



PARISH FINANCE MANUAL 2021

Diocese of Qu'Appelle

A MESSAGE FROM THE EXECUTIVE OFFICER

The ministry of the Treasurer at both the congregational and parish level is one of the most important in the local church. It is an administrative ministry which makes for the effective stewardship of resources by providing a solid base and support for the mission and ministry of the Church. In 1 Corinthians 12:28 (RSV), *administration* is clearly recognized as one of the critical gifts of the Spirit.

This ministry is a challenging one. For new treasurers it can sometimes appear overwhelming with all of the requirements of both canon and civil law. For long time treasurers, there are always changes in expectations and new requirements to be adhered to.

This Parish Finance Manual provides a 'best practices' guide for treasurers especially for smaller parishes and congregations. We are grateful to Bishop David Ashdown and the Reverend Susan Anholt for their combined expertise and many hours of work in compiling this resource.

Because there are always new requirements, it is our intention to annually revise the Manual so that it continues to be helpful by being as current and accurate as possible.

Complementary resources are currently in the development stage. By April 1, 2021, treasurers will be able to access two new videos: [Designing an Efficient Chart of Accounts](#) and [Completing the T3010 Registered Charity Information Return](#). Beginning this year, we also intend to implement an annual Zoom *Treasurer's Information* session.

With all best wishes and prayers for God's continued blessing on your ministry,

A handwritten signature in blue ink that reads "Shelley Baron". The signature is fluid and cursive, with a large initial 'S'.

Shelley Baron
Executive Officer

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CANONICAL RESPONSIBILITIES

General

All congregations/parishes within the Diocese of Qu'Appelle are governed by **Constitution, Canons, and Regulations of the Diocese of Qu'Appelle**. All Treasurers and other persons involved in the finances of the parish should familiarize themselves with these documents which are available under Diocesan Canons and Regulations @ quappelle.anglican.ca.

Financial Responsibilities Under the Canons

The following is a brief summary of some specific provisions in the Canons that govern a church's management of its financial affairs. The sections that follow discuss many of these provisions in detail.

Annual General Meeting

The congregation must hold an Annual General Meeting prior to February 15 (Canon 2.D.2) at which certain business must be transacted, including adopting the financial report for the past year, the budget for the coming year and appointing the auditor for the coming year.

Financial Year

In the Diocese of Qu'Appelle, the financial year is considered to be the calendar year.

Financial Report

- All accounts shall be audited in accordance in accordance with Generally Accepted Accounting Principles (GAAP) and presented to the Annual General Meeting for adoption. Where this is not practical the Annual General Meeting may approve an alternate process in compliance with Canon 21.E.1(g).
- In the case of the Parish Council the audited report shall be submitted to the Annual General Meeting of each congregation, (Canon 21.E.1(f)) for adoption.
- The congregation must forward to the Synod Office a copy of auditors' report, as well as the parochial return (Canon 21.E.1(g)).

Budget

- Canon 21 and related Regulations describes the budgetary responsibility.
 - Parish Council must adopt a budget by November 15 annually which includes the 'fair share' as identified by the diocese, including the share for each congregation. (Canon 21.E.2(a)).
 - Each congregation where there is a Parish Council shall develop a budget which includes the congregational share of the parish budget for presentation to the Annual General Meeting of the congregation. (Canon 21.E.2(b)).
 - It is up to the congregation to approve the budget, with or without amendment (Canon 21, Section E.2).
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Care Of Church Assets

- Canon 22 and related Regulations describes the responsibility relative to church property.
- The Churchwardens are responsible for the care of the land, buildings, furnishing and effects of the church, including ensuring that the church has adequate insurance.
- Acquisition of disposition of property, building or building renovations must be approved by the parishioners, Parish Council (as appropriate), the Bishop and Diocesan Council.

Incumbent's Stipend

- Canon 19 and related Regulations describes the responsibilities relative to the employment of an incumbent.
- The Treasurer must be familiar with all protocols related to the employment of an incumbent.
- The minimum stipend is determined by Diocesan Council. However, a parish may opt to pay more than the minimum. The incumbent's initial stipend is determined by the Bishop and the parish at the time of appointment (Canon 19.A.2).
- Payment of the stipend and allowances of the clergy shall be a first charge upon the funds of the parish.

In addition, clergy are entitled to a travel allowance and housing allowance in accordance with Regulations to Canon 19.C and Canon 19.D.

ACCOUNTING AND REPORTING SYSTEMS

General

The Churchwardens and the Incumbent are responsible for all the parish finances and should determine the appropriate accounting system. There are a number of different arrangements that can be used that would be suitable to parish Vestries. Parishes should advise the Synod office of their structure and who is charged with their finance, if only for mailing proposes.

