Church Finance

An approach to the recording, reporting and tracking of Church Finances using accounting software

David Stickland

Taking the stress and mystery out of Church Bookkeeping

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Foreword

The role of Treasurer or Financial Administrator in a Church is a very important position.

The functioning of the Church is reflected in the way the accounting records are maintained and presented, and to action this process as outlined in this book is not difficult.

Unfortunately many people appointed to this role have little or no experience in performing this task.

In this book David has presented a comprehensive appraisal of a method of preparing your records, and if followed, will enable your Church to prepare a set of accounting reports that will represent the activities of the Church in a professional manner.

The fundamentals presented are a proven method of record keeping gleaned from many years experience. It is presented in logical steps that would enable a treasurer, with only a basic knowledge of bookkeeping, to prepare reports that will enable the Church board to understand the financial events that have occurred. It also presents to the members and other interested parties a set of reports that reflects the Church's financial position.

In turn, the Church being armed with a well presented set of Financial Reports prepared from an efficient accounting process will be able to plan its activities with confidence.

I would recommend this book to anyone who is, or will be appointed to fulfill the function of Treasurer or Financial Administrator. Using the system outlined in David's book will enhance the use of an existing record keeping system, or could be used as a basis to establish a new system.

Following the process set out in the book will enable a relative novice to fulfill the administrative function.

Brian Dowie

DIP.FIN.MANGT., FCPA., CFP.,

Introduction

The intention of this book is to be a guide for those who both keep computerised accounting records of a Church as well as for those who need to be able to interpret what the reports are actually saying. It also shows how to set up, track and record the accounting records against set budgets.

One unique feature of this book is that it is distributed with a range of spreadsheets so that background calculations to which the book refers can be made about various aspects of the Church which are both practical and easy to use.

Another unique feature is that the book shows how to set up a “Cash Position Report”. This report makes it very easy for a bookkeeper to show the leadership of the Church what is the current cash position of the Church. This report shows all the cash (or claims to cash) that the Church has and contrasts it with the various claims to that cash – such as departments, tax deducted from wages, unpaid fringe benefits, etc, etc.

Like any endeavour in life one can do a job to differing standards of excellence. This holds true in keeping accounting records for a church. Poorly kept records can hinder the development and progress of a church, particularly if those who have to make financial decisions don’t have confidence that what is being reported to them is correct or up to date. However, records that are kept well can be a wonderful boost to a church, as financial decisions can be made with certainty.

Over the years I’ve been involved in maintaining the accounting records for many churches across different denominations. I’ve observed that the manner in which people keep accounting records for a Church can be done to differing standards of excellence. For some people this can cause very high stress levels when they are attempting to do the very best they can, but are totally unsure of what they should be actually doing. Thus when it comes to reporting to the Church Board, or in the preparation of reports to Government agencies such as the ATO, the Church bookkeeper can be left hoping that what they are doing is right but just don’t know if that is the case.

This book is not giving legal or financial advice. Laws that affect the operations of a church change on a regular basis, so anything that is written here is subject to such laws. Anyone using the ideas here is asked to always test these ideas by speaking to an appropriately qualified, registered person. Such a person’s advice will always take precedence over what is written here.

Nor is this book promoting any particular accounting software. It is written from the perspective that a Church will use some proprietary accounting software to keep their accounts, and the ideas expressed here will be able to be used with that software. The providers of such software tend to produce an updated version every year or so, so what is written here has to be from a generic point of view and not associated with any particular version of any software. With this in mind, however, all the examples given in this book and the construction of the Chart of Accounts are based on software provided by MYOB Australia Pty Ltd, using MYOB AccountRight Plus v 19. The author has received the permission of MYOB use its proprietary material within this book.

This book is not written in a manner that requires the reader to start at page 1 and continue to the end. Rather, it is written so that each section and chapter is a stand-alone component and can be addressed as individual parts.

The book is organised in sections.

Section 1 Background information that is needed to set up a Church and the accounting system.

Section 2 The basic processes of recording the financial transactions of a Church into the software.

Section 3 More advanced topics of recording financial transactions, such as accounting for departmental expenses, employment, auditing, budgeting and recording data where the church is saving up to pay for a specific project in the future. The example used is that of a building fund for a future building project.

Section 4 The reporting of the financial data to the users of the data, such as the leadership of the church, the members of the church and the reporting required by Government departments such as the ATO or the Department that administers the law under which the Church is legally structured.

Section 5 Appendices – further details on data that is referred to in sections 1 to 4. This is a reference section that adds to the material covered elsewhere in the book.

Please be in touch with me if you need assistance with any of the material in this book. My contact details are:-

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Table of Contents

Acknowledgements

My thanks is given to the people who have given considerable input and advice into the preparation of this book. These people have been:-

Brian Dowie. Brian is a registered accountant in public practice through the firm “One Way Business Advisers”. He has been one of the people who has audited my work in keeping accounts for Churches for more than 20 years, and has been a great influence on many of the systems this book advocates. Should a church require the expertise of a registered accountant who knows and understands the context of church finances, I can whole-heartedly recommend the church contacting him by email at admin@onewaymanagement.com.au.

Jeanette Lowe. Jeanette has been a close personal friend of my family for many years. She is an experienced “PA” to people who hold very senior positions in large organisations. Her last two positions were that of PA to the Chancellor of the University of Ballarat, and prior to that, the PA to the Chief Executive Officer of the City of Ballarat. Jeanette’s “eye for detail” has been a wonderful help in making this work readable.

Both Brian and Jeanette were editors of the first book I wrote on keeping church financial records.

To both of these people, my heartfelt thanks! This book would not have been completed without their support and input.

David

About the author

David was a teacher in Victorian Schools for over 30 years, most of that time in Secondary Colleges. Over the last 15 of those years he specialised in teaching ‘business’ related subjects, including Accounting, to the Year 12 level.

David has been the treasurer of churches for over 20 years, as well as being the treasurer of a Christian College and a Registered Training Organisation. He has kept the accounts for many churches across many different denominations, for small businesses, and has trained many people in the skills of keeping the computerised accounts for Churches. David’s work has always been scrutinised by professionally qualified accountants and auditors, and it is this background of experience that he brings to writing this book.

David holds a

- Graduate Diploma in Commercial Data Processing
- Diploma in Business
- Trained Primary Teachers’ Certificate
- Trained Special Teachers’ Certificate

Section 1

Background comments on setting up the Church and the accounting system

1. Selecting the Software

This book is not promoting any particular accounting software. It is written from the perspective that a Church will use some proprietary accounting software to keep their accounts, and the ideas expressed here will be able to be used with such software. As the providers of such software tend to produce an updated version every year or so, what is written here has to be from a generic point of view and not associated with any particular version of that software. With this in mind, however, all the examples given in this book and the construction of the Chart of Accounts are based on software provided by MYOB Australia Pty Ltd, using MYOB AccountRight Plus v 19.

Accounting software providers tend to produce a range of different versions of their software. Can I suggest that the software the Church uses should have the following characteristics:-

1) The software is based on Double Entry Accounting. It should be hard to find any software that is not based on Double Entry Accounting; however the software produced for personal use / home accounting tends to be quite unsuitable for keeping appropriate records for Churches.

2) If the Church has more than one employee, the software should have a module that is set up to account for employment. Whilst most copies of the software will be able to be used to keep employment records, those that have a dedicated payroll function will be able to automatically calculate things such as:-

   a) Holiday leave accrued

   b) Long Service Leave

   c) Superannuation

   d) Fringe Benefits

   Software that doesn't have a dedicated payroll module will need to be supplemented by manual records for many aspects of the employment of people. The additional cost of purchasing such a function will normally be off-set by the reduced time needed to keep such manual records.

   Should the reader use an accounting software package that doesn't have a payroll module, but wishes to have it, the provider of the software will usually have an upgrade version that will accommodate this.

