

KEEPING THE BOOKS (updated 3/10)

Main Points:

- **treasurer's duties (11)**
- **what records to keep (12)**
- **what to include (13)**

Introduction

It is a privilege to be given responsibility for the Church's finances and this section seeks to provide the necessary help and guidance.

Right from the point the offering is received, those gifts become charitable funds. They are no longer in the ownership of the donors; the money has been given for the work of the Kingdom of God and is very special. It has been blessed and God's work can be done.

To arrive at meaningful decisions, the Church Council needs information about money matters. The treasurer is the appointed person to provide that information. The Council is responsible for the funds of the Church. The treasurer is responsible for keeping the books, presenting the accounts, and answering questions.

Methodist Church money must never be held in private accounts but in properly established official bank accounts

Don't be put off by the challenge - even if initially there seems to be a great deal to take in. Keeping the books and completing the Standard Form of Accounts - are sometimes perceived as daunting tasks, but they needn't be if a systematic approach to the recording of the figures is adopted.

Accountancy or bookkeeping skills are not necessarily essential, though an aptitude for and a liking of figures are a big step towards becoming a good treasurer.

But please remember.....treasurers are appointed by the Church Council and are charged with looking after the Church's finances throughout the year. They do not take sole responsibility for the finances of the Church. That responsibility rests firmly with the Church Council as local managing

trustees of the Church's property.

Property is the substance of a charity, not just the buildings, and so includes money, investments, contents and all other assets.

11 Treasurer's duties

- receive the cash, cheques and all other items of a financial nature
- prepare, sign and have countersigned, cheques for payment for goods and services provided to the Church. Any reimbursement of expenses to the treasurer or another signatory should preferably be by cheque signed by two other signatories
- provide adequate evidence (e.g. invoice for goods or services supplied to the church) for cheque signatories for each cheque to be signed - these records will need to be kept for future reference
- record the financial transactions in the Church's books (these may be computerised and, if so, a back up system is advisable)
- in September, prepare the end of year financial accounts for all funds under the control of the Church Council, liaising with any other sections of the local Church who will be preparing accounting figures for their organisation
- have the figures audited/independently examined and present the accounts to the Church Council
- receive, and take any necessary action on the audit /independent examiner's report
- prepare The Standard Form of Accounts for submission to the Church Council
- file the accounting information/books/ invoices /cheques & paying in stubs away for retention for 6 years, preferably on Church premises in a fire-proof cabinet.

Now some more detail

Receiving the cash, cheques etc....

The term '**cash**' can be taken to include notes and coin, cheques, gift aid vouchers and any other means of moving money or financial resources from one place to another.

All the income to the Church should be handed to the treasurer promptly.

Preparing cheques.....

All cheques on Methodist Church accounts require at least two signatures, preferably from a panel of signatories. No cheque should be signed or countersigned without the signatories having adequate supporting evidence of the authenticity of the payment. Cheques should NEVER be signed in blank or by the payee if they are a signatory.

12 What records to keep

(HMRC, Tax Receipts, MPH)

All financial transactions must be recorded gross which includes all money received and paid out. So, if a coffee evening is held and raises £200, but expenses are £50, record £200 under receipts and £50 under payments.

Records should be kept - these are the most common forms:

offerings journal

offerings record for treasurer

cash receipts record

invoices and receipts

bank statement

expenses claim form

cash analysis book (see section 20)

Additional records required for tax efficient giving.

In order to satisfy Inland Revenue audit requirements, all income from taxpaying donors in the form of tax recoveries from gift aid arrangements or under covenant must be

recorded in detail. These gift records can comprise:-

- an envelope register
- copies of receipts issued for other cash gifts
- details of cheques banked (written on bank paying in slips)
- details of donors payments by bank standing order or direct debit.

Further advice can be obtained from the Finance Office of the Methodist Church at Methodist Church House. (see *appendix 10*)

Offerings journal

Offerings come by way of cash, cheques, gift aid and the envelope system. Generally, this forms the main income of the Church and details should be recorded in the **offerings journal** (*appendix 12*) giving the date, individual totals for loose cash, cheques and envelope giving for each service.

The amount given by way of the weekly envelopes and the individual envelope number should be recorded for identification purposes. Record books can be purchased from Methodist Publishing House if desired. Details can be found in the Resources Catalogue.

Stewards' record of offerings received

Two people should always be involved in counting the offering and both should sign the book or sheet to confirm the check. Uncounted collections should **not** be taken away from the Church to be counted elsewhere under sole control. An **offerings record** (*appendix 13*) should be prepared, signed and handed to the treasurer giving details of amounts collected at each service. Direct donations and gifts to the Church bank account will be evidenced on the bank statement. All income should be banked promptly.

Cash receipts form

Most Churches will have income other than that described above. For cash handed to the treasurer, use a **cash receipts form** (*appendix 14*) detailing the transaction and issue a receipt; this ensures that cash receipts are not overlooked but are recorded correctly.

