

Treasurers Workshop
Financial Administration
2012
Detailed Notes

Treasurers Workshop

Financial Administration

Duties of the Treasurer

- Internal Controls
- Protects cash and assets and property
- Financial Statements
- Charitable Receipts
- Staff Salaries, Benefits and Government Remittances
 - The Manual 2010 ----- 166 b.
Duty to Pay:
 - Salary of the persons serving the PC as Ministry Personnel
 - Assessments to the pension and the group insurance plan
 - Salaries of other staff of the PC or congregation
 - Assessments to meet presbytery and Conference expenses
 - Other capital and current expenses of the PC or congregation
- Annual budget
- Support stewardship efforts
- Insurance
- Annual Statistical and Information Filings
 - To CRA
 - T3010-1-
 - To Church House
 - Annual Statistical Information filing

Financial Administration

Duties of the Treasurer

- Strives to ensure that there is a system of internal control in place that protects the monies and property belonging to the congregation.
- Disbursements—Makes all disbursements and records all information. Ideally two persons should sign all cheques. Blank cheques are never to be pre-signed by one signing officer. (If necessary, consider exceptions)
- Protects cash—Responsible for monies entrusted to the pastoral charge, and guards against theft or loss. Ensures that the offering is in the custody of at least 2 members of the committee of stewards (persons at arms length) at all times until it has been counted, checked, recorded, and deposited. This should be done at the church office.
- Financial Statements—Prepares and presents statements at agreed upon intervals to the board showing the financial position of the church. A reconciliation of total revenues received compared with tax receipts issued should be performed at year-end.
- Insurance—Ensures that there is adequate insurance for all aspects of the church, and ensures that premiums are paid in a timely manner. An annual insurance review is recommended. Check with your Trustees. Make sure that outside groups that use your congregational premises have their own liability insurance. Ask for a copy of their certificate of insurance, and your congregation should be a named insured on the certificate.
- Charitable Receipts—Issuance is often the responsibility of the envelope steward. All contributors must be provided with charitable donation receipts for income tax purposes at the end of each year specifying the amount of their contribution. Treasurer must ensure receipts are compliant
- Supports Stewardship by analyzing donor data.
- Annual Charitable Information Return—T3010-1---Ensures that all documentation is filled out accurately and in a timely manner with proper signature. Copies of all documents should be kept in the church office.
 - ***New: The late filing notification process is fully automated and a \$500 penalty routinely applied for Annual Return late filers, and an increased penalty for repeat late filers.***
- Staff salaries, Benefits and Government Remittances—Ensures that staff are paid in accordance with agreements, that remittances are accurately withheld and remitted to the government, and that all other remittances such as to the Mission and Service Fund are made in a timely manner.
- Assists with the preparation of the annual budget, and monitors spending throughout the year.

Church Audit or Independent Review?

Very few churches have an "opinion" or "assurance" audit conducted. Cost and/or lack of perceived potential benefit are main reasons. Please note that the CRA recommends an audit if income is \$250,000 or more, but it is not an absolute requirement. The main reason for a third party review is to provide a degree of assurance to the congregation and to protect the treasurer.

The pastoral charge may choose to appoint an independent reviewer, someone who understands the role of the independent review of financial records and is familiar with bookkeeping. Such an individual should be independent of the record keeping functions of the pastoral charge and at arm's length from the treasurer and bookkeeper.

The review acts as a 'double-check' on the records, striving to ensure that all financial transactions have been properly recorded. The presence of an independent reviewer helps to protect the treasurer in her/his duties. The reviewer may spot potential weaknesses in the accounting system, allowing them to be reported and corrected before errors occur.

Procedures carried out by the independent reviewer:

- Examines the minute book of the Committee of Stewards;
- Examines for accuracy the books of record by reviewing cash receipts, cash disbursements, payroll, and general ledger transactions;
- Ensures proper authorization of transactions (for example, verifying two signatures on cheques);
- Reviews bank reconciliations for the year;
- Ensures all donated moneys designated for the Mission and Service Fund have been forwarded to The United Church of Canada on a monthly basis;
- Reviews the procedures used in the pastoral charge's record keeping and ensures that the chance of error or fraud is minimized (for example, that the offering is always in the custody of at least 2 arm's length person until counted, recorded and deposited);
- Verifies cash receipts against charitable tax receipts issued;
- Ensures that the Annual Information Return was completed and forwarded to the Charities Division of the CCRA not later than six months after the previous fiscal year end.

A change in Ontario provincial legislation and public accounting licensing standards will make it tougher to get an audit opinion. Likely something we'll see in other provinces too.

This may affect the UCC most in the case where retired auditors have been performing these tasks for free. It would now mean that they could not do this kind of work unless they had a license and liability insurance of about \$2 million, both of which would be costly.