This book makes no attempt to demonstrate how to operate a particular software package. Most suppliers of such software have training sessions in the use of their software. In addition, "How To" books are often written for the popular software packages, which are available from commercial book sellers, keeping the purchaser up to date with the particular package that is purchased.

Retailers of software will be able to provide a software package that has had many years of development and worked well in a Church setting. It is suggested that the Church choose a popular brand of software, as this will be supported by both the software provider and also through books that have been published showing how to use the software.

The software providers may offer an 'after sales' telephone service and free upgrade of software. This gives the purchaser access to technical assistance in the use of the software. This is usually provided at an additional fee to the purchase price of the software.

2. Legal structure of the Church

Churches can have a very wide range of legal structures. Some denominations are established under a specific Act of Parliament, others are established under Company Law, some under Incorporation Law, whilst others don't have any legal structure at all. The churches without a formal legal structure will be operating under the responsibility and liability of the leadership of the church, similar to that of a "Sole Trader" in business. This type of structure is not encouraged.

Establishing a Church as a legal entity in its own right has advantages and disadvantages / responsibilities, with the advantages usually outweighing the disadvantages / responsibilities.

The advantages of establishing a church as a legal entity such as a Company or Incorporated body are things such as

- The Church will have a Constitution (or similar document) that outlines things that the church can do and cannot do, such as:-
    - What the positions of the office bearers (such as Senior Pastor, Treasurer, etc)
    - What the office bearers of the Church can and can't do
    - What the focus of the activities of the Church will be
    - How the funds of the church can be managed
    - What is the grievance procedure that is to be followed should there be a disagreement within the church that is not being resolved easily
    - What is to happen to the assets of the church in the event that the church ceases to exist
    - <u>A point to note with the Constitution</u> is that this may take many forms, and may be very brief. However, when the Church's Constitution is silent on a matter the wording of the "model rules" that are part of the legislation under which the Church is established binds the Church as to what it can and can't do in particular circumstances. This means that the model rules are legally binding on a Church on issues that the Constitution doesn't address.
- The potential to minimise personal legal liability for things that may go wrong, or where a church may be involved in an action against it
- The potential to have the church declared by the ATO as Income Tax exempt, i.e. the church doesn't have to pay tax on its income or complete annual taxation returns
- The potential to have some aspects of the Church's operations declared to be a "tax deductible gift recipient", i.e. under certain circumstances, any one giving to that aspect of the Church's activity can claim their giving as a personal taxation deduction
- That when an individual is conducting an advertised program of the church (such as being the leader of a Home Group, meeting in a private residence) away from

the Church's premises, that individual is usually covered by the insurance policy that the Church has taken out

The disadvantages or responsibilities are:-

- The church must comply with the requirements of the Act of Parliament under which the Church is established
- The reporting requirements to Government agencies differ slightly between different legal structures, and can differ between the States of Australia. The Officers of the Church need to be aware of these and fulfil their legislated responsibilities.

Whatever legal structure a church is established under, it should always be done with the input and assistance of an appropriately qualified, registered practitioner. Such a practitioner will also be able to advice on things such as:-

- Obtaining an Australian Business Number (ABN)
- Registration for GST
- Obtaining an Income Tax Exemption for the Church
- Whether or not the Church can obtain an Income Tax Gift Recipient status for part of its activities

Separate legal entity to own the land and buildings

When the time comes for the Church to purchase land and buildings, one thought is for this to be done through a separate legal entity, so that the Church is one entity and another entity is the owner of the land and buildings. The Church would be the tenant and the other entity would be the landlord. There should be a signed lease agreement between the two entities so that things such as the amount to be paid as a rental is set, which entity pays for what in maintenance issues, etc.

The advantage of having one entity to run a church and the second entity to own the land is that if the church has a successful action against it the land and buildings cannot be included as part of any settlement. The disadvantage is that there are two legal entities with possible differing responsibilities for both of them.

If an entity is currently set up as a Church and it both runs Church activities and owns land, one thought is that a second entity could be set up to run the church and the current entity become the landlord to the new entity.

Again, this is hinting at aspects of the law that can change from time to time, and should be done with advice from an appropriately qualified, registered practitioner in this field of law.

3. Planning the reporting of the data

Before anything happens in the recording of data one must always have in the background an understanding of why the records are being kept. The answer to this is so that the transactions of the Church can be reported to various people or bodies. Such reports are the end point of the accounting process.

The list of people or bodies that have a right to know what has happened with the finances of the Church should include, but is not limited to:-

- The members of the Church
    - Profit and Loss Reports
    - Balance Sheets
    - Cash Flow Statements
    - Departmental reports
- The Board of the Church
    - Profit and Loss Reports
    - Balance Sheets
    - Cash Flow Statements
    - Departmental reports
    - Cash Position Reports
- The ATO
    - BAS / GST reporting
    - Employment arrangements
    - Payment Summary advice
    - Fringe Benefit reports
- Government departments
    - Profit and Loss Reports
    - Balance Sheets
    - Cash flow Statements
    - Audited reports

As a consequence, the bookkeeper is in a position of absolute trust to keep accurate records so that the reports that are needed can be produced in a timely manner.

It is with these reports in mind that this book has been written.

4. Goods and Services Tax (GST)

The GST aspect of the Church's setup should be discussed with a legally qualified person before any decision is made as to whether to register for GST or not register for GST. If the Church is not registered for GST then this process is very simple. The software will require a GST code to be put against every line of both deposits and expenditure. Where the Church is not registered for GST the code for "No Tax" should be used. In the examples shown throughout this book this is the "N-T" code.

When the Church is not registered for GST it means that there is no GST accounted for in any of the money received, nor can the church claim back from the ATO any of the GST it pays out in various bills. Within a Church context this usually means that the Church pays more for what it purchases than a church that is registered for GST. Most churches, particularly those small churches that are not employing anyone, usually receive a refund when they submit their BAS to the ATO.

However, there is a level of activity where the church is legally required to account for GST. Please consult an appropriately qualified, registered practitioner to find out what this level is for your church. A church that has a level of activity that's below the legally required amount can still register for GST, and then it has to submit a BAS to the ATO according to a time table set out by the ATO.

The money that flows through a church setting may or may not contain GST. This is an aspect of law that can change from time to time, so it is necessary for the Church to be able to get advice from an appropriately qualified, registered practitioner to assist them in this. The comments given here are of a general nature, but may be incorrect in a particular circumstance. Because of this, the advice so received by a Church will always over-ride these comments.

How to calculate GST

The Goods and Services tax in Australia has been set at 10% since this tax was introduced. To take an amount of money and add on the GST multiply the amount by 1.1. For example, $15 that does not contain GST is equivalent to

$15 x 1.1 = $16.50 with GST

To find the GST amount that has to be added to $15 as the GST component, divide the $15 by 10, e.g.

$15 / 10 = $1.50 GST

To go back from an amount paid that contains GST to the non-GST component; divide the amount by 1.1, e.g.

$16.50 (the amount with GST) / 1.1 = $15 (the amount without GST)

To find out the GST component in an amount that contains GST, divide the amount by 11, e.g.

$16.50 (the amount with GST) / 11 = $1.50 (the amount of GST)

Should the GST percentage be changed from 10%, the above examples will need to be appropriately adjusted.

GST in money received

As a general principle the majority of money that a Church receives does not contain a GST component, therefore the “N-T” tag would be used.

Occasionally a Church will receive money that has GST in it e.g., sale or trade of a piece of equipment. When a person pays money to the Church and expects to get a specific benefit from that payment, then the payment normally will contain GST. An example of this would be to pay for a seat on a bus trip. If the money is paid, the person is allocated a seat on the bus. If it is not paid, then the person doesn’t get the bus seat.

