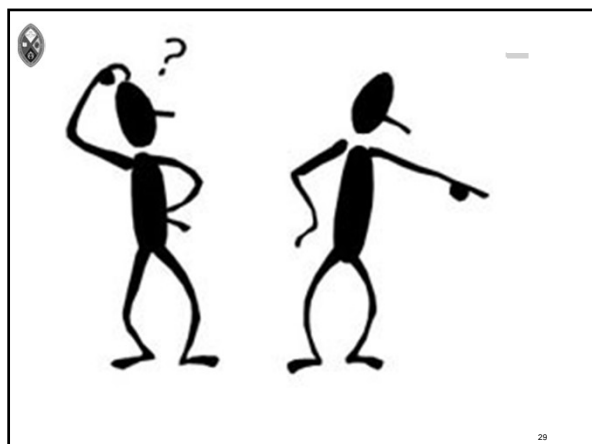
1. Act as stewards in property matters
2. Are NOT a separate organization with separate agenda
3. ARE an important voice in and for the congregation.
4. Would sign any legal documents related to property – mortgage, renovation contracts etc.



- ### UCW - IF Consolidated Banking
- Church Treasurer SHOULD segregate UCW accounting and ensure:**
1. UCW balances regularly communicated
  2. UCW balance maintained in a restricted fund for accounting purposes
  3. UCW disbursements processed as needed
- NOTE: If consolidated, then CRA consolidation is relatively straightforward.**

- ### UCW Guidelines Not Rules
1. These **UCW Guidelines** are **not** compulsory rules. They are based on the current organization of the United Church Women at the four levels of the church, recognizing that organizational differences exist across the church. As a continually developing organization responding to the needs of its membership, the UCW is encouraged to use these **Guidelines** to best meet their needs so as to be able to fulfill the organization's purpose as effectively and as faithfully as possible.

- ### IF SEPARATE BANKING
- UCW Treasurer MUST:**
1. PROVIDE TIMELY DETAILS OF
    - a. GIFTS TO BE RECEIPTED
    - b. ALL INCOME
    - c. ALL EXPENSES
    - d. ALL ASSETS AND LIABILITIES
    - e. GIFTS TO QUALIFIED DONEES
  2. **CHURCH Treasurer SHOULD:**
    3. book UCW data into accounting program at least annually
    4. consolidate UCW data into overall church financial statements for internal use
    5. **MUST consolidate UCW data into financial statements for CRA**



- ### CRA - NEW DEVELOPMENTS
1. **NEW 3010 Annual Info Return – AGAIN**
  2. **MUCH improved website information**
  3. **increased audit activity**
  4. **Stricter requirements at closure or amalgamation.**
  5. **CONSIDER registering with the CRA as authorized contact**
- Friendly wager > for 1/3 of you, CRA registered contact is deceased...



## CRA - POINT OF VIEW

### Canada Revenue Agency sees:

1. the church as a **WHOLE**
2. **only one set of financial statements**
3. **only one treasurer**
4. **does not see “trustees” or “UCW” at all.  
Or cemeteries, or other entities .**



## CRA - DIFFERENTS PARTS ACT DIFFERENTLY

1. **Charities Directorate**
  - a. **Genuinely tries to help**
  - b. **Gives warnings**
2. **Collections want their money**
  - a. **Payroll fines**
  - b. **Penalties for improper disbursements**
  - c. **HST audits**



## Using Honorariums Correctly

- For very occasional situations only
- Must issue T4A if income > \$500
- get social insurance number upfront even if you don't expect to be issuing a T4A (pulpit supply)
- \*\*\* if a retired minister wants to claim a clergy residence deduction, they need to be an employee. (T4, source deductions)
- appropriate for a treasurer too!