The fundamental decision is whether you need or can afford a professional audit. A professional audit is not required by CRA or any other regulator. Make sure the Board and Congregation know of and endorse the decision.

Records Retention

Does your congregation have a records retention policy? It is a good idea. The policy should be reviewed or communicated annually to ensure that new board members and office staff are aware of the policy.

General requirements

With respect to requirements for churches, some records are only required to be retained for a short time, others for 7 years, and some on a permanent basis (until two years after the wind-up of any church).

In some respects the retention periods set out by law should be viewed as minimum standards. Insurance policies and related records should be kept on a permanent basis even though they could be destroyed much sooner under statutory retention requirements. Retired policies should also be kept permanently.

Statutory Retention Periods

Official Receipts

- Duplicate official receipts for income tax purposes must be retained for two years after the calendar year to which the receipt relates.
- Any records necessary to verify such receipts must also be retained. This refers to the detailed manual or electronic records. CRA states it is OK to dispose of offering envelopes once they are entered into the church's manual or electronic system.
- EXCEPTION: receipts related to gifts to be held for 10 years must be held on a permanent basis.

Books of Account and Vouchers

- Must be retained for at least six years from the end of the fiscal year of the charity to which they relate
- View this as a minimum retention period.

Permanent Records

- Consist of Minutes of members and governing boards.
- All documents and by-laws governing the charity.
- Duplicate receipts and records relating to gifts where the donor directed that funds be held for at least ten years.
- Such documents must be retained for income tax purposes until two years after the registration of the church is revoked.

GST and HST

HST/GST Rebate Provisions

A charity does not have to register for HST/GST purposes if it meets either of two conditions:

1. The charity's gross revenue for either of its previous two fiscal years was \$250,000 or less;
2. The charity meets the existing small supplies test (i.e., it makes less than \$50,000 in taxable supplies. Note most rental arrangements are exempt).

For HST/GST purposes a church is defined as a registered charity under the Income Tax Act. It must have a registration number and that number must not have been revoked. As such, the charity is entitled to recover a rebate of GST paid on all expenses, except where an input tax credit has been claimed.

98% of churches do not meet test #2 and so should NOT register for GST/HST but simply claim a rebate.

- Charities registered with CRA are entitled to a refund of 50% of GST paid on all purchases of goods and services. HST rebate rates vary by province.
- A church that is a registered charity generally SHOULD NOT voluntarily become a "GST Registrant" for GST purposes. Registration requires the church to collect GST on certain types of income. **For over 98% of United Churches, you do not need to register for GST**, and therefore do not need to track input credits. All you need to do is book GST and HST if applicable as a recoverable and apply for rebate periodically.
- Claiming Rebate:
 - Rebates may be claimed up to twice a year, for 6 months periods
 - Rebates must be claimed within four years from the end of the claim period.
 - **In Ontario and BC, track the federal and provincial portions separately**
- Set up your system to automatically record one half of the GST paid in a special refund account and charge the non-refundable portion to the related expense account. Similarly, have a separate bucket for the provincial portion.
- Automobile travel expense reimbursement based on kilometers multiplied by a reasonable rate per kilometer has a GST component determined by $5/105$ or $13/113 \times$ reimbursement. Total is subject to rebate.
(ex. $100\text{km} @ .36 = \$36.00$
 $\$36.00 \times 5 / 105 / 2 = 0.86$ gst recovery)

PAYROLL

Centralized Payroll Service

Although it may not feel like it when switching over, this will save untold Treasurer time in the long run! The value of automating the determination of rates, the calculations, actual remittance and source reporting is often underestimated.

Regulations re Payroll

Employment Insurance	Should be deducted from cradle to grave
Canada Pension Plan	Deduct from age 18 to 70 years of age (unless receiving CPP already)

Canada Pension Plan (CPP)

Deduct from every employee who meets the following 3 criteria:

1. Is 18 years of age and not reached the age of 70
2. Is employed in pensionable employment during the year
3. Is not receiving a Canada or a Quebec Pension Plan retirement or disability pension

CPP Pensionable Earnings to the annual maximum earnings include the gross salary, together with taxable benefits, but do not include cash housing allowances or the Fair Rental Value of a manse. For ministers, pensionable earnings is (salary and taxable allowances x 1.4)

Employer pays same amount as employee.

Honoraria

Issue a T4A for all honoraria of \$500 or more.

Part time person like organists are almost always part-time employees from a CRA perspective and deductions must be taken at source, and then a T4 issued at year end.