- A Treasurer/Bookkeeper, by appointment by the wardens, (may be a paid position).
- A Treasurer, elected by the congregation, and a Bookkeeper by appointment by the wardens.
- A Secretary/Bookkeeper, by appointment, by the wardens (may be a paid position).
- A Treasurer who chairs a Finance committee, elected by parishioners, with consent of wardens, and with an appointed Bookkeeper. Both should be members of a Finance Committee.

The people in charge of the parish finances shall be knowledgeable in financial management and acceptable to the Incumbent (where applicable), the Churchwardens and the Vestry.

Finance Committee

The vestry may choose to appoint a Finance Committee of which Churchwardens, and the Incumbent or Clergy of the parish are automatically members.

The terms of reference for the finance committee should be developed by the vestry and ideally should also be approved by the Annual General Meeting (AGM)

Offertory Management

Churchwardens are ultimately responsible for collecting offerings at each church service (aided, if necessary, by appointees), as well as being responsible for counting and entering the initial amount of such offerings in the book provided for this purpose in the presence of the incumbent or some other witness.

The congregation shall retain a service book in which the wardens or their delegates record the offertory (Regulation to Canon 21.C.1(d)).

Two people, other than the Treasurer or any Clergy, should count the collection, and make out a “Collection Counter Sheet or Report”. Loose money is the open offering. The amount of the open offering is listed on the “Collection Counter Sheet or Report” and in the Vestry Book as such. It is assigned to the general operating fund unless a special designation was announced during the worship service. Having special designated offerings printed on the envelopes makes it easier for people to donate and for parish record; General Operating funds, and special funds e.g.: P.W.R.D.F., Building funds, and any other funds approved by Vestry.

Those people counting the collection should check the contents of each envelope to the amount recorded on the envelope. If no amount is shown it should be recorded on the envelope and will be assumed for the operating fund. If the amount shown is incorrect, the actual amount should be entered on the envelope, and a single line drawn through the amount shown by the contributor. The change should be initialed by the persons counting the collection.

The amount recorded on the envelope should be listed on the “Collection Counter Sheet or Report”.

The offering report should be totaled and the summary of totals from envelopes recorded in the Vestry Book. A copy of the offering report should be available to the Treasurer and they are given the offering envelopes and he/she records them in a system for issuing 'Income tax receipts', and then files them.

A designated individual carries cash to the bank for deposit. Where possible, money should be deposited on Sunday and not held overnight.

Petty Cash

Petty cash accounts are not advised as all disbursements should be made by cheque or authorized online banking systems. However, if a petty cash system is utilized, the petty cash account must maintain a pre-approved consistent balance. An invoice accompanied by the appropriate vouchers must be submitted for all reimbursement. When replenished, the invoices should be posted according to the appropriate expenditure accounts and the ensuing petty cash payment should equal the amount of the invoices and maintain to the petty cash account balance.

Duties of the Treasurer

- The Treasurer must deposit all monies coming into their possession for the church (Regulations to Canon 21.1)
- All monies received by a parish or congregation must be deposited to a bank, credit union or trust company licensed to do business in Saskatchewan.
- The Treasurer is expected to ensure that all receipts and disbursements are recorded on a timely basis and that the financial records are kept in good order.
- The Treasurer is responsible for ensuring that an Income and Expense Report and balance sheet (as reconciled with the financial institute) are presented to the vestry/parish council when it meets. The income and expense statement should be presented in comparison with the budget projections and any variations from budget should be identified.
- Parochial Return: Parishes or Vestries are required to submit statistical and financial returns and audited Financial Statements to the Synod office by March 30th every year. The annual Parochial Return is required so that the Diocese can accurately and fairly calculate the assessment for each Parish.
- The Treasurer is responsible to report on the congregation funds to the Vestry. The Treasurer will be responsible in producing a financial statement, for the previous fiscal year, which includes the Receipts and Expenditures, a Balance Sheet and an Operating Budget for the coming year, for the AGM.
- Other duties may include the completion of the annual year-end financial return required by the Diocesan Synod Office prior to March 31 annually.
- The Treasurer is perceived to be involved in all financial matters and, even though some matters are clearly the responsibility of others, it is recommended that the Treasurer be at least acquainted with all financial activities in order to ensure that nothing is overlooked.

Revenues

The Treasurer must keep a record of all monies received by the local church for support of its ministry as well as ministries beyond the local level. Since the Treasurer is accountable for these receipts, he/she is responsible to set up and keep proper bookkeeping records.

Funds designated for a special purpose or to an appeal shall be recorded separately and used for the designated purpose.

Contributions to any flow through funds i.e. (P.W.R.D.F. etc.) or any special purpose fund authorized by the parish Vestry are amounts received in trust and must never be used even temporarily for other purposes. Applicable funds must be sent to the synod office on a quarterly basis.

It is important that contributors are provided with an “Official Receipts for Income Tax Purposes” by the end of each year specifying the amount of their contribution for local purposes, to any ‘flow through funds’ and to special funds.