Tithes and offerings don’t attract GST. Whilst it can be argued that a church member can anticipate receiving personal counselling because of their membership, the money they pay in tithes and offerings is not payment for specific counselling; therefore there is not a specific personal benefit from this money. The appropriate tax code to use would be “N-T”. This would also apply to money received as offering from church departments such as a Childrens’ offering, or a Youth offering.

Where there is doubt about the GST component of cash being received or cash being paid out, always consult with an appropriately qualified, registered practitioner who is registered to give advice on such matters.

GST in money paid out

There are some payments that a Church may make that are always exempt from GST, some that have GST applied to only part of the payment and some that attract full GST.

Payments that are always exempt from GST include the following:-

- There is no GST on payroll payments such as wages and superannuation. All of these have the “N-T” tax code.
- Some food items are exempt from GST
- Internal transfers, e.g. transferring money from one bank account to another are always exempt from GST

Payments that have GST applied to part of the payment include the following:

- Insurance premiums
- Registration of vehicles
- Purchase of a basket of food items

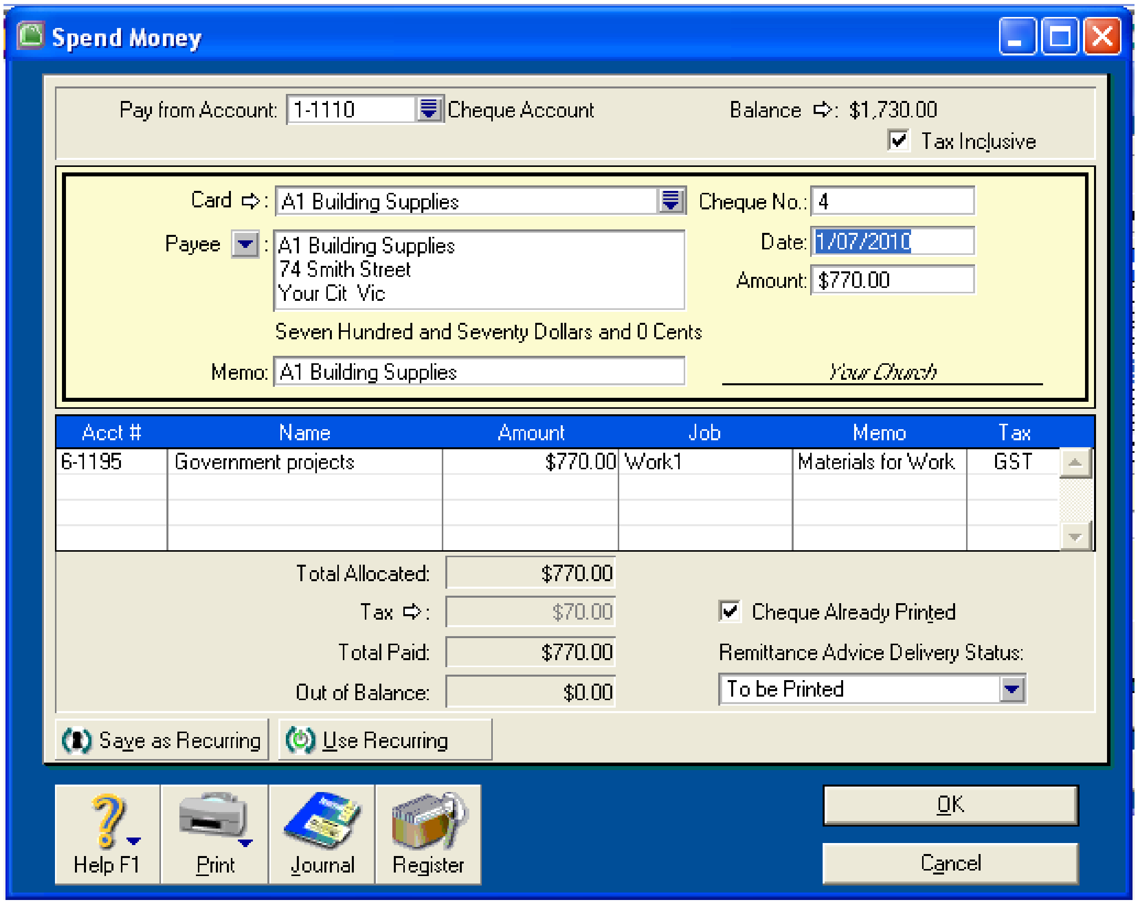
Payments that always have a GST component include most of the things that a Church will purchase, which include:-

- Tax invoices from people or businesses who provide goods and services to the Church (if they are registered themselves for GST) such as electricity or gas accounts and trades people.
- Always look at the invoice that a supplier provides.
    - If the invoice provided contains an ABN and has the words “Tax Invoice” or “GST included” or a separate line item showing the GST amount, then there

is GST in this payment. Whether or not an invoice contains GST is dependent on what is shown on the invoice.

When the Church is registered for GST the GST that's paid out can be either seen or calculated from the Tax invoices that relate to the payment.

The following is an example of where GST is applied to the full amount paid:-



<u>Note: The point where GST is registered in the accounting software is at the time of recording the transaction. In the above example this is show by the letters "GST" in the Tax column at the right of the screenshot. The amount of the tax is $70, as shown next to the word "Tax" at the bottom of the screen shot. This transaction is set up to capture this payment of GST by the software when it is asked to produce a report to help prepare the Business Activity Statement.</u>

Section 2

The basics of bookkeeping for the Church

5. Chart of Accounts

The examples given here come from MYOB software.

A Chart of Accounts is likened to the skeleton of a human body – it's the central structure around which the accounting recording and reporting processes operate. Church records just won't happen if there isn't a "Chart of Accounts", just as a human body wouldn't be able to keep its shape or form if there were no skeleton.

Setting up and understanding a Chart of Accounts is the first thing to be done in setting up the software.

A model chart of accounts is shown in Example 1. This basic outline of a Chart of accounts could be used by a church, and suggestions are given later on how this could be adjusted to suit specific circumstances. This Chart of Accounts is based on what one would see in MYOB AccountRight Plus v19. Other software providers will also have the capacity to construct a Chart of Accounts, but may do it differently; for example, they may not use account numbers and only use account names, or may not have the capacity to use the "8-0000" or "9-0000" series of accounts.

A Text file of this Chart of Accounts is included in the package that comes with this book. Or selected software may be able to import this. If not, the following may be copied manually as an initial Chart of Accounts for a Church.

Example 1 - A model chart of accounts

Your Christian Church	
Your Street	
Your Town	
Account number	**Account Name**
1-0000	**Assets**
1-1000	**Current Assets**
1-1110	Cheque Account
1-1120	Payroll Clearing Account
1-1150	Investment Account
1-1160	Building fund Investment account
1-1170	Petty Cash
1-1180	Undeposited Funds
1-1190	Electronic Clearing Account
1-2000	Trade Debtors
1-1300	**Investments**
1-1310	Shares
1-1320	Bonds
1-1330	Fixed Interest Investments
1-3000	**Non Current Assets**
1-3010	Land and Buildings
1-3015	Accumulated Depreciation Land and Buildings
1-3020	Plant & Equipment at cost
1-3025	Accumulated Depreciation Plant & Equipment