Employment Income

Includes

- Salaries, wages and other remunerations
 - Basic salary
 - Housing Allowance (where the minister owns or rents accommodation)
 - Other living allowances
 - Also any "honoraria" paid
- Benefits received or enjoyed in the year
 - The value of the manse occupied by the minister

- Any payment of personal expenses such as utilities that are paid by the employer
- *Excludes* employer pension plan contribution and employer-paid private health plan premiums
- Allowances
 - **GENERAL RULE: An allowance is taxable if cash being paid without supporting invoices. Not taxable if paying invoices.**
 - Includes amounts advanced or made available to an employee by an employer to cover employment-related expenses AND where no accounting is required by the employer
 - Example: A flat monthly travel or book or education allowance
 - Without supporting detail CRA deems that allowances are additional income to the employee and is taxable
 - Exempt allowances
 - Reasonable Allowances---Income Tax Act Section 6 (1) (b) exempts from income "reasonable allowances received by a minister or clergyman in charge of or ministering to a diocese, parish, or congregation for expenses for transportation incident to the discharge of the duties of his office or employment."
 - Reasonable Allowance is actual travel in kilometers X a reasonable rate per kilometer
 - Actual Travel---Based on a monthly travel log maintained by the employee that shows amount of travel and purpose
 - Travel between home and the church is considered personal travel
 - This is the only method by which the allowance is exempt. Payments are considered cost reimbursements and NOT income. No additional reimbursement above the reasonable allowance can be paid (except for parking, tolls, etc.)

Income Received

- Amounts received by a minister from persons other than the employer are required to be included in the minister's tax return when the amounts relate to duties as a minister.
 - Examples: payment for weddings and funerals, speaking engagements
- A gift or honorarium given in return for a service rendered is income
- Amounts received from the church congregation are income as received by virtue of the employment relationship

EXCEPTION: Christmas or Anniversary gifts of reasonable amounts, as considered to be in recognition of a *personal* relationship rather than an *employment* relationship

Government Reporting

The centralized ADP system automates all of this. Best practice is to have all staff on the system although it is only mandatory for ministry personnel.

- T-4's are required to be filed to report employment income as outlined earlier in this section.
- T4A's are used to report earnings by honoraria, and pension and scholarship amounts not subject to deductions other than income tax. CRA states that for income of \$500 or over a T4A must be provided.
 - Social Insurance Numbers will be needed for persons receiving honoraria

Clergy Residence Deduction (CRD)

- The T-1223 E form was introduced in 2001 in connection with changes to the clergy residence deduction. The form is initiated by the employee and filed at tax time.
- Utilities are a component in calculating CRD. "Utilities" include amounts expended for services if electricity, heating, gas, water and sewer. Telephone expense is NOT included in utilities
- The form does not identify the year to which it applies. At the top right corner write in "**For the year 20__**"
- Where a minister has had qualified employment with more than one employer in the year a T-1223 E form is required for each employer and a consolidated calculation must support the CRD claim.
- **If no manse, then the calculation must be done and is based on actual living situation (fair market rental value) NOT what we call cash housing allowance**

Note, if a minister receiving a cash housing allowance, they should file a T1213 each fall to get approval for not having tax withheld on the CRD eligible portion of their total pay. See website for detailed filing requirements. See website for detail re CRD vs "cash housing allowance.

Employee or Contractor?

- The ability to avoid deductions and T-4's is often a motivation to consider an individual a self-employed contractor, but this is not sufficient and can result in penalties to the organization.
- If uncertain in light of the criteria opt for employer-employee relationship

Decision Criteria:

1. Control
 - a. Who plans the work?
 - b. Who decides when the work is done?
 - c. Who determines the extent of the work?
2. Ownership of tools
 - a. Not usually an issue except for janitorial work
 - b. The fact that cleaning equipment is supplied by the church should not negate the self-employed status.
3. Chance of Profit/Risk of Loss
 - a. Who covers expenses?
 - b. Who guarantees the quality of the work
4. Integration
 - a. Addresses the degree to which the worker is reliant on the church and fits his/her schedule to the requirement of the church needs to the extent that an employment relationship does exist
 - b. Generally applies where considerations of the first three factors do not lead to a clear conclusion.

Recommendation:

- In the church context self-employment can have broad application to interim pastoral and custodial services if properly structured.
- Don't try it for secretarial or support position that require direction from someone else. They are employees!
- For casual staff---organists, part-time staff---deduct CPP EI and taxes and issue a T4

NOTE: For ministers to claim a CRD, they must be employees – T4

Gifts to Charities

Gifts---A voluntary transfer of property without valuable consideration

- Definition has been defined in common law over many centuries
- Must be an identifiable donor or property and charity must accept the property in order for an income tax receipt to be issued
- The donor must voluntarily transfer the property:
 - Must not be attached to any contract or condition (coercion)
 - Donor relinquishes all control or influence.
- "WITHOUT CONSIDERATION" is generally understood to be something that is measurable in commercial terms (for example money or property or something measured in terms of money, such as a service or discount)
- A broader meaning of consideration includes any retention of a donor's right to use, or direct use, of the gift.
- The more unique the gift the more you need an appraisal. There may be a fee in order to obtain the appraisal. For a gift valued at \$1,000 or more you should have an appraisal.

