



***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?

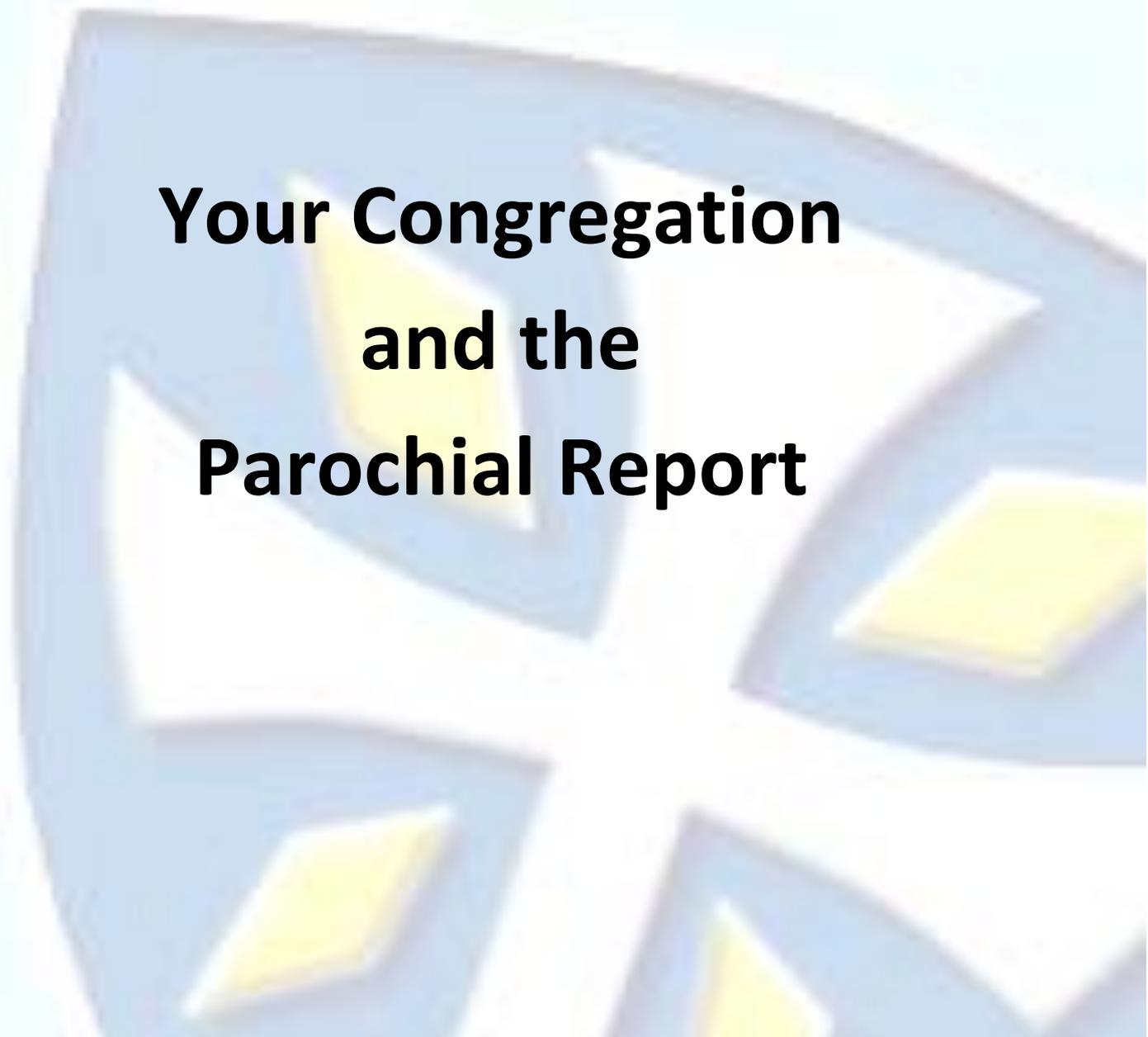
– Alternatives to the Balance Sheet

- 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

A stylized blue shield with a white cross and four yellow diamonds. The shield is centered on a light blue background. The cross is white and has rounded ends. The diamonds are yellow and are positioned in the four quadrants of the shield.

Q&A



Resources

Resources

- ❑ Episcopal Church Foundation <http://www.episcopalfoundation.org/>
 - *The Vestry Resource Guide* (book)
 - *Vital Papers* (GREAT online resource)

- ❑ *Manual of Business Methods in Church Affairs*
 - http://www.episcopalchurch.org/sites/default/files/downloads/full_manual_updated_09-30-2013.pdf

- ❑ TENS (The Episcopal Network for Stewardship)
 - 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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