The Treasurer with the Bookkeeper should be certain that the proper government forms are completed annually so the churches charitable society status is not jeopardized and tax receipts invalidated. (Registered Charity Information Return, T4033A)

Disbursing Church Funds

From time-to-time church funds are used to purchase goods or services for church use. For accounting purposes, the cost must always be charged to the appropriate budget item. Though it varies from church to church, in many cases different persons may have responsibility for different budget items. For example, if your church has a Youth Group Committee that oversees such activities, the Youth Group Committee Chair would likely be in charge of that budget item. Therefore, if a particular Youth Group activity needs to purchase something, the cost would come out of that budget line.

To have an invoice paid, a cheque requisition form should be completed and signed by the person responsible for the individual budget line that the funds would be coming from (in the example above it would be signed by the Youth Group Committee Chair).

The cheque requisition form should indicate the nature of the expenditure, the amount, and the account that is to be charged for the expenditure.

The Treasurer shall disburse funds received for local church purposes under the direction of the parish Vestry and keep detailed records of all transactions (in a general ledger).

It is reasonable to authorize the Treasurer to make payment for regular disbursement such as monthly remittances to the synod office, electric, water, natural gas, telephone and similar items.

No unusual payments should be made by the Treasurer without the approval in advance by the Finance Committee and or Parish Council or Vestry.

The Treasurer should report to the Parish Council or Vestry all disbursements made in the period prior to the meeting as well as any accounts to be approved for payment.

All salaries must be paid as approved by vestry/council and in accordance with CRA Guidelines.

In multi-point parishes vestry Treasurers shall remit monthly regular payments to the Parish Council.

The parish shall remit to the Diocese each month an amount equal to one-twelfth of the total annual amount due from that parish as its fair share.

Clergy Stipend and Benefits Payable

Payroll forms are made available to each parish at the beginning of each year and thereafter whenever and changes are effective in stipends, salaries or benefits. One form is issued for each employee.

All payroll amounts must be remitted to the Synod office by the 20th or before as specified for the current month.

Signing Authorities

All cheques must be signed by two persons, preferably the Treasurer and/or a Churchwarden(s) or another person appointed by Vestry for that purpose.

Cheques should never be signed in blank or pre-signed. Similarly, the use of signature stamps should be prohibited.

Cheques are sequentially numbered. Cheques should always be used in sequence so that they can be kept track of easily. Also, all voided cheques should be properly cancelled and retained. Unsigned cheques should be safely stored.

Cheques should always be made payable to specific payees and not to cash (or in bearer form).

Invoices paid by cheque should always be cancelled by marking/stamping them as paid at the time of signature, to prevent duplicate payment of the invoice.

The Incumbent shall not be involved with the church's funds, bookkeeping, and/or as one of the signing officers for the parish bank accounts.

The Treasurer should not hesitate to seek help in situations where the proper course of action is in doubt. Many persons, both within and outside the congregation are qualified and willing to give advice and assistance and the Synod office is always accessible.

Authorization of Expenditure

As in any organization, a lack of control over authorization creates problems.

No one person should have the authority to incur expenses for the church itself or any organization of the church other than for the day-to-day fixed expenses previously approved by the group, committee or vestry. Urgent situations that immediate action can be managed by e-votes. Vestry may consider a formal numbered purchase order (PO#) system with approved signatures.

Method of Payment

Accounts may be paid by cheque bearing the signature of two signing officers who have examined a properly detailed invoice, statement or another supporting voucher. Cheques with stubs or a computer form cheque should be used. With appropriate motions filed with the financial institution, online banking may be used for specific purposes such as utilities etc.

No payment should be made unless the invoice has been approved by the group, committee or vestry to which the account applies.

Budget

The Treasurer or Finance Committee will prepare the budget with the Church Wardens' input.

All Church committees, individuals and groups responsible for proposed items of expenditure in the budget should be consulted.

As soon as possible after the third quarter of the year, a review of the income and expenditures should be carried out along with a forecast of the cash requirements for the balance of the year.

The vestry must approve the budget prior to presentation to the Annual General Meeting.

Vestry/Parish Bookkeeping System

The church's general operating account could have its own separate bank account. Alternately, all funds may be retained in one bank account with an accounting process arranged to report on each account.

The Treasurer must reconcile the balance sheet with the bank statement on a monthly basis.

If the Treasurer wishes to change the parish bookkeeping system, he or she should consult with the Churchwardens, the Incumbent and Vestry.

An audit must be completed whenever a new Treasurer is appointed or elected to ensure the books are balanced and everything is in order prior to the next Treasurer assuming the responsibility.

Chart of Accounts

A chart of accounts can be thought of as a filing system used to assign the results of financial transactions over a period of time. Like any filing system, the more it reflects the priorities of its users, the more it will be user-responsive. The purpose of a chart of accounts is to:

- Maintain uniformity of classification of transactions from year to year;
- Facilitate bookkeeping and preparation of financial statements,
- Aid in preparing the Annual Parochial Return.