1-3030	Furniture & Fixtures at Cost
1-3035	Accumulated Depreciation Furniture & Fixtures
1-3040	Vehicles
1-3045	Accumulated Depreciation of Vehicles
2-0000	**Liabilities**
2-1000	**Current Liabilities**
2-1100	Credit Card
2-1200	Trade Creditors
2-1310	GST Collected
2-1330	GST Paid
2-1380	ABN Withholdings Payable
2-1390	Luxury Car Tax Payable
2-1400	**Payroll Liabilities**
2-1410	Payroll Accruals Payable
2-1420	PAYG Withholding Payable
2-1430	Superannuation Payable
2-1440	Fringe Benefits (Employee's name)
2-1450	Provision for Long Service Leave
2-2000	**Non-current Liabilities**
2-2100	Mortgage Loans
2-2200	Bank Loans
3-0000	**Equity**
3-4000	**Department funds**
3-4100	Ladies Ministry
3-4200	Mens' Ministry
3-4300	Childrens' ministry
3-4400	Youth Ministry
3-4500	Missions
3-4600	Building fund
3-4700	Events
3-8000	Retained Earnings
3-9000	Current Year Surplus/Deficit
3-9999	Historical Balancing
4-0000	**Income**
4-1000	Tithes
4-1100	Donations
4-1200	Interest income
4-1300	CD / Sales of products
4-1400	Sales, Drinks etc
4-1500	Miscellaneous Income
4-4000	**Departmental income**
4-4100	Ladies Ministry
4-4200	Men's Ministry income
4-4300	Children's ministry
4-4400	Youth Income
4-4500	Missions' income
4-4600	Building Fund Income

4-4700	Events
6-0000	**Expenses**
6-1000	Accountancy fees
6-1010	Advertising
6-1020	Bank Fees
6-1030	Camps
6-1040	Children’s Ministry
6-1050	Church Supplies
6-1060	Computer software
6-1070	Conferences
6-1080	Copyright fees
6-1090	Depreciation, Furniture and Fixtures
6-1100	Depreciation, Land and Buildings
6-1110	Depreciation, Plant and Equipment
6-1120	Depreciation, Vehicles
6-1130	Donations
6-1140	Dues, State and National headquarters
6-1150	Electricity
6-1160	Entertainment
6-1170	Equipment costing less than $500
6-1180	Fuel
6-1190	Gas
6-1200	Guest Ministry
6-1210	Hospitality
6-1220	Insurance
6-1230	Internet
6-1240	Interest Expense
6-1250	Legal fees
6-1260	Maintenance
6-1270	Music and Creative Arts
6-1280	Miscellaneous Expenses
6-1290	Office Supplies
6-1300	Postage
6-1310	Printing and photocopying
6-1320	Professional Services
6-1330	Rates
6-1340	Rent
6-1350	Telephone
6-1360	Training
6-1370	Travel & Entertainment
6-1380	Vehicles & Maintenance
6-1390	Water
6-1400	Working with Children check
6-4000	**Transfers - Departments**
6-4100	Transfer Ladies Ministry
6-4200	Transfer to Men's Ministry
6-4300	Transfer to Children’s Ministry
6-4400	Transfer to Youth Ministry
6-4500	Transfer to Missions
6-4600	Transfer to Building Fund

6-4700	Transfer to Events
6-5000	**Employment Expenses**
6-5100	Wages and Salaries
6-5200	Superannuation
6-5300	WorkCover
6-5400	Long Service Leave Allocation
6-5500	Holiday Leave Provision
6-5600	Staff Amenities
<u>8-0000</u>	**<u>Other Income</u>**
8-1000	Sundry Income
<u>9-0000</u>	**<u>Other Expenses</u>**
9-1000	Sundry Expense
9-4000	Suspense account

When setting up the Chart of Accounts in proprietary software the software may add more accounts than what is shown here. For example, there may be an account for “Voluntary Withholding Credits”, or “ABN Withholding Credits”. Many of these accounts will be “Linked”, i.e. the software does some automatic things with these accounts under some specific conditions. If the accounts that the software has automatically constructed can’t be deleted, then just keep them and ignore them.

One way of handling these is to set up a section for “Unused Accounts”. The easiest way to do this is to make the second numeral of the account number a “9”. This will put them to the bottom of the list of accounts in the section in which they occur. If the software allows you to make these “9” accounts to be inactive, then do so. Making an account inactive means that the account won’t show up on any drop-down menu. Should you ever need the account then make the account to be an active account, and give it an appropriate, i.e. the second number is not a “9”.

Structure of a Chart of Accounts

A Chart of Accounts will have five main sections. Some proprietary software will have more than this (as in the example above), but the extra sections are really only a sub-section of the five main sections. These sections of a Chart of Accounts are:-

1. Assets
2. Liabilities
3. Equity (sometimes called “Proprietorship)
4. Revenues
5. Expenses

Assets

Assets of a Church are the things of value to the Church, and include items such as:-

- Bank accounts
- Petty cash floats
- Debtors who owe money to the Church
- Long-term assets such as land, buildings, furniture, equipment, musical instruments
- Accumulated depreciation of long-term assets (more notes will be given on these at a later stage)

The assets in the above Chart of Accounts all start with the numeral “1”.

Liabilities

The liabilities of a Church are the monies that is owed to people or businesses that are not part of the Church structure, and would include things such as:-

- The balance owing on a Credit Card
- Bank loans for buildings and land purchases
- GST that has been collected on sales the Church has made. Note: the GST that has been paid out on various purchases the Church has made will usually be included in the Liability Section, but in reality this is money the church has paid out, but will get back when the next BAS is sent to the ATO. Thus the GST that has been paid out is really an asset of the Church, but proprietary software records it under the liability section of the Chart of Accounts.
- Amounts owing to the creditors of the Church (i.e. things the Church has purchased, but not paid for on a particular day)
- Superannuation owing on employee’s wages

- Unpaid Fringe Benefits to an employee
- Accrued Long Service Leave

The liabilities in the Chart of Accounts above all start with the numeral “2”

Equity

The Equity of a Church is the value of the Church to its members. It is the difference between the value of the assets and the liabilities.

In this template of accounts for Church finances the balance of money that’s in a Church Department’s account will be recorded in the Equity Section. This is done to allow a Department to manage its own financial affairs and to keep them separate from the main activities of the Church

The equity accounts in the Chart of Accounts above all start with the numeral “3”.

Revenues

The revenues of a church are the income that a Church receives, and includes things such as:-

- The tithes and offerings received
- The money received by Church departments, such as Missions or Youth
- Sale of items such as drinks from a drink dispenser
- Donations to a building fund

The revenues in the Chart of Accounts above all start with the numeral “4”.

Expenses

The expenses of a Church are the payments that a Church needs to make to keep it operating, and would include things such as:-

- Rental on rented premises
- Interest paid on loans
- Utilities such as electricity, water and gas
- Employment expenses
- Maintenance of buildings and property
- The operations of machinery such as cars and photocopiers
- Insurance

The expense accounts in the Chart of Accounts above all start with the numeral “6”.

Other groupings in Proprietary software

Proprietary software may have other major headings in their chart of accounts. For example, “Cost of Goods Sold” (these accounts could start with “5”), “Other Income” (these accounts could start with “8”) and “Other Expenses” (these accounts could start with “9”). These groups are sub-sets of the above five main groups.

Cost of Goods Sold is set up to record the purchase price of goods a business may purchase with the intention of re-selling them at a higher price. This group is a specialised form of an expense.

Other Income and Other Expenses are used to record income and expenses that are not core functions of the business. For example, if the Church is set up to run a Family Day Care in the Home program, it may receive some Government funding that is to be passed on in full to the Family Day Care person. Such money is placed in the Church bank account, but is never the Church’s money – it always belongs to the Family Day Care person. Such money would be recorded in the “Other Income and Other Expenses” section of the Chart of Accounts, and when reports such as Profit Reports are produced such money will be reported separately from the main activities of the Church.

Difference between Assets and Expenses

There are times when the bookkeeper is faced with the purchase of an item and there is confusion as to whether it is an expense or an asset. As a general rule of thumb if the church is purchasing an asset the following two questions will be “Yes”.

1. Is the item being purchased expected to last for more than I year when it is purchased?
2. Does the item cost a significant amount of money (not including the GST component of the purchase)? It is suggested that the Church liaise with its auditor when deciding on what is a “significant” amount of money.

If the answer to either of these questions is “No”, then the purchase is classed as an expense.

