I’m On the Vestry . . .
What You Need to Know
About Your Church’s Finances

Vestry University
October 5, 2013
Agenda

• Your Role and Responsibilities
• Internal Controls
• Monthly Financial Statements
• Your Congregation and the Parochial Report
• “Red Flags”
• Payroll & Insurance
• Q&A
• Resources
Your Role and Responsibilities
Your Role and Responsibilities

– Fiduciary and Steward of All Church Assets
– Oversight of All Bank Accounts and Funds
– Internal Controls
– Ensure Sound Business Practices
– Compliance with the Law
– Compliance with Canonical Requirements
  – Audits
  – Parochial Reports
  – Pledge to Diocese
Internal Controls
Internal Controls

– Cash Receipts
– Cash Disbursements
– Pledges and Reconciliations
– Financial Statements
  • Annual Budget
  • Monthly Review of Financial Information
  • Inquiries of Treasurer
– Annual Audit
– Parochial Report
Monthly Financial Statements
Basic Financial Statements

Income Statement

– Income Statement

• Income and expenses
  – Current month and year-to-date

• How much have we received, how much have we paid out?

• Are we running at a surplus or a deficit?

• It’s not necessarily about cash
Basic Financial Statements

Balance Sheet

– Balance Sheet
  • Two Components
    • Assets (including cash and investments)
    • Liabilities (amounts owed, including loans)
  • What is our financial position right now?
  • How much has it changed?

– Alternatives to the Balance Sheet
  • Schedule of Assets
    – Especially Cash & Investments
  • Schedule of Liabilities
    – Current Liabilities
    – Aging of Accounts Payable
Examples of Financial Statements

– Monthly Budget vs. Actual Results
  • Exhibit, pages 1-2

– Year-to-Date Budget vs. Actual Results
  • Exhibit, pages 3-4

– Balance Sheet
  • Exhibit, page 5
Your Congregation and the Parochial Report
Annual Parochial Report

• Your Parish
  – Three-Year Summary of Financial Information
“Red Flags”
“Red Flags”
Income and Expenses

• Recurring operating deficits
• Pledge income
  – Number of pledges
  – Average pledge
  – Declining pledge amount
  – Percentage of pledge to NOI
• Ratio of “regular support” to NOI
• Reliance on rental and other income
• Use of endowment/investments for operations
“Red Flags”
Balance Sheet

• Amount of unrestricted cash and investments
• Listing of aged amounts payable
• Pension and 403(b) payments up-to-date
“Red Flags”
Other Information

• Declining ASA (Average Sunday Attendance)
• Percentage pledge to diocese
• Comparison of key items to similar-sized congregations
• Comparison of key items to diocese
“Red Flags”
Basic Controls

• Audits up-to-date?
• Action taken on audit recommendations?
• How process payroll?
• All tax withholdings timely remitted?
• All tax filings with IRS and NJ current?
• Bank reconciliations done and approved?
• Two signatures required for all transactions?
• Parochial report filed timely?
Payroll & Insurance
Payroll

• Importance of Payroll
• What Can Go Wrong?
• Vestry Responsibility
• Outside Payroll Service
  • ADP through Episcopal Payroll Services
    – https://www.cpg.org/administrators/payroll/episcopal-payroll-services/
    – Patricia Tucker – 800 223-6602 Ext 6286
Insurance

• Importance of Proper Coverage

• Common Deficiencies
  • Flood coverage
  • Employment practices liability
  • Adequate levels of coverage
  • Lack of diocesan umbrella coverage

• Church Insurance Company
  • Bill Lodico, Vice President  wlodico@cpg.org  (718) 746-1227
Q&A
Resources
Resources

- Episcopal Church Foundation  [http://www.episcopalfoundation.org/]
  - *Vital Papers* (GREAT online resource)

- Manual of Business Methods in Church Affairs

- TENS (The Episcopal Network for Stewardship)
  - [www.tens.org](http://www.tens.org)
Resources

- Church Pension Group
  - 2013 Federal Reporting Requirements for Episcopal Churches*
  - 2013 Tax Guide for Episcopal Ministers—For 2012 Tax Returns*

*Updated annually; download from CPG at https://www.cpg.org/forms-and-publications/publications?label=publications&ref=flyouts
Resources

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