

Why Can't John Be Our Treasurer?

The treasurer of a congregation is a difficult office to fill. The treasurer's job is not as glamorous as others, but it is a skilled position and takes a significant amount of time on a regular basis. The treasurer's processes and reports must conform to many governmental accounting and tax regulations. The efforts of this officer are critical to the legal, financial and spiritual health of the congregation.

But, says the nominating committee, our congregation is small and doesn't really need the fancy stuff. Why isn't John, who has some previous experience in a small business, adequate? We get financial reports and seem to be doing ok and anyway, no one else will do the job.

Unfortunately, lack of an evident crisis does not mean everything is ok. In particular, the civil law and moral law require that congregations, large and small, handle their finances carefully and in accord with federal standards, particularly providing full assurance that any donor-designated restrictions are not only honored but can be documented to be honored in an auditable way. It is important for churches to demonstrate good stewardship and set an example for their members by being disciplined enough to inform themselves of the relevant tax laws and accounting standards and to comply with them. Failure to abide by the federal non-profit accounting standards could result in civil legal liability for the governing board and officers and could result in the revocation of the tax exempt status the church.

Non-profits also have a moral obligation for honesty, transparency, and integrity dealing with donated assets. Failure to abide by the moral law requirements can result not only in internal discord but also usually causes a sharp reduction in the revenue as donors lose confidence in the management team. Such a reduction can seriously threaten the viability of the organization.

How do we know if our financial processes are ok? A formal assessment such as that offered by St. Peter's Business Services is one good way. Oftimes though, simpler questions can be helpful:

- Does the congregation get, every month, a statement of financial position (sometimes called a balance sheet) *and* a statement of activities (sometimes called a revenue and expense report) that reports on *all* financial assets of the congregation?
- Does each report clearly separate unrestricted from restricted funds?
- Are *all* of the differently restricted funds separately accounted in the monthly reports?

If you don't meet all of these expectations, your organization is not fulfilling the minimum legal and moral requirements for non-profit accounting.

In addition to doing what is legally and morally right, churches have a major self-interest in getting and using well crafted financial reports. The stresses upon today's congregations mean effective long range planning is more a necessity than ever, and effective planning requires sound long range data, especially financial

data. Just having monthly reported data is not enough, it must be consistently calculated from year to year and interpreted with wisdom and insight to the governing board and congregation. Does your congregation know clearly its recent trends in the key indicators of its life, including financial indicators?

Providing legally correct, morally responsive and planning supportive church accounting is an area that challenges many small churches. Often the church treasurer is someone who has some business accounting experience, but may not have any specific training in church accounting. The membership expects the treasurer or church financial secretary to "handle" the church finances appropriately, even though they have no provision for educating or training on the issues specific to church accounting nor do they monitor the financial processes to ensure they are done properly. Because churches must use fund accounting, which can be complicated, the treasurer needs to understand the underlying concepts of fund accounting and accurate financial statement preparation. The church frequently makes financial decisions based upon the financial reports presented by the Treasurer. If those reports are not both accurate and appropriately designed, it is very possible that the Church will unknowingly make unwise decisions based upon faulty information.

The solution for small congregations is to form a partnership between their treasurer and an outside organization to provide the technical expertise for fund accounting. Such a partnership provides the detailed skills and knowledge of fund accounting to supplement the treasurer's knowledge of the life and work of the congregation. With this partnership, John can be the treasurer without exposing himself or the congregation to additional risk. With a suitable partnership, John's workload will be reduced as well, making it easier to identify candidates for treasurer among those that have more limited available time.

St. Peter's Business Services is one organization that can provide such a team approach at a low cost. More details can be found at www.stpetersli.com/spbs.