In developing a chart of accounts, provision must be made for each fund that has its own assets, liabilities, fund balance, support and revenue and expense accounts. The chart of accounts must integrate these separate funds into an account structure facilitating bookkeeping and financial statement creation.

The Accounting System

The accounting system should be able to generate separate financial reports for each fund, as well as a combined (consolidated) report. To produce separate reports for each Fund, a comprehensive accounting identification system is used.

Division of Funds

Some Treasurers may prefer to use "Fund accounting" which is a specialized accounting system designed to meet the unique needs of not-for-profit organizations like churches. Because churches often have one or more funding sources that place conditions or restrictions on the use of money or property received, fund accounting allows for proper classification and reporting of these resources into separate categories. Fund accounting tracks (in separate "funds" or compartments) the ways in which the resources themselves are held and applied for different activities, objectives and restrictions.

Designated Funds

Balances in a designated funds should be treated as a trust liability of the church until disbursed or, in the case of internally designated funds, until transferred into operations. By law externally designated funds cannot be borrowed against for operating purposes.

Discretionary Fund

A discretionary fund may be available to assist people that the clergy or an assigned committee feels are in need of financial aid. There should be absolute confidentiality related to the individual receiving the assistance. A confidential ledger detailing disbursement must be retained as the Canada Revenue Agency, during the course of an audit, may request this information.

Record Retention (refer to: Ensuring Sustainability-Qu'Appelle Version)

Permanent Records

Permanent records such as minutes, by-laws and general ledgers must not be destroyed.

Financial Records

As required by The Canada Revenue Agency (CRA), records and related vouchers should be retained for a period of six calendar years after the year in which the record was originated.

Duplicate Receipts

CRA Regulation 5800 requires that duplicate donation receipts issued by a charity must be kept for a minimum of two years from the end of the calendar year in which the receipts are issued; Receipts for donations of property must be held for a period of not less than ten.

Year End Management

As part of year-end activities, it is important to archive important paperwork. Clearly label all boxes and files and store them in a secure location.

A well-thought and executed filing system ensure that important paper documents are readily available to support tax returns, provide information for a bank loan, or return a faulty product with the original receipt and warranty information.

CHARITABLE RECEIPTING

In order to issue income tax deductible receipts, a church must be registered with the Charities Division of CRA, Taxation. Registration certificates and Business Numbers are issued directly to each parish or congregation.

Charitable receipts are available for “gifts” made to registered charities. A “gift” means a voluntary transfer of property for no consideration. (Consideration means a payment arising as a result of bargaining between two people to exchange one item for another. Consideration is money or something of value measured in terms of money.)

What Canada Revenue Agency (CRA) Considers a “Gift”

CRA requires that before a charitable receipt can be issued, the following conditions must be met:

- there must be a donor who gives property to the church voluntarily;
- such property must be accepted by the church as a gift; and
- no right, privilege, material benefit or advantage may be conferred on the donor (or on someone the donor has designated to receive a benefit) as a consequence of making the gift.

Gifts-in-Kind

A gift in kind which is a gift of property other than cash must reflect the fair market value (FMV) of the gift. Services (work) of any kind do not qualify as a gift in kind.

FMV is defined as being normally the highest price, expressed in dollars, that property would bring in an open and unrestricted market between a willing buyer and a willing seller both of whom are knowledgeable, informed, prudent and acting independently of each other.

Proof of how the FMV was determined is required and if it cannot be determined a charitable tax receipt cannot be issued.

The FMV of any advantage received by the donor must be deducted from the FMV of the gift to determine if there is an eligible amount.

Payments Not Normally Qualifying as Donations

The following do not normally qualify as donations:

- Amounts received by loose or open collection
- Donations of services (work) where the donor requests that instead of payment for his/her services, he/she be given a donation receipt for the value of the services
 - *If a person provides services to the church and wishes to make a donation to the church,*
 - *the church can pay the person for the services and that person can then donate money to the church. When that person donates the money, he/she will, of course, be entitled to a charitable receipt because there has been a transfer of property (money) to the church.*
- Donations of old clothes, furniture, home baking, hobby crafts, etc. (unless the articles are of unusually high value).
- Amounts paid for admission to concerts, dinners and similar fund-raising functions.

- *A charitable donation receipt could be issued to persons buying tickets, but only for the amount that exceeds the fair market value of the meal or other benefit*

Specifics Regarding the Issuance of Receipts

Only those people who are responsible for knowing that the donations were received and that the tax laws allow a receipt to be issued may actually issue the receipt. Control of issuing charitable donation receipts is the ultimate responsibility of the Churchwardens. Failure to control the church's charitable receipts can have serious consequences up to and including loss of charitable status.

Receipts must be issued to the person making the donation – not to someone else, even at the request of the donor. (Let's say, for example, that a church member donates \$100 to the church but asks the church to write the receipt to someone else; essentially, the donor wants to "benefit" someone else by giving them a tax credit. The church should not issue the receipt in anyone's name but the donors.)