Exclusions

- Provision of services or allowing a charity to use property at no charge is NOT a gift to the charity
 - Donation of cottage for a week, used at an auction is a 'right to use', not a transfer of property. Not receiptable.
 - No charge lawn mowing, snow removal, etc. provided to a charity.

Cash Gifts

- Include donations in the form of money, cheques, money orders, other negotiable instruments and credit card payments.
- Generally poses no valuation problem and an income tax receipt can be issued in the amount of the cash gift.
- In general the issuance of an official tax receipt for a combined payment to a charity is not acceptable in Canada. An example is a payment that is in part a donation and in part a payment for a service or a product.

- **Specific exceptions:**
 - Amounts paid in excess of the fair market value for a meal for a fund raising dinner may be receipted for tax purposes
 - Inducements to donors to make gifts are acceptable as long as such inducements are of nominal value.

Gift in Kind

- Gifts in kind are non-cash gifts that may be capital property, depreciable property, personal use property (including listed personal property), a right of any kind, and inventory of a business.
- A gift in kind does NOT include a gift of services.

Valuation

- The value of gifts in kind must be established and documented as support for the amount of the official tax receipt issued. That is the responsibility of the charity.
- The fair market value concept applies to most donations involving gifts in kind of \$1,000 and over.

Determining Fair Market Value

- The charity is responsible for establishing the value of a gift in kind for receipting purposes
- An independent, competent and qualified person should establish the value of the gift.

Gifts of Nominal Use

- A gift in kind may be new or used property
- Issuing receipts for gifts of nominal or little value should be avoided. Example: Used clothing

Non-Qualifying Contributions

The following is a partial list of payments or contributions that do not qualify as gifts. A charity should NOT issue official tax receipts for income tax purposes in respect of such amounts. If you have questions, ask before you act!

- Payment of a basic fee for admission to an event or program.
- Payment of membership fees.
- Purchase of lottery ticket or other chance to win.
- Contribution of services may NOT be acknowledged by issue of an official tax receipt.
- The purchase of goods or service from a charity.
- A charity may NOT issue an official receipt for income tax purposes if the donor has directed the charity to give the funds to a specified person or family. That is private benevolence, with benefit only for specific individuals.
 - Donations subject to a general direction from the donor that the gift may be used in a particular program operated by the charity are acceptable, provided that no benefit accrues to the donor, and the decisions regarding utilization of the donation within a program rests with the charity.
- A charity may NOT issue an official tax receipt for income tax purposes if the donor has directed the charity to give the funds to a non-qualified donee.
 - Most foreign charities are not qualified donees, and therefore gifts directed to them are not eligible for a tax receipt. Certain foreign charities can issue official receipts for Canadian income tax purposes.

Designated Funds

- In Ontario Directors of charities are considered to be trustees---- holding resources in trust for the public.
- Directors are charged with the responsibility (according to law) of ensuring that amounts received for special purpose funds are only used for the stated purposes. Failure to fulfill this requirement could result in personal liability on the part of Directors.
- You cannot go back to the donor for a change of terms. You must go to the Public Guardian and trustees Office to request a change in the terms.
- The era of leniency is quickly vanishing. There is an urgent need for education and development of Directors in order for them to realize and fulfill their duties under the law.

"Rules of the Game"

- Directors, as trustees, function within legal boundaries similar to an estate executor
- The Directors cannot redirect funds donated to a charity for a specific use. Neither can donors redirect because, in law, such rights must be relinquished when a gift is given. Application to Public Guardian and Trustees office is the only recourse.
- Directors must ensure that gifts are accepted only in support of ministry uses approved to carry out the organization's charitable objects. Otherwise send back to the executor before accepting. May be easier to get the terms relaxed at that point than after accepting. Go back to the executor at the time of notification of the gift.
- You cannot go back to the donor for a change of terms. You must go to the Public Guardian and Trustees Office to seek a change.

Charitable Status

Why do you want charitable status?

1. Freedom from paying federal tax on income
2. Freedom from paying property taxes and the right to get sales tax rebates
3. The right to issue charitable income tax receipts for donations received
4. Allows the minister to claim the clergy residence deduction

To maintain charitable status the Registered Charity Information Return must be filled out and filed within 6 months of your fiscal year end in order to maintain your charitable status. A copy of the approved annual financial statements for your pastoral charge must accompany it. A pastoral charge can lose its charitable registration for failing to file the annual information return. Be sure to file on time.