For example:-

1. The purchase of an insurance policy that costs (say) $5000, but as the life span is for only 1 year, it is an expense
2. A piece of equipment such as a paper guillotine can be expected to last for more than 1 year, but if it costs less than $500 it would be classed as an expense. If it cost more than $500 it would be an asset.
3. A sound system for the Church that costs more than $500 in total would be expected to last for more than one year; therefore it would be recorded as an asset. Individual components of the sound system may fail in less than a year, but this doesn’t negate the initial way the purchase is recorded.

Header accounts

Some software can make totals of subsections of the five major areas of the accounts. In the above Chart of accounts in Example 1 the accounts that are printed in bold would be a “Header Account” and the various reports that can be produced will have a sub-total calculated for the accounts below the “Header Account”.

The Income and Expense Report

An Income and Expense Report is prepared from the Revenues and Expenses of a Church. Where the revenues are greater than the expenses, the Church has made a surplus. Where the expenses of a Church are greater than the revenues, the Church has suffered a deficiency.

A surplus is added to the Equity of the Church and a deficiency is subtracted from the Equity of the Church.

The association between Profit and Cash

A surplus and cash are not the same thing. A church may make a surplus in its operations, but not have the cash to represent this. For example, if the Church has repaid part of a loan or purchased a new asset, the profit is reflected in the reduction in the liability or the increase in the assets. Just because a Church has made a surplus it doesn’t mean that there is an equivalent amount of cash available.

The Balance Sheet

A balance sheet contains the assets, the liabilities and the equity of the church. At all times:-

The total value of the assets of the Church
Less the total value of the liabilities
Equals the value of the equity of the Church

This is because the accounting software in use operates under the system of “Double Entry Accounting” in the background. This system makes it impossible for any other scenario to occur.

A Balance Sheet can be likened to taking a photograph – it is a snapshot at a moment in time. As with a photograph, if the subject is blinking at the exact moment the photo is taken, that is what will be recorded. With a Balance Sheet, it will reflect the situation at the time the Balance Sheet is drawn up. As soon as another transaction is recorded, the balance sheet will be different.

Explanation of Double Entry Accounting

All major accounting systems in Australia operate under what is called “Double Entry Accounting”. Some systems operate as “Single Entry Accounting” but these are restricted to small operations and are for people who don’t understand the background principles of accounting. A single entry system is not appropriate for Church accounting.

Double entry accounting means that for every entry into the accounting system it is recorded twice:-

- Once as a debit entry

and

- Once as a credit entry

The debit or the credit entry may be made up of many components, but the total value of the debit entry will always equal the total value of the credit entry. For example, a petty cash reimbursement for (say) $200 may be composed of $50 kitchen supplies, $30 postage, $80 general repairs, $40 petrol reimbursement. This transaction has one credit entry of $200 in the cash withdrawn from the bank account, but four debit entries that total $200 that are recorded in the relevant expense accounts. The important thing is that the total of the debit entries is equal to the total of the credit entries, or the software won't accept the transaction. It will show a 'pop-up' screen showing the transaction is "out of balance". Note: the amounts used in this example do not include GST.

Proprietary software that is appropriate for a Church to use will always use this principle of Double Entry Accounting, although for the majority of the time it will operate in the background, independently of the operator. Proprietary software using Double Entry Accounting won't accept a transaction unless the total value of the debits equals the total value of the credits. If these two values are not the same, the software will show an "Out of Balance" error when one attempts to record the transaction.

General Journals

The only time when a treasurer using proprietary software needs to understand the principles of Double Entry Accounting is in the recording of Journal entries. General Journals are used to record things such as:-

- Depreciation of assets
- Adjustments to the provisions set aside for Long Service Leave
- Adjustments to the accounts as required by an auditor
- To record an official revaluation of land and buildings

The 10 rules of Double Entry Accounting

When entering data into a General Journal the following rules apply universally:-

1. If an asset is to be increased in value, record it in the **debit** column
2. If an asset is to be decreased in value, record it in the **credit** column
3. If an expense is to be increased in value, record it in the **debit** column
4. If an expense is to be decreased in value, record it in the **credit** column
5. If a revenue is to be increased in value, record it in the **credit** column
6. If a revenue is to be decreased in value, record it in the **debit** column
7. If a liability is to be increased in value, record it in the **credit** column
8. If a liability is to be decreased in value, record it in the **debit** column
9. If an equity item is to be increased in value, record it in the **credit** column
10. If an equity item is to be decreased in value, record it in the **debit** column

Examples of Double Entry Accounting in practice

When one pays an electricity bill two things happen:-

- The bank account goes down (a credit entry)
- The electricity expense goes up (a debit entry)

When one receives a loan from the bank two things happen:-

- The cash in the bank goes up (a debit entry)
- The liability of the church goes up (a credit entry)

When the church received its tithes and offerings two things happen:-

- The bank account goes up (a debit entry)
- The revenue of the church goes up (a credit entry)

When the church records depreciation of its assets two things happen:-

- The expense of depreciation is increased (a debit entry)
- The accumulated depreciation is increased, it is the reduction of value to an asset – (a credit entry)

When a Church acknowledges that it has a responsibility to pay Long Service Leave in the future and wants to progressively accumulate funds to pay this expense, two things happen:-

- The expense (long service leave) increases, (a debit entry)
- A liability to pay long service leave increases (a credit entry)

Hopefully these few examples are sufficient to show that:-

- For every entry into the accounting records both a debit and a credit entry are created

Why does the bank record a bank deposit in the credit column of a Bank Statement but it's in the debit column of the software?

One of the things that often bring confusion between the layman and the professional accountant comes from looking at a Bank Statement. On the Bank Statement one sees that money that has been put into the bank is recorded in the credit column, and money that is withdrawn is recorded in the debit column. This appears to be in stark contrast with what is shown in the 10 accounting rules above.

From the Church's perspective the transaction is simple. Tithes (say $1,000) have been received and banked. The double entry process would record this as:-

- Increase the bank account (debit $1,000)
- Increase the revenue, tithes (credit $1,000)

From the bank's perspective the banking of this money will be recorded twice as well:-

- Their supply of cash (an asset) has increased by $1000. This will be recorded on the debit side of their records
- Their liability to repay the money to the Church has increased by $1,000. This will be recorded as a credit.
- From the bank's perspective it has followed the above 10 rules exactly.

What the bank gives to the Church in a "Bank Statement" is a statement of the Bank's liability, (not a statement of the Church's asset); therefore it is totally accurate for them to record an increase in their liability in the credit column, whilst the church records it as an increase in an asset in the debit column. Both parties have followed the same rules accurately – there is no discrepancy between them.

Some more detailed notes about specific accounts in the Chart of Accounts

The above list of account numbers and account names in the Chart of Accounts is indicative only. Not every church will use every account in this list. Other churches may need to have some account numbers added to the list given, for example, if the Church holds some of its cash as shares.

Some of the accounts in the above list are used internally by the software. The following is a brief explanation of some of them:-

- **1-1120 Payroll Clearing Account.** This is an account that is used internally by the software. When one records an employee's pay in the software, the cash component of that pay is allocated to this account. When the cash is actually transferred to the employee, it is paid out of this account. Thus, if this account has a credit balance it means that the cash for a pay has not actually been transferred to an employee's bank account

- **1-1170 Petty Cash.** See later notes on how to operate a Petty Cash Float. This account is rarely used. The debit balance of this account should be the same as the float in the Petty Cash tin. This account is only used when the float is increased or decreased. It is not used to record the transactions of a particular Petty Cash reimbursement

- **1-1180 Undeposited Funds.** There are times when a Church will accumulate cash from a range of different sources and then amalgamate it all together to make a single banking. The general principle is that when an entry is made into the bank account the figure that's recorded in the software should be the figure that's going to appear on the Bank Statement. The way to manage this is to accumulate the individual amounts into the "Undeposited Funds" account and then to make a single transfer of the total to the bank account. Once this has been recorded, the account should have a balance of $0.00. This account can be considered as a "clearing account".