## PAY PEOPLE Correctly

- **Most church staff (organists, office secretary, custodial) are part-time employees for the purpose of payroll (CPP & EI deductions apply).**
- CRA recommends Wedding fees etc should be paid to the church and reported as part of minister income



## Bill 148 – implications for part-time employees

- **Most church staff (organists, office secretary, custodial) are part-time employees for the purpose of payroll (CPP & EI deductions apply).**
- Bill 148 statutory holiday pay too!
- <https://www.labour.gov.on.ca/english/es/tools/esworkbook/publicholiday.php>



## Tax Receipting Correctly

- make sure the receipt itself is compliant
- make sure the cash payment qualifies for a receipt. When wouldn't it ?
  - for gifts in kind and special events
- Make sure the item qualifies for a receipt
- Make sure the valuation is reasonable.
- Double whammy – can't receipt for or claim HST rebate

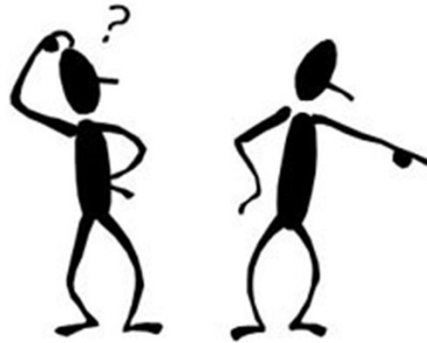


## CRA - HST TRACKING AND REPORTING

You shouldn't use a blended rebate rate because some purchases may be HST-exempt or have partial HST (insurance for example)

### But if you want to estimate:

Take your total HST and multiply by 9.06/13  
Then allocate 2.5/9.06 to federal, 6.56/9.06 Ont.



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## CRA - WORKING OVERSEAS

1. How can a church work with its' global partners?
2. How can a church work with Canadian entities that are not charities?
3. How can a church establish it has direction and control?
4. How can a church establish that it carries on its own activities?
5. What does the CRA insist on?



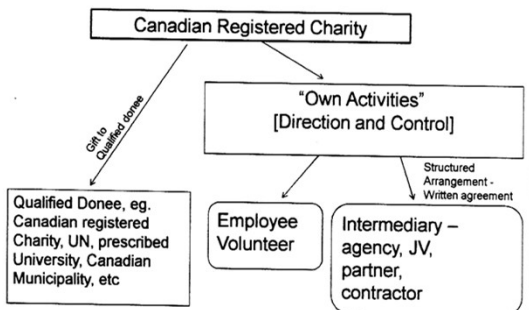
## WORKING OVERSEAS ~ so how do we do it ?

### 1. Direct Foreign Activities

- a. Local or Canadian employees or volunteers

### 2. Indirect Activities

- always subject to "own activities" test
- need binding written agreements that demonstrate "direction & control"



## Amount of Direction and Control

- Less direction and control when sending certain types of "inherently" charitable good like blankets to a trusted relief agency in a disaster
- More direction and control when sending CASH
- If in doubt, have **more**, rather than less, direction and control to protect your charity's reputation, charitable status and the resources entrusted to you.



### WORKING OVERSEAS ~ BOTTOM LINE

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1. BE CAUTIOUS
2. BE THOROUGH
3. PLAN OVERSEAS PROJECTS CAREFULLY
4. CONSIDER VARIOUS PROJECTS – SOME MAY BE EASIER TO FUND



### Watch out for SPECIAL SITUATIONS Generally

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1. INTERNATIONAL INITIATIVES
2. UNUSUAL ACCOUNTING TRANSACTIONS
  - a. Bequests, donor directed gifts, unusual receipting etc
3. AMALGAMATIONS, CLOSURES, PROPERTY DEALS
4. if in doubt, ask !



### TAKE IT OUTSIDE THE CHURCH!

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- "purse" or other collections for an employee are:
  - Taxable income
  - NOT tax receiptable
- no such thing as a benevolent employer
- allowing a tax break for private benevolence is being a conduit
- **have people contribute directly**



### THE PROBLEM WITH GIFTS IN KIND

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1. Most churches don't do non cash accounting well
2. - services aren't receiptable anyway
3. - can't receipt the HST portion and can claim the HST portion for rebate

**SWAP CHEQUES !**



### Key resources for treasurers

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1. FINANCIAL HANDBOOK FOR CONGREGATIONS
2. TRUSTEE HANDBOOK
3. CONGREGATIONAL FINANCE web page  
**[www.united-church.ca/local/congfin](http://www.united-church.ca/local/congfin)**
4. CRA Charities Directorate Web resources  
**[www.cra-arc.gc.ca/charities](http://www.cra-arc.gc.ca/charities)**
5. Local resources
6. General Council subject matter experts



### Thank you for what you do for our church

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**Erik Mathiesen**

**[emathiesen@united-church.ca](mailto:emathiesen@united-church.ca)**

**(416) 231-7680 x 4022**

Mission through Finance

The United Church of Canada