What happens if you miss the deadline?

You cannot legally issue receipts for donations if you lose your charitable status.

You are apt to be fined a penalty---\$500

You must file for the years missed.

A letter of good standing must be sent to the Government from the national UC.

It is harder to regain status than to maintain it!

Business Number – generally ends with RR0001

Your pastoral charge must have a business number, which has been issued by the government. This number must be on all tax receipts that are issued. For multi point charges, it is important to determine whether individual “points” hold charitable status or whether it is the pastoral charge.

The new BN now replaces many numbers used by the government in the past. Suffixes are added to identify the various accounts with the govt. (as a charity, an employer, GST registrant, etc.)

There are nine digits to identify an organization, 2 letters and 4 digits to identify the type of accounts . The suffix RR0001 is used to identify charity accounts.

3010 Annual Information Return Completion

Includes

- Form T3010 - 1, Registered Charity Information Return;
- Form TF725, Registered Charity Basic Information sheet;
- Form T1235, Directors/Trustees Worksheet; include everyone
- Form T1236, Qualified Donees Worksheet (if applicable); and
- A copy of the charity's own financial statements signed by the treasurer

Registered charities must provide financial statements as part of their filing requirements for the annual information return even if the charity was not active during the fiscal period or had a zero balance.

At a minimum, financial statements should consist of:

- a [Statement of assets and liabilities](#) (balance sheet), and
- a [Statement of revenue and expenditures](#) (income statement).

They should accurately show the different sources of revenue and the expenditures for the fiscal period being reported.

Financial reporting can be done using either:

- **Cash basis:** records revenue or expenditures actually received or spent during the fiscal period.
- **Accrual basis:** records revenue earned in the fiscal period, even if received after the end of the fiscal period; records expenditures incurred in the fiscal period, even if paid after the end of the fiscal period.

The option used (cash or accrual) should be clearly indicated on the financial statements and should remain consistent. However there is one exception. The reporting of donations/gifts received must be done using the cash method only.

Take particular care in summarizing the expenses as this has implications to charitable status. Most church expenditures are for charitable purpose. In most cases, management and fundraising expenses will be quite modest. Management expense might include any audit fee or bookkeeping cost. Fundraising expenses should include postage, consultant fees etc, but should not include meal costs for congregation dinners.

- **Must be filed within six months of the charity's fiscal year end.**
- Failure to do so may result in loss of charitable status. (That means congregations lose right to issue income tax receipts.)
- A penalty of \$500 will be charged by the CRA for late filers. A larger penalty may be charged for repeat late filers.
- More tracking of statistics in the future. Fill this form out consistently year after year. Be sure a copy is left in the church office for future reference.
- There is more emphasis on fundraising and revenue sources in the present form.

Most frequently asked questions about the T3010-1:

1. "Section A1" Tick Yes. The United Church of Canada. 108102435RR003
2. "Section B" Asks for list of directors/trustees and their dates of birth. This information must be included. Sometimes a source of fuss. You are just the messenger! See below.
3. "Section C2" Use action words to describe ongoing programs. Tell what you do, not how you do it. This is your sales pitch, which the public can view.
For example:
 - a. Holds weekly services for worship and prayer
 - b. Conducts weekly gatherings for youth
 - c. Ministers to the sick and elderly
 - d. Educates lay leaders
 - e. Conducts small group ministries
 - f. Feeds the poor
 - g. Runs a clothing depot
5. "Section C4" Carry on programs outside Canada? YES. (through M&S) mark yes to '*through qualified donees*'
 1. C11 Gifts to qualified donees? Enter M&S Fund and the BN 108102435RR0003
 2. D2 is really a Balance Sheet
 3. D3, D4 is a Statement of Revenues and Expenses. Be sure to consolidate and include ALL revenues and expenses. For example, include UCW and Youth. Cemetery too – if applicable.

Directors/Trustees Section B of the T3010

You **must** attach a list with the last name, first name, and initial of each director/trustee and like official, and their date of birth, home address, telephone number, position in the registered charity, and whether or not they are at arm's length from **all** other members of the governing body of the registered charity. Only the person's name, position in the registered charity, and their arm's length status will be made public. All other information will be kept confidential. **CRA states that if the above information is incomplete the form will be returned because of incompleteness.**

The Privacy Act protects the personal information provided in the return, and the information is kept in a personal information bank. The personal information will be used by CRA to administer and enforce the *Income Tax Act*. The charity should verify with each director the personal information to be reported on the return, and advise each director that the information will be used to administer and enforce the *Income Tax Act*.

Issuing Receipts

There are 3 criteria for donations that are receiptable:

1. The gift must be voluntary.
2. There must be a transfer of property or cash.
3. No consideration other than a receipt can be given to the donor.