- **1-1190 Electronic Clearing Account**. Some Churches choose to pay their bills by electronic transfers from their bank account. The different software packages handle this in different ways. One way is to pay the bill to allocate the bills to the Electronic Clearing Account, and then to send an electronic message to the bank to make the payments. Thus this account will be debited when the bill is being processed and credited with the total when the funds are withdrawn from the bank account.

- **1-2000 Trade Debtors** Trade Debtors are used when the Church creates a "Sale" and bills people or organisations for an amount of money. For example, if the Church is holding a camp that costs $200 per person attending, and a particular family wishes to pay for this over a period of time, one way of keeping track of the progress of these payments is to create a "Sale" in the software. The amount billed out to the family would appear under "Trade Debtors" in the balance sheet. As the payments are made the balance of the Trade Debtors account will head towards $0.00.

- **1-3015, 1-3025, 1-3035, 1-3045 Accumulated Depreciation accounts** Entries are made into these accounts when the depreciation schedule is completed. A discussion of the "Depreciation Schedule" is made later. The amounts shown in these accounts represent the value of assets that have been offset against income since they were purchased. These accounts will have a credit balance. When this is subtracted from the relevant asset account one can see the theoretical book value of the assets.

- **2-1200 Trade Creditors** This account stores the total value of money that is owed to people or organisations. This account is used when the Church receives an invoice for some goods or services and immediately enters the invoice into the accounting system. This is good practice, as it shows the amount of money owing to creditors at any point in time. As the bills are paid, the balance of this account will head towards $0.00.

- **21310 GST received** Note: The GST tag on the entry of the transaction into the software is where the GST amount is captured and posted automatically. The user of the software doesn't need to do anything further to record the GST amount.

- **2-1330 GST Paid.** If a Church is registered for GST and then pays a bill that contains GST the amount so paid is shown in this account. It represents the amount of money that will be claimed back on the next BAS return. This account will have a debit balance in the software.

- **2-1440 Fringe Benefits (Employee's name).** Some employees are able to package their wages so that they accrue Fringe Benefits. When the employee's wages are processed through the Software the Fringe Benefits component will be transferred to this account. If this account has a credit balance it shows the amount that is still to be paid out on behalf of the employee.

  Note Fringe Benefit money cannot be paid directly to an employee as cash or in a cheque – it always has to be paid out to a third party on behalf of the employee. Such payments could be made, for example:-

  - To a school to pay for the child of an employee's school fees:
  - To a bank to repay a loan:
  - To a credit card:
  - To a utility for gas, water or electricity.

    Should any money be paid to the employee out of the Fringe Benefit component it is immediately taxable, and the appropriate tax should be deducted from the payment. The easiest way to avoid this complication is to have a policy that no Fringe Benefit money will be paid to the employee.

  As Fringe Benefits law is a complex part of our Australian Taxation System, any payments made under this must be done under the guidance of a specialist in this part of the tax law.

- **2-1450 Provision for Long Service Leave.** If an employee is eligible for Long Service Leave after an agreed period of employment the Church should be recognising this on an annual basis and set funds aside so that the cost of paying for both the Long Service Leave of the employee as well as the cost of a person to replace this employee. If this provision is not made there will be an abnormal cost in the year the Long Service Leave is taken. This account shows the total amount that has been set aside to cover this future payment.

- **3-4000 Department Funds.** Most churches will run departments, for example Youth, Missions, Children. Some of these departments will have their funds subsidised from the general tithes and offerings of the Church whilst others will be expected to be totally self funding. Whichever of these happens, the department's funds will need to be recorded separately from the funds available to the Church. These accounts show the current status of the department accounts, i.e. the amount that they have available to spend (a credit balance) or the amount by which the department has overspent (a debit balance).

- **3-8000 Retained Earnings, 3-9000 Current Surplus / Deficit, 3-999 Historical Balancing.** These three accounts show the net book value of the Church. These are handled internally by the software, so it will be a very rare event that one has to use these in day-to-day bookkeeping.

- **9-4000 Suspense.** Occasionally one gets a transaction where one is uncertain as to where to allocate the transaction. When this occurs, allocate the transaction to this account "9-4000 Suspense". Later one can get advice on where the transaction should be recorded, and make a transfer. This account should have a balance of $0. If it has any other balance it means that there are one or more transactions that have not been transferred to their correct destination.

6. Day to Day recording of what actually happens

The majority of day-to-day transactions for a Church fall into the following areas:-

- Receipting cash received
- The treatment of GST (Goods and Services Tax)
- Banking money
- Paying bills
- Running a Petty Cash system
- Reconciling bank accounts
- Reporting to the Church's activity to appropriate people / organisations
- Transferring money between bank accounts
- Filing the documentation that supports the recorded transactions

Receipting cash received

Cash received by a church can come from many different sources, for example:-

- Tithes and offerings collected during church services
- Designated offerings for specific purposes, e.g. Missions, Building Fund,
- Government funding (e.g. if the Church is running a Family Day Care in the Home project, or a training program to assist people to get employment)
- BAS refunds
- Departmental funds collected

In addition to this, the money can be given in a wide range of different ways, for example:-

- Cash
- Credit Card
- Electronic Funds Transfer – Point of Sale (Eftpos)
- Direct Credit

The overriding concept here is

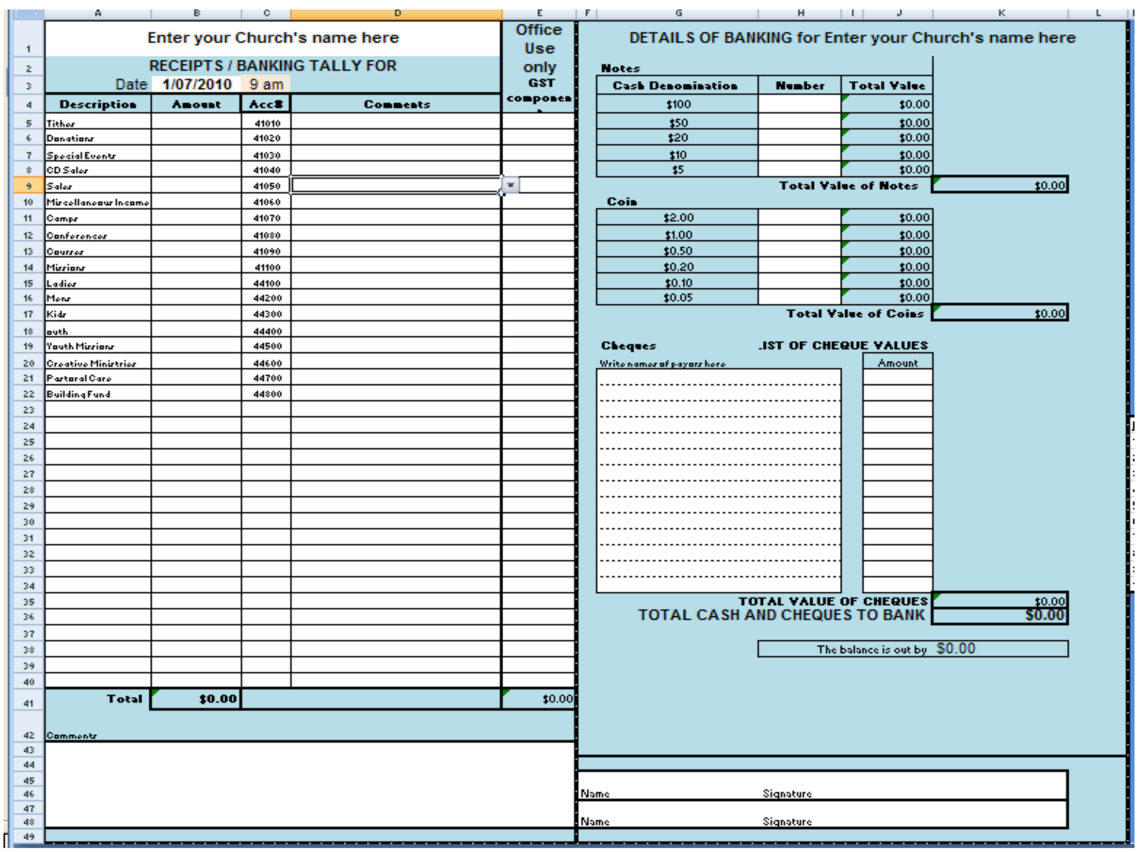
What's the figure that will appear on the Bank Statement

This is the figure that must be allocated to the bank account in the software. If funds for a particular deposit into the bank account are received from several sources over a range of receipting events, then allocate these receipts to the "Undeposited Funds" account number 1-1180. Then complete a bank deposit of the total amount banked from 1-1180 to the appropriate cheque account. The end point of this is that funds can be received from many sources, but only one figure (the total value of the deposit) is shown in the bank account of the software.