Receipts for donations received after the calendar year end may be issued for the previous year only if the donation was actually mailed in the previous year and only if the cheque was dated for the previous year.

Receipts must contain certain information, including the following (per Income Tax Regulation 3501):

- the church's name and address;
 - the church's charitable registration number, which is the same number as its "Business Number" for purposes of all correspondence with Revenue Canada (including filing Form T3010 and HST returns);
 - place and locality where receipt was issued;
 - the serial number of the receipt;
 - the date of the donation;
 - the name and address of the donor;
 - the amount of the gift (in the case of a non-cash gift the amount is the fair market value of the property at the time the gift was made);
 - the signature of a responsible individual (typically, one of the Churchwardens).
 - The name and website of Canada Revenue Agency (CRA). (canada.ca/charities-giving)
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C.R.A. REPORTING

Charitable Status

For income tax purposes, the advancement of religion is considered a “charitable purpose” and so churches may register with the Canada Revenue Agency (CRA) as a Canadian Registered Charity. Each church separately registers with CRA and has its own charitable registration number. A church’s charitable registration number is the same number as its “Business Number” (BN).

A charity enjoys favourable treatment under the Income Tax Act (the Act), so long as the charity registers under the Act and maintains its status. (Charitable status can be revoked if a charity fails to file the annual Registered Charity Information Return – Form T3010-1.)

To qualify as a gift to a charity an amount must be given to the charity for use in pursuing its own charitable objectives.

Charity’s Annual Information Return – Form T3010-1

Every year a charity must complete and file an annual information return within six months of the end of its taxation year. (Since churches in the Diocese are on a calendar year basis, they must file their Form T3010 by June 30th of the following year.) CRA has produced a useful Guide to assist charities in completing the information return and supporting schedules.

INVESTMENTS

Church's Investment Policy

Through the annual budgeting process, a church should have a good idea of the amount of money it will need (its expenses) to run all of its programs in a given year, as well as an idea of how much money it will receive (its revenues). If revenues exceed expenses, the church should consider what to do with that excess. The excess should be properly invested so that it grows and becomes a financial cushion for the church to fall back upon for use when:

- additional funds are needed, perhaps because in a particular year the forecasted expenditures exceed revenues or because the actual revenue came up short of the amount anticipated; or
- when the church wants to make a capital expenditure, for example, for when the church wants to buy a new organ, or add on to church buildings, etc.

Funds over and above those needed for the church's day-to-day activities should be invested to earn a higher rate of return than what the church earns on its normal bank account(s).

Short-Term Investing

The possible short-term needs of the church should be considered when determining the term for different investments. Typically, churches invest in instruments that offer fixed, guaranteed rates for fixed terms (for example, Guaranteed Investment Certificates (GICs), government bonds, etc). Such investments allow the church to try to minimize interest rate swings and allow for the church to stagger the maturity dates so that if a need for cash arises some instruments will be maturing soon, allowing them to be cashed without incurring a penalty.

Long-Term Investing

The goals with long-term investing are somewhat different – the aim of such investment is to have growth over a longer period of time. Often with long-term investing there are fees and costs, for example, broker's commissions, transactions fees, etc. Participation in consolidated funds operated by the diocese or the national church can increase return, reduce fees and provide greater long term stability. Any parish wishing to utilize long-term investing is advised to consult the synod office.

Treatment of Marketable Securities Given to the Church

If a church accepts contributions of marketable securities, the church should have a securities account into which the securities can be deposited. The Diocese also maintains an account to process donations of stock on behalf of the parish.

FEDERAL SALES TAX

Filing Requirements for Registrants

The Goods and Services Tax (GST) is payable on most purchases. **Charitable organizations may receive a rebate of 50%** of all GST paid out in the course of their charitable endeavors.

For GST purposes, a charity 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.

Each church that is a registered charity with CRA with a valid registration number is automatically a charity for GST purposes.

How To Claim A Rebate

Charities may claim a rebate of 50% of GST paid on purchases for exempt charitable activities. It is not necessary to be registered with the GST to do this, but the church's charitable registration with the Canada Revenue Canada (CRA) must be valid.

In order to register, download the Goods and Services Rebate Application from the CRA website. This form comes with a guide that explains how to complete it and send it in. The GST office will then assign a rebate number and send a new form for each successive filing.

The purchases that are eligible for the 50% rebate include:

- General operating expenses such as rent, utilities, office equipment and supplies.
- Reimbursement of employee's expenses that include GST (these can be subject to certain limitations).
- Purchases made for goods and service the congregation offers (commercial activity) for which it is not required to collect GST because it is a small supplier (under \$250,000 rules).

Books and Records

The accounting records and systems must be structured to allow for the recording of GST paid, and rebate claims. At the end of each filing period, the books should provide enough information to determine how much GST has been paid, as well as the amount recoverable through rebates.