Receipts must be issued in duplicate.

Each receipt must bear on its face

a serial number,
name and address of PC,
charitable registration number,
and a notation that it is an official receipt for income tax purposes.

All receipts must include the name and address of the CRA as follows:

Canada Revenue Agency www.cra-arc.gc.ca/charities

Each completed receipt must contain

Date of issuance,

Date of receipt of donation,

Amount of donation, listed numerically and in words,

Name and address of donor,

Signature of authorized signing officer

If donation is a gift of property there must be a brief description, the name and address of appraiser if an appraisal has been made, and the date of appraisal. The amount on the receipt must be the fair market value of the property as of date of the gift.

To issue a replacement receipt, if original is lost,

must contain all the original information

a notation that "this cancels and replaces receipt # " The charity's copy of the lost receipt must be retained and marked "cancelled".

Donations that are NOT RECEIPTABLE:

- Loose collections
- For donations of services
- For donations of old clothing, furniture, baking, etc. Gifts with substantial value are exceptions and should be appraised for value. See "gifts-in-kind".
- Where only a pledge has been received.

Due Diligence Checklist

1. Are there internal controls in place for small groups within the church such as UCW, Men's Group, Youth Groups, special interest groups, etc.? Are there controls for church suppers? As church treasurer you are responsible for these groups and should give oversight.
2. Are there adequate controls in place for proper handling of the weekly offering? Are counters at arm's length?
3. Are there 2 'arm's length' signers on ALL cheques? Never allow for one person to sign cheques in advance.
4. Does the Annual Return (T3010) include financial information for all of the small groups that act somewhat independently? Several financial statements may have to be included with the return.
5. Is the Annual Return filled out, signed, and filed with the CRA within 6 months of the fiscal year end to avoid loss of charitable status or a penalty for late filing? Is a copy of the Annual Return filed in the Church Office?
6. Are church staff paid in accordance with United Church policy?
7. Are casual employees such as organist, part-time office workers, etc. given T4's or T4-A's at year end?
8. Do you file for HST/GST rebate every year?
9. Are the books of your church audited or reviewed by an independent reviewer each year?
10. Is an insurance review done annually? Is your building properly insured?

Is your building adequately insured? At full replacement value?
Do you review your insurance coverage on an annual basis?
Do you annually do an inventory of contents and then review insurance coverage?
Do you have adequate liability insurance? Minimum liability \$2 million
Does your building meet fire regulations?
Do you follow recommended practices with handling donations and cash?
Do you make sure that rentals have third party insurance? See handout.
Do you have Directors and Officers' Liability Insurance?
If not adequately insured then Trustees should ask to be exonerated from liability.
11. For rental of space do you have one fee structure? There can be no benefit to members. Treat everyone the same, or your charitable status could be placed in jeopardy. Make sure that renters have insurance and that you are named on their certificate of liability

No Benefit to Members!

Does not preclude salaries to employees or reimbursement of expenses, or providing financial assistance to a needy member. Providing that such assistance is part of the mandate and normal activity of the organization and that the activity is available to needy persons in the community.

Renting facilities to members at a lower rate than to non-members is considered to be a benefit to members, and should not be done. It could jeopardize charitable status.

Charge or don't charge, but do treat members and non-members alike. No private benevolence!

Working Internationally

how can a church work with its' global partners?

how can a church work with Canadian entities that are not charities?

how can a church establish it has direction and control?

How can a church establish that it carries on its own activities?

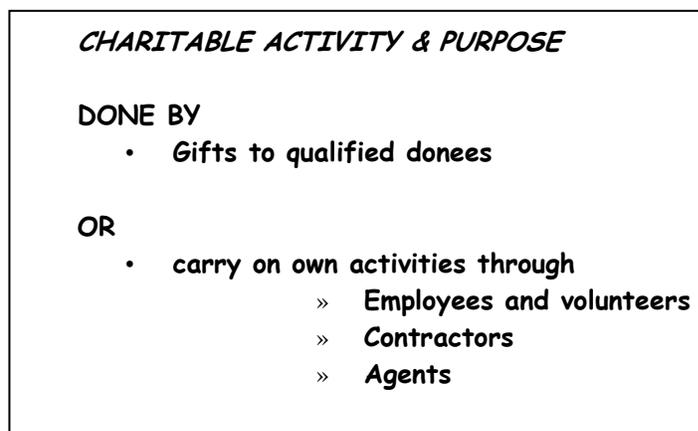
What does the CRA insist on?

CRA Fears

inadvertent support for terrorism

inadvertent money laundering or not used for charitable purpose

Charitable activity is not POLITICAL ACTIVITY. Where to draw the line?