Sign-in sheets for Sunday offerings

Whenever cash is handed in for banking into the Church bank account it should be receipted. Money that's received through the Church offering system can be receipted on a "Counters sheet". Money that's handed in by a person (usually to another person) should be receipted through a Cash Receipt book that has been purchased from a stationery supplier. Both of these documents may be requested by the Church auditor to help the auditor confirm that the total funds received are banked.

A Counter's sheet may look like the following. This example is given as a spreadsheet with this book – it prints out on two sheets of A4 paper. A blank (manual) counting sheet for counting money is also included. These forms must be signed by at least two people.



Enter your Church's name here

RECEIPTS / BANKING TALLY FOR

Date 1/07/2010 9 am

Description	Amount	Acc#	Comments	Office Use only GST component
Tithes		41010		
Donations		41020		
Special Events		41030		
CD Sales		41040		
Sales		41050		
Miscellaneous Income		41060		
Camps		41070		
Conferences		41080		
Courses		41090		
Missions		41100		
Ladies		44100		
Mens		44200		
Kids		44300		
outh		44400		
Youth Missions		44500		
Creative Ministries		44600		
Pastoral Care		44700		
Building Fund		44800		
Total	$0.00			$0.00

Comments

DETAILS OF BANKING for Enter your Church's name here

Notes

Cash Denomination	Number	Total Value
$100		$0.00
$50		$0.00
$20		$0.00
$10		$0.00
$5		$0.00
Total Value of Notes		$0.00

Coin

Cash Denomination	Number	Total Value
$2.00		$0.00
$1.00		$0.00
$0.50		$0.00
$0.20		$0.00
$0.10		$0.00
$0.05		$0.00
Total Value of Coins		$0.00

Cheques .IST OF CHEQUE VALUES

Write names of payers here — Amount

TOTAL VALUE OF CHEQUES $0.00

TOTAL CASH AND CHEQUES TO BANK $0.00

The balance is out by $0.00

Name Signature

Name Signature

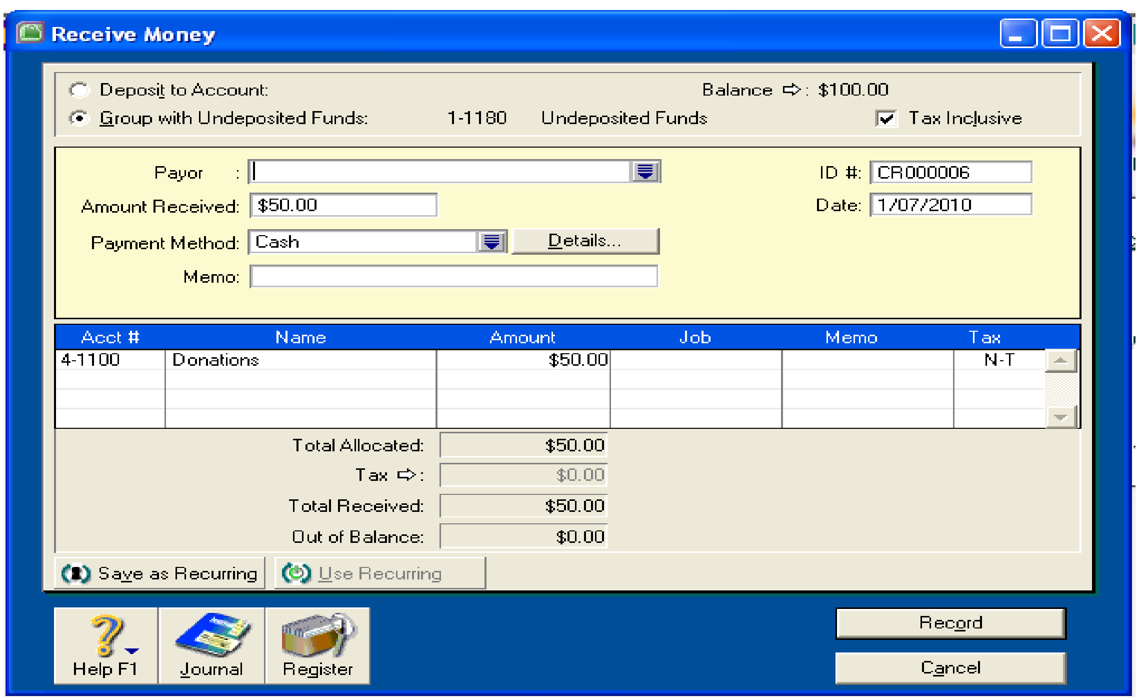
These sheets are used in the event of an insurance claim for loss of money in transit – they are a tool in establishing the amount that is missing.

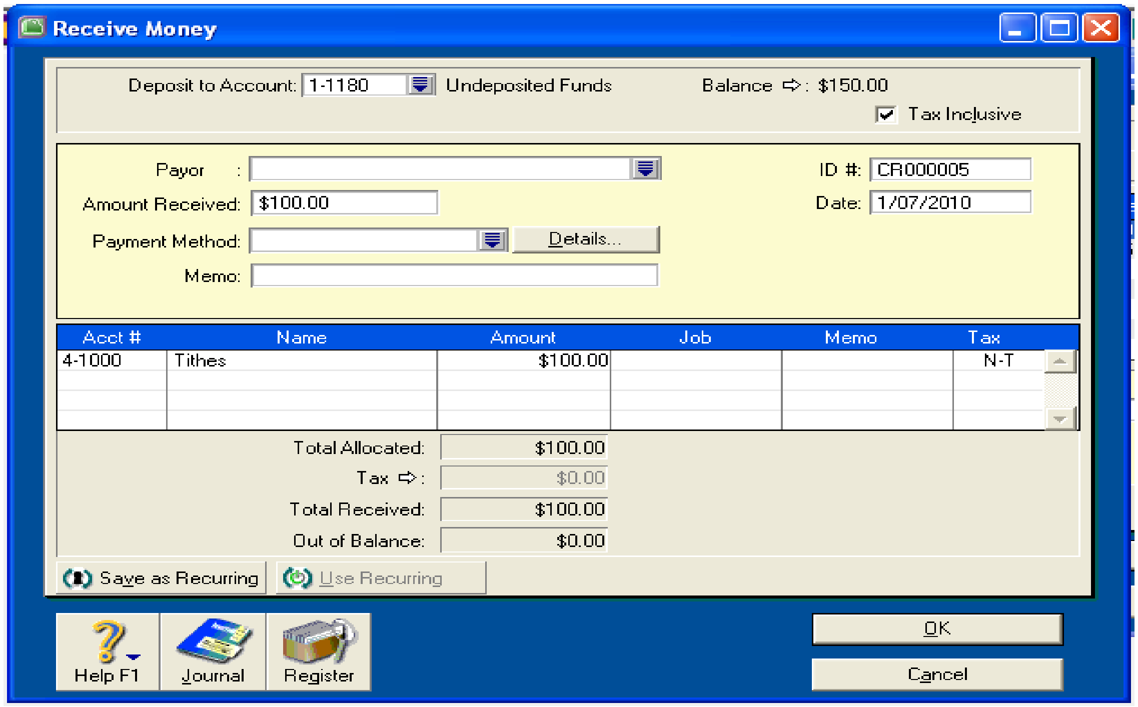
Please note the following if you are using the above spreadsheet:-