Purchase Invoices

Sales records and invoices must be kept in order to support claims for the input tax credit and the 50% GST rebate. Suppliers registered for the GST will provide invoices containing the GST registration number and other required information. These records must be kept for six years and made available to CRA auditors on request.

Who Should Register?

If the church has no commercial activities and only receives donations, gifts, grants and subsidies, there is no reason to register. You need only claim your 50% rebates. If the church is heavily into commercial activity and the volume of GST taxable transactions is over \$250,000 over the previous 2 years, then the church must register. Refer to CRA website for specific rules.

INSURANCE

The Canons provide that the diocese has the authority to designate an insurance company; the diocesan broker is AON Reed Stenhouse Inc.

Churchwardens are responsible for the care of the land and buildings, furnishings and effects belonging to the church, and for keeping them adequately insured at full replacement value against loss by fire and for maintaining insurance against any other insurable hazard to the church, to its property, to the Incumbents and to the Churchwardens (Canon 22, Section B (1)).

The Diocese maintains a group insurance policy. Unless the parish has indicated otherwise, the Treasurer is listed as the parish insurance contact person to receive all communications related to insurance matters. All claims or possible claims must be submitted through the synod office.

DEALING WITH BEQUESTS

Receiving a Bequest

One of the ways that parishioners (current or former) or friends of the Church use to support its ministry and witness is by making a bequest in their will leaving money or other property to the parish. While a bequest can be a real blessing, it must be handled properly or it can become a serious problem.

Parishes should regularly provide education and promotional material for potential donors to encourage bequests to the church.

The donor should be encouraged to seek legal consultation in developing a gift that is appropriate and sustainable which encourages consultation with the leadership of the congregation or parish in the development of the gift proposal.

Designated (Restricted)

The bequest is to be used only for specific purpose which is spelled out in the donor's original will or codicils to that will. It might also spell out if the capital needs to remain intact with only the income being available for use.

Undesignated (Unrestricted)

The bequest comes without any conditions attached and can be used however the recipient decides.

Types of Bequests

1. Specific Bequest – a specific piece or property given to a specific recipient
2. General Bequest -a specific amount given to a specific recipient without specifying the source
3. Percentage Bequest -a stated amount of the donor's estate
4. Residual Bequest-all or portion of what remains after specific and general bequests are distributed.

When Notice is Received of an Undesignated Bequest

1. Consult with the Synod Office to determine if the bequest accords with the constitution and canons of the diocese.
2. Determine if accepting the bequest would be beneficial to the parish.
3. Decide whether or not to accept the bequest.
4. If the bequest is accepted, create a temporary parish fund, assign the bequest to that account.
5. Determine criteria for the use of the bequest.
6. Report regularly to vestry and parish on the activity in the appropriate fund.

When Notice is Received of a Designated Bequest

1. Consult with the Synod Office to determine if the bequest accords with the constitution and canons of the diocese.
2. Determine if accepting the bequest would be beneficial to the parish.

3. Decide whether or not to accept the bequest.
4. If the bequest is for an existing parish fund, assign the bequest to that account, making sure to honour any conditions attached to the bequest.
5. If there is not current fund, create a special purpose fund with appropriate terms of reference and assign the bequest to that account.
6. Report regularly the activity in the appropriate fund to vestry and the parish.

Importance of a Bequests Policy

A bequest, especially a substantial one, can be a great blessing or a terrible burden to a congregation. Because a bequest usually arrives unexpectedly it is important to have a policy in place which enables it to be dealt with in a transparent and thoughtful manner thereby preventing the possibility of a lot of turmoil later on. A policy allows the congregation to decide if the gift is in keeping with its mission and therefore whether to accept. The policy can outline how to practice the best stewardship of the gift as well as how to honour the donor's wishes and memory.

Elements of a Good Bequest Policy

1. Threshold amount (usually \$1,000 +) when the policy is activated.
2. Notification of synod office when indication of a possible bequest is received.
3. How to determine if the bequest will be accepted
4. Designated (restricted) gift to be placed in appropriate trust fund and if one does not exist the creation of one.
5. Undesignated (unrestricted) gift to be placed in temporary internally restricted account.
6. Tithing requirement: will the parish tithe a certain portion of all undesignated bequests and to whom.
7. Process for determining how to allocate undesignated bequests. e.g- endowment, building, operation, other.
8. Establish timeline for allocation of undesignated bequest.
9. Recognition of donor.
10. Report to parishioners.

AUDIT/REVIEW

Levels of Financial Verification

An audit is the highest form verification of a company's accounts. An audit requires the auditor to determine if the financial statements presented are free from material misstatement.

There are three levels to accounting verification

- Notice to Reader – the lowest level of verification. There is very little verification of the accounts, but the statements cannot be knowingly wrong when prepared by a licensed accountant. This form of verification does not necessarily need to be independent.
- Review Engagement – the second level of verification. This verification involves comparisons and discussions with management. The financial statements will be in accordance with GAAP (Generally Accepted Accounting Principles).
- Audit – the highest level of verification. It involves testing and reviewing the accounting systems and confirmations. It ensures that the financial statements are in accordance with GAAP. Audits will also produce management letters. The auditor must be independent. (If the auditor is a parishioner, they cannot hold a decision-making position within the church.)