Gift/Grant: The voluntary transference of property from one to another without consideration.

Expenditure: spending money, the giving of money in return for something.

Canadian charities cannot make grants to foreign charities.

Canadian charities can make expenditures.

Direct Foreign Activities

- » Local or Canadian employees or volunteers

Indirect Activities

- always subject to "own activities" test
- Need binding written agreements

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/tsd-cnd-eng.html>

All Written Agreements

- names & addresses of all parties
- duration of agreement or the deadline by which the project must be completed
- specific detail on what the money is for
- termination / withholding provisions
- provision for written records & segregation of monies

WORKING OVERSEAS ~ BOTTOM LINE

- BE CAUTIOUS, BE THOROUGH
- PLAN OVERSEAS PROJECTS CAREFULLY
- CONSIDER VARIOUS PROJECTS, SOME MAY BE EASIER TO FUND

Overall Advice and Resources

Watch out for *SPECIAL SITUATIONS*

- INTERNATIONAL INITIATIVES
- UNUSUAL ACCOUNTING TRANSACTIONS
 - Bequests, donor directed gifts etc
- AMALAGAMATIONS, CLOSURES, PROPERTY DEALS

- if in doubt, ask !

General Resources

- FINANCIAL HANDBOOK FOR CONGREGATIONS
- TRUSTEE HANDBOOK
- CONGREGATIONAL FINANCE web page
<http://www.united-church.ca/local/congfin>
- CRA Charities Directorate Web resources
<http://www.cra-arc.gc.ca/charities/>
- Presbytery and Conference resources
- and all modesty aside, the Mission thru Finance desk at x4022

Annual Charitable Return

[ANNUAL RETURN](#)

<http://www.cra-arc.gc.ca/E/pub/tg/t4033-1/t4033-1-10e.pdf>
guide

<http://www.cra-arc.gc.ca/E/pbg/tf/t3010-1/t3010-1-10e.pdf>
form itself

HST

<http://www.cra-arc.gc.ca/E/pub/gp/rc4034/README.html>

HOW TO GUIDE

<http://www.cra-arc.gc.ca/E/pbg/tf/rc7066-sch/README.html> *provincial rebate*

<http://www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html> *federal rebate*

Narrative Budgeting

http://www.hamconf.org/TW_Budgeting.pdf

<http://www.toronto.anglican.ca/index.asp?navid=325>

http://www.toronto.anglican.ca/images/up-Narrative_Budget_Workbook.pdf

<http://www.ontariostewardshipnetwork.ca/docs/Narrative%20Budget%20Presentation%20-Return%20to%20Sender%20conference.pdf>

Recommended Software

Many software packages for receipting, membership etc. Relatively few integrate with a full accounting package.

Cheapest - DONATIONS <http://www.software4nonprofits.com/>

Donations and receipting only

More Expensive receipting- CHURCH WATCH <http://www.churchwatch.com/>

Full Service including accounting - POWERCHURCH PLUS <http://www.powerchurch.com/>

Accounting only

Simply Accounting, Quick Books, Excel

More to come. Based on User referrals.

HST Overview for Treasurers - The United Church of Canada

Ontario	British Columbia
\$100 item with PST and GST	\$100 item with PST and GST
Current accounting Debit expense 110.50 Debit GST receivable 2.50 Credit bank 113.00	Current accounting Debit expense 109.50 Debit GST receivable 2.50 Credit bank 112.00
After July 1 Debit expense 103.94 Debit Rec. GST portion 2.50 Debit Rec. PST portion 6.56 Credit bank 113.00	After July 1 Debit expense 105.51 Debit Rec. GST portion 2.50 Debit Rec. PST portion 3.99 Credit bank 112.00
If you don't account for GST as a receivable, you will need to track two buckets of GST paid and apply the appropriate rebate rate (50% for federal portion, 82% for provincial portion). You shouldn't use a blended rebate rate because some purchases may be HST-exempt.	If you don't account for GST as a receivable, you will need to track two buckets of GST paid and apply the appropriate rebate rate (50% for federal portion, 57% for provincial portion). You shouldn't use a blended rebate rate because some purchases may be HST-exempt.
Note RST (PST) purchase exemption certificates and RST rebates for capital projects go away. These are takeaways and part of the rationale for the higher rebate percentage.	