Invoices and receipts

All payments by cheque must be accompanied by an **invoice** or some other form of evidence and where cash payments are involved the person receiving the payment should acknowledge by signing a **receipt** (*as far as possible cash payments should be kept to a minimum in number and amount*). All payments, including the contribution to the Circuit, should be made in good time.

Bank statement

Bank/CFB/investment income will normally have its own **statement** to support the transaction.

Expense forms

Where cash payments are unavoidable, an expense form should be completed particularly if the money is taken out of offerings (*appendix 15*). Where there are a number of individual transactions, a small petty cash book can be used to record the details. This is particularly helpful for the auditor or independent examiner at the year end.

Where the treasurer needs to be reimbursed for necessary expenses, reimbursement should be by cheque, signed by two signatories, neither of whom should be the treasurer.

Some useful tips

The treasurer might like to keep these points in mind throughout the financial year–

- keep it simple
- be methodical and write up the books regularly - don't leave it to the year end.
- record the details of all cash income (better still – educate those who handle cash on behalf of the treasurer to prepare the form themselves)
- ensure that an invoice is obtained for **EVERY** payment transaction whether by cheque or cash
- use a system of reference numbers to identify transactions if appropriate. Formal receipts for money received should also be given.
- file all the paperwork neatly

- for ease of working use similar headings to those in The Standard Form of Accounts

and remember

- starting balances + money received = money paid out + closing balances
- if you are not sure about anything – ask a treasurer colleague first then if necessary seek wider assistance.
- the accounting year for **ALL** Methodist Church accounts runs from 1 September to 31 August.

To summarise:

It is good practice to adopt the policy that each transaction should be evidenced by a paper record detailing the transaction. Cash payments should be kept to a minimum and even then limited to small amounts as dealing in cash is more likely to lead to mistakes being made, or to fraud, and managing trustees should make every effort to avoid both.

If these guidelines are followed, there will be a clear audit trail for the auditor/independent examiner to follow when the end of the financial year comes around.

Manual and computerised options

If a manual accounting system is adopted, a cash analysis book, i.e. a book with columns for each receipt and payment category, should be used.

Computerisation of the bookkeeping function is now becoming more common, and if this method is used, the software should be capable of producing a number of reports that form an audit trail, i.e. a method of tracking a transaction from the point where the money is received by the **Church** through to the final annual accounts, via the appropriate bank account and computer report. If a treasurer decides to prepare 'home made' spreadsheets, the information should be as comprehensive (or simple) as the cash analysis book.

The various reports are records that the Church must maintain as part of the

accounting process.

Whether a manual or computerised system is adopted, the same principles apply in respect of the audit trail.

Cash analysis book

Where the manual system of recording transactions is used, the cash analysis book will be the way of recording each transaction. An example is set out in Section 20 and guidance is given on the headings to be used. Nevertheless local requirements may differ and additional headings or analysis may be required.

13 What to include

For the Receipts and Payments method of accounting the word 'receipts' is used for money received and 'payments' for money paid out. If the Accruals method of accounting is used the terms 'incoming resources' and 'resources expended' are used, but in both cases the main headings in the cash analysis book will be the same.

Receipts:

- Offerings (some treasurers may like to show a split between gifts given under the envelope system and loose cash)
- Tax reclaims
- Property lettings
- Interest and investment income
- Other sundry income
- Offerings received for or on behalf of other organisations

Payments:

- Circuit Assessment/Shares
- Repairs and maintenance
- Utilities – heating, lighting, rates
- Donations from Church funds for Methodist & non Methodist organisations
- Other payments
- Offerings passed on to other organisations (the amounts received and passed on should be the same)

sophisticated ways that some people adopt that make the figure work complicated. An accountancy qualification is not necessary to keep a simple set of accounts.

The keyword when presenting financial information to any group of people - whether they are well versed in money matters or not is - keep it simple - a cry that was heard many times when the research for this book was carried out.

Regular balancing of accounts

Regular balancing of the accounts is essential. Just how regular will depend on how many transactions the treasurer handles, but monthly upon receipt of the bank statement would be ideal. Those using computers will let the software do it for them – though the details still have to be complete and accurate and reconciled to the bank account.

Weekly envelopes

Our Christian giving is part of our commitment to Christ's work and should be in proportion to our means, regular and committed. This can be achieved by promoting the use of the envelope system, thus the Church is assured of our regular gifts to support the work of God, throughout the year.

It is also beneficial to the Church for regular giving to be made tax efficiently under gift aid. Money given in a tax efficient way must be identifiable as to donor in order to satisfy Her Majesty's Revenue and Customs. (HMRC)

HMRC require us to record envelope numbers and the amount given and often carry out spot checks on our paperwork. If proper records are not kept they may demand repayment of the tax recovered by the local church.

Bookkeeping can be simple. It is only the