Audit or Review Requirements

The prescribed qualifications that a person must meet to be an auditor are that: the person must:

1. be a member of a recognized accounting profession that is regulated by an Act; or
2. the person must be approved by the Director to act as an auditor.

The prescribed qualifications that a person must meet to be appointed to conduct a review of the financial statements of a corporation are that: the person must:

- be a member of a recognized accounting profession that is regulated by an Act; or
- the person must be approved by the Director to conduct the review.

Financial Accounting Record Retention

Parishes, as registered charities, are required by CRA to keep adequate books and records. This is so CRA can verify donation receipts issued, as well as revenues and expenditures. Parishes must keep source documents (invoices, cheque stubs or copies of cheques, donation envelopes etc.) that support the information in the records. Charities are also required to keep additional information that can be used to verify that their activities continue to be charitable, for example minutes of meetings.

As a charity, the books and records are required to be kept at the Canadian address that is on file with CRA. If the parish's books and records are considered inadequate by CRA, they may:

- issue a requirement that adequate records be provided;
- suspend the charity's tax-receipting privileges; and/or,
- revoke charitable registration.

The following table is an overview of the general requirements about length of retention for certain types of records.

Type of Record	Examples of record	Retention Period
Records concerning gifts	Duplicate donation receipts and supporting documents	Current year plus 2 additional years
Accounting General Ledger	General Ledger printout	Permanent
	Supporting documentation (invoices, cheque stubs, deposit books/slips, etc)	Current year plus 6 additional years
	Financial Statements	Current year plus 6 additional years
Governing documents	Minutes, by-laws, CRA correspondence	Permanent
Government Filings	Annual Charity Information Return, Sales Tax returns	Current year plus 6 additional years
Payroll	Payroll registers, WSIB, EHT, other benefit filings	Current year plus 6 additional years
	T4 Back up	Permanent

FREQUENTLY ASKED QUESTIONS

1. Can I issue a receipt for a donation received after December 31 as long as my books are still open?

Answer: For donation to be credited in a particular year it must either have been actually received by December 31 of that year or been postmarked by December 31 even if it is received days later.

2. When we require quotes for a project is it okay to receive verbal quotes?

Answer: It is important to be able to document activities. Therefore, it is necessary to always require written quotes. All quotes should be retained even after a contract is awarded to a particular individual or company. After a reasonable period (2-3years) the quote may be disposed of.

3. Is verbal approval sufficient authorization for expenditures which are either not in the budget or which exceed the budgeted amount?

Answer: All extraordinary expenditures require a motion of vestry or equivalent body. Such resolution will be part of the minutes of a meeting and therefore will be written. If the resolution is considered electronically then the email correspondence should be printed and retained.

4. What is the best way to store files?

Answer: Files should be kept in a safe secure location which protects the privacy of the information. Access should be restricted to authorized persons only. Filing cabinets work well as they are designed for such purposes. However, bankers' boxes in closets will also work if privacy can be maintained. Regular backups of electronic files should be stored offsite. If files are on a laptop, security is particularly important. Data should be encrypted with password access. Operating systems change frequently. When moving to a new system make sure that old electronic files are translated into a format easily accessible to the new system.

USEFUL TOOLS #1

Expenditure Authorization

Payee: _____

Amount: \$ _____

Distribution:

Account	Amount	Itemization
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Authority: Budget Resolution

Other (Specify) _____

Payment Authorized by:

_____ _____
(Signature) (Date)

Cheque # _____

USEFUL TOOLS #2

This collection count sheet is designed for smaller congregations. Larger congregations will want to design their own more appropriate to their needs.

Collection Count Sheet

Date _____

Envelopes

Envelope Number/Name	Cheque Amount	Cash Amount	
TOTAL			

OPEN OFFERING

COINS	
BILLS	
TOTAL	

DISTRIBUTION:

General Fund	
Memorial Fund	
PWRDF	
Mission - Specify	
TOTAL	

VERIFICATION

Counted by: _____

Witness: _____

Entered into Vestry Book

APPENDIX A: What Does the CRA Consider to Be a Gift?

For a registered charity to determine whether or not a gift has been made, it must consider the following:

1. The donation must be given freely. If a donation is made as a result of a contractual or other obligation (for example, a court order), it is not eligible for a receipt.
2. Was there a transfer of property?
 - Only gifts of property are eligible for official donation receipts (for example, cash, computers, equipment).
 - Gifts of service, and promises of service, are not gifts of property, and are not eligible for an official donation receipt.
 - Gift certificates donated by the issuer do not constitute property and are not eligible for official donation receipts. However, a gift certificate purchased and then donated does constitute property and may be receipted at its fair market value.
 - Pledges do not constitute a transfer of property until they are fulfilled and, as such, are not eligible for an official donation receipt.