HST Rebate Forms

How-to guide (RC4034): <http://www.cra-arc.gc.ca/E/pub/gp/rc4034/rc4034-11-10e.pdf>

Provincial form (RC7066): <http://www.cra-arc.gc.ca/E/pbg/tf/rc7066-sch/rc7066-sch-10e.pdf>

Federal form (GST66): <http://www.cra-arc.gc.ca/E/pbg/gf/gst66/gst66-11-10e.pdf>

HST Questions and Answers from the CRA

GST/HST notice 253: <http://www.cra-arc.gc.ca/E/pub/gi/notice253/notice253-e.pdf>

For more information contact the CRA or

Erik Mathiesen

Mission through Finance

The United Church of Canada

Toll-free: 1 800 268 3781 x4022 emathiese@united-church.ca

How ministry and lay personnel are taxed

Individual taxation is a complex topic well beyond the scope of this handbook! For the most part, ministry and lay personnel pay taxes and are subject to the same tax rules and tax savings opportunities and personal tax paperwork as the rest of us.

There are a couple of unique elements that treasurers and church leaders should be aware of, particularly since the treasurer will be signing CRA certification forms on behalf of the congregation.

The following information is intended to advise treasurers about form completion and provide broad, generic advice to ministry and lay personnel..

Ministry Personnel There is one individual income tax deduction unique to ministry personnel. See Section 4.9 for administrative details about the Clergy Residence Deduction. The Clergy Residence Deduction is claimed at tax time by completing the T1223 form.

In addition, certain costs incurred in carrying out ministry personnel duties may be eligible as "other employment expense" deductions from taxable income. In both instances, the treasurer of a congregation must certify eligibility on a CRA tax form (T2200).

Clergy Residence Deduction

Canadian "clergy" are eligible for favourable tax treatment relating to their **actual** housing costs. While ministry personnel are paid a housing allowance as part of their total compensation package, the actual deduction claimed can be more or less than that amount. The actual deduction is based on the actual fair market value of the housing as measured by one of:

- Actual rent plus utilities
- Imputed (please define) fair market rent and utilities for an owned home
- Fair market value of the manse plus utilities

Therefore the Clergy Residence Deduction claimed will be determined by the housing arrangements chosen, what those arrangements are deemed to cost, and other personal factors.

Like any tax deduction, an amount can typically only be claimed once. In the case of clergy housing costs, clergy couples should allocate the actual tax deduction between themselves in a way to minimize tax, the same way that parents might allocate student tuition or RRSP contributions. Depending on individual circumstance, this might mean one or the other claiming the full amount or sharing it in a way to reach a lower marginal tax rate.

Tax professionals can obviously help make such determinations, but increasingly this can be done without professional assistance. Many tax software programs provide for testing scenarios and optimizing deductions.

T2200 – Claiming Employment Expenses beyond those Reimbursed

All taxpayers are eligible to claim for certain employment expenses that are not reimbursed by their employer. Most people however will not have eligible expenses or choose not to bother.

Depending on individual circumstance, geographic breadth of the pastoral charge and other factors, there may be an opportunity for ministry staff to make a valid claim in this regard.

Treasurers should be willing to complete the required T2200 form confirming eligibility, but should not speculate or get involved in determining the amount claimed. The determination of any claim should be done by the individual or their advisor utilizing the applicable guide (T4044) and claim form (T777).

The T2200 Form is to be certified by the treasurer. It has 13 questions. Most are self explanatory. Note that for questions 7-13, the answers will generally be "no". The staffer may indeed have incurred eligible expense but the employer may not have "required" the staffer do so.

Possible sources of an additional eligible deduction are: home office, accountant fees, allowable motor vehicle expenses (see calculation on form T777), supplies and even clothing. The potential deduction will be greatest where there is a very significant travel component and no dedicated office space provided by the pastoral charge.

Non-Ministry (Lay)Personnel

There are no special deductions, rules or differences in tax treatment applicable to lay personnel. It is possible in very rare instances that non-ministry personnel might request completion of a T2200 form in order to claim employment related expenses – just as any employee might do.

Organists, church secretaries, church administrators and church custodians are treated under the Income Tax Act like anyone else. Most will be part-time or full time employees – with applicable income tax deductions, CPP and EI contributions like employees in any other venture.

The only exceptions are ones where there is not an employment relationship as defined by the CRA. These will arise in the same way they do in any other setting. In simplistic terms, there are 3 ways a church can compensate people.

1. **Employment relationships:** Most staff situations. Subject to CPP, EI and income tax withholding if applicable. It doesn't matter if there is a contract or not if the nature of the role is "employee" as defined by CRA.
2. **Honorariums:** – Payments for very occasional, unscheduled work (eg. pulpit supply). Such payments are to be reported on a T4A form to the individual and a T4A Summary is submitted by the employer.
3. **Personnel qualifies as self employed:** Could be incorporated or not. In these situations a bill is submitted for work performed. The bill would include GST or a notice that the biller is claiming a GST small business exemption. The church should be reasonably satisfied that this arrangement meets CRA definitions. If the individual(s) is incorporated, that is sufficient proof. If they are not, the individual should at least demonstrate they have other clients or a plan to acquire more clients.