- You can only enter data into the white cells
- As data is entered, the background colour will change to pink. It will only change back to blue when the amount received on the left-hand sheet is equal to the amount to be banked on the right-hand sheet. The amount by which the two sheets differ is shown in cell K38
- Enter into column A the account names for the income accounts. Enter into column C the account numbers for these income accounts
- Enter the amount received for each income line into column B
- Column D is for the people counting to enter any comments that are pertinent
- Column E is to identify any GST that has been received in any income line
- In Column H enter the number of each denomination received. The spreadsheet will calculate the value of each denomination
- When the background colour has returned to 'blue', print out the sheets and have the people counting this sign the sheet. Save the sheet with the date as part of the file name, e.g. "Counting sheet 100701", where the first two digits stand for the year, the second two digits stand for the month, and the final two digits stand for the day of the month. In this format, the spreadsheets will be stored in date order, with the most recent being at the bottom of the list

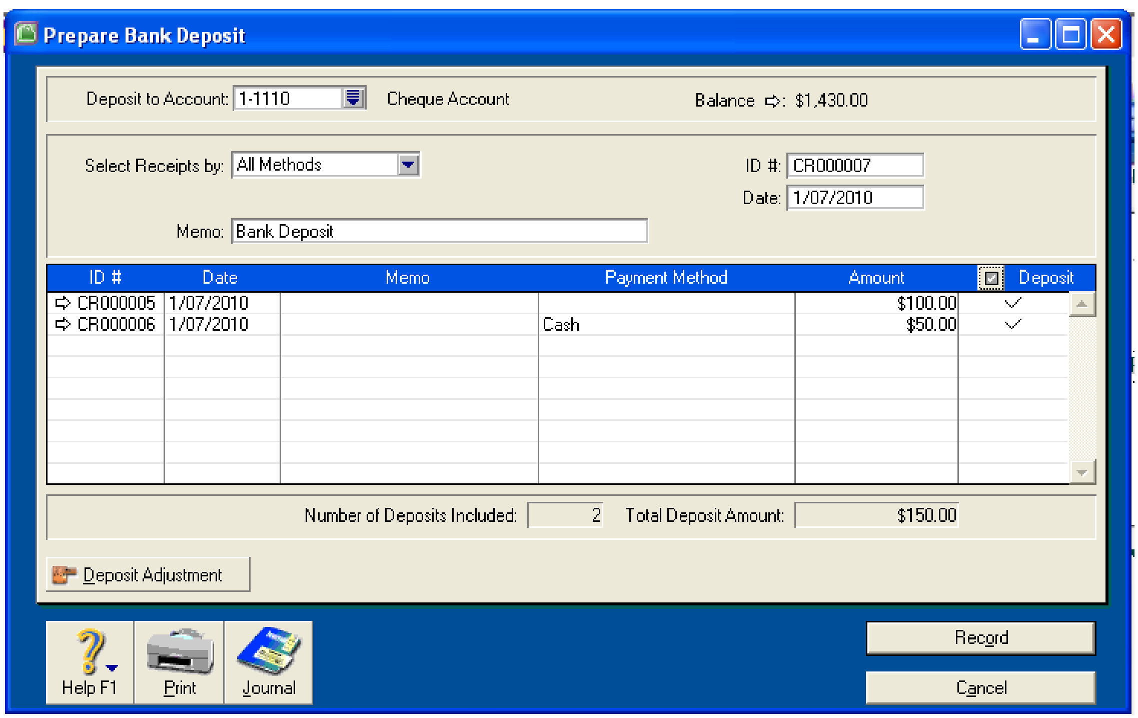
Banking money

For illustrative purposes the following two deposits are recorded by being allocated to the Undeposited Funds account number 1-1180.



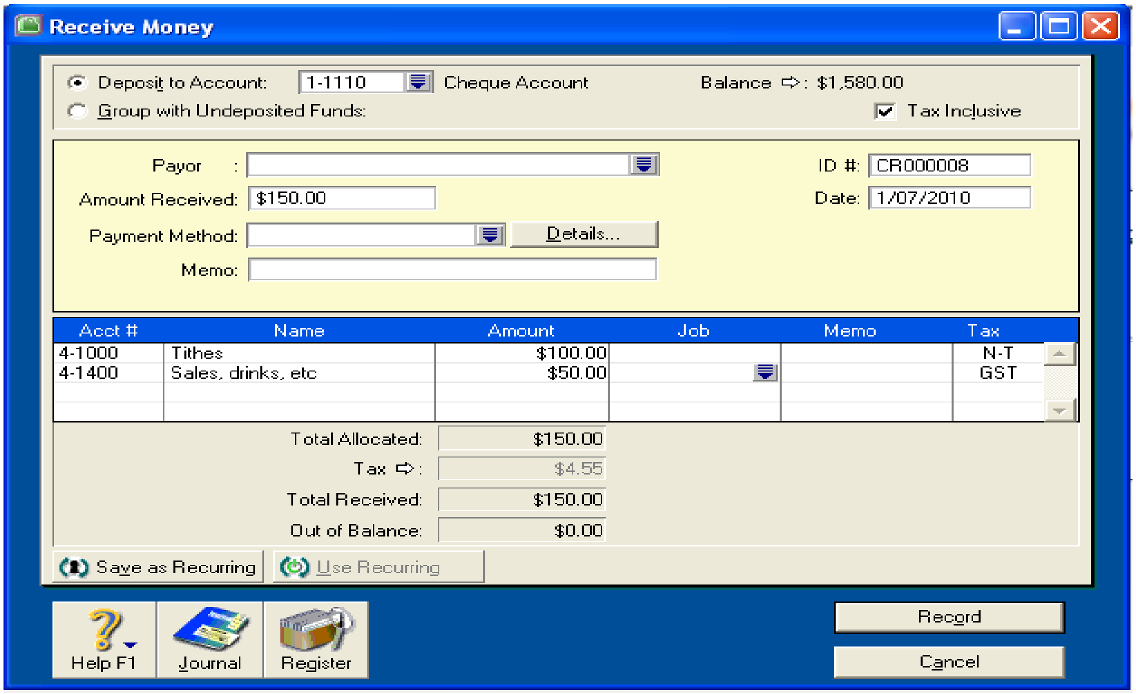


The entry that may appear in the "Prepare Bank Deposit" section of the software may look like:-



This transaction collects the two separately receipted amounts of $100 and $50 in the software and then transfers the total to the bank account. Because the bank will show that a single deposit of $150 has been deposited, the bank reconciliation process will be very easy.

The following is an example of what the receipt of money may look like in the software:-



Note the following about the above example:-

- The account into which the money is to be deposited is shown at the top of the screen. If this money is to be amalgamated with other funds to be banked, then the "Group with Undeposited Funds" bullet would be selected
- The tithes do not attract GST, therefore it has the N-T code in the Tax column
- The sale of drinks etc does attract GST, therefore the GST code is selected in the tax column
- The GST on $50 = $50 / 11 = $4.55. This is shown in the summary at the bottom of the screen
    - In the above example $100 would be allocated to account 4-1000, $45.45 would be allocated to account 4-1400 and $4.55 would be allocated to account 2-1310 "GST Collected"

Paying bills

There are two ways of handling the payment of bills in the software.

1) By using the "Spend Money" function of the Software
2) By using the "Purchases" function of the software. This is the preferred option.

Spend Money function