Did the donor receive an advantage?

Where a donor receives an advantage or consideration for a donation, part or all of the donation may no longer qualify as a gift. Examples of advantages might include:

- a ticket to an event;
- use of property; or
- a dinner and/or performance at a fundraising event.

Was the gift directed to a specific person, family, or other non-qualified recipient?

- Donors cannot choose the beneficiaries of their donations. A charity must have full discretion in deciding how to allocate its funds. A donor may request that a gift be directed towards a person, family, or other non-qualified recipient if they have been identified beforehand by the charity as a recipient of its charitable program. However, the charity must be able to re-allocate all donated funds to other charitable programs or activities when it deems appropriate.
- A donation subject to a general direction from the donor that the gift be used in a particular program operated by the charity is acceptable, provided that no benefit accrues to the donor or anyone not at arm's length to the donor.
- When a charity does not have ultimate control over donated funds, or when a benefit accrues to the donor from donated funds, these funds do not constitute a gift and are not eligible for an official donation receipt.

What types of transactions generally do not qualify as gifts?

- a court ordered transfer of property to a charity;
- the payment of a basic fee for admission to an event or to a program;

- the payment of membership fees that convey the right to attend events, receive literature, receive services, or be eligible for entitlements of any material value that exceeds 80% of the value of the payment;
- a payment for a lottery ticket or other chance to win a prize;
- the purchase of goods or services from a charity;
- a donation for which the fair market value of the advantage or consideration provided to the donor exceeds 80% of the value of the donation;
- a gift in kind for which the fair market value cannot be determined;
- donations provided in exchange for advertising/sponsorship;
- gifts of services (for example, donated time, labour);
- gifts of promises (for example, gift certificates donated by the issuer, hotel accommodation);
- pledges;
- loans of property;
- use of a timeshare; and
- the lease of premises.

[www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/whts-eng.html]

What you need to know to issue an official donation receipt

Is the donation a gift?

To issue an official donation receipt, a registered charity must determine whether or not the donation constitutes a gift (see What is a gift? page 55).

Who is the donor?

A registered charity can only issue an official donation receipt to the individual or organization that made the gift, and the name and address of the donor must appear on the receipt. A charity cannot issue an official donation receipt in the name of anyone but the true donor.

What is the eligible amount of the gift for receipting purposes?

Once a registered charity has determined that a gift has been made, it must determine the eligible amount of that gift for receipting purposes in order to issue an official donation receipt.

To determine the eligible amount of a gift, a charity must know:

- The fair market value of the donated property; and
- The fair market value of any advantage provided to the donor.

Before the charity can issue an official donation receipt, any advantage must normally be deducted from the fair market value of the donation.

[www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/whtknw-eng.html]

What are the consequences for charities that issue receipts with incorrect or false information?

- A registered charity that issues an official donation receipt that includes incorrect or incomplete information is liable to a penalty equal to 5% of the eligible amount stated on the receipt. This penalty increases to 10% for a repeat offence within five years.
- A registered charity that issues an official donation receipt that includes deliberately false information is liable to a penalty equal to 125% of the eligible amount stated on the receipt.
- If the charity is liable for penalties in excess of \$25,000 for issuing false receipts, that charity is also liable to one year's suspension of its charitable status.
- A registered charity that contravenes or continues to contravene the receipting requirements of the Income Tax Act could also have its registration revoked.

APPENDIX B: Record Retention Schedule

Some of the most important items to keep are correspondence, diocesan directives, parish policies and bylaws, personnel files for employees, appointments and licenses for volunteers, criminal record checks, minutes of congregational and vestry meetings, committee minutes, annual parish members list, insurance records, information related to any trust funds including conditions for use, annual budgets and financial statements, mail, email, telephone, and inspection logs. Important records include:

- copies of official donation receipts must be kept for a minimum of two years from the end of the calendar year in which the donation was made
- general ledgers must be kept for a minimum of six years
- audited year-end financial statements must be kept for a minimum of six years
- annual information returns (T3010) must be kept for a minimum of six years
- minutes of vestry/parish council must be kept indefinitely
- minutes of the AGM and special congregational meetings must be kept indefinitely
- governing documents and bylaws must be kept indefinitely
- annual parish lists should be kept indefinitely
- insurance policies should be kept indefinitely
- church offering envelopes must be kept for a minimum of six years
- source documents which include invoices, purchase receipts, contracts, guarantees, bank deposit slips, bank statements, cancelled cheques, credit card receipts, purchase orders, delivery slips and transaction-related correspondence (including emails) must be kept for a minimum of six years
- 10-year gift (such as property, trusts, annuities) records must be kept indefinitely
- land titles, deeds, mortgages, building inspections, and equipment service contracts should be kept as long as the building or equipment is owned
- incident reports should be kept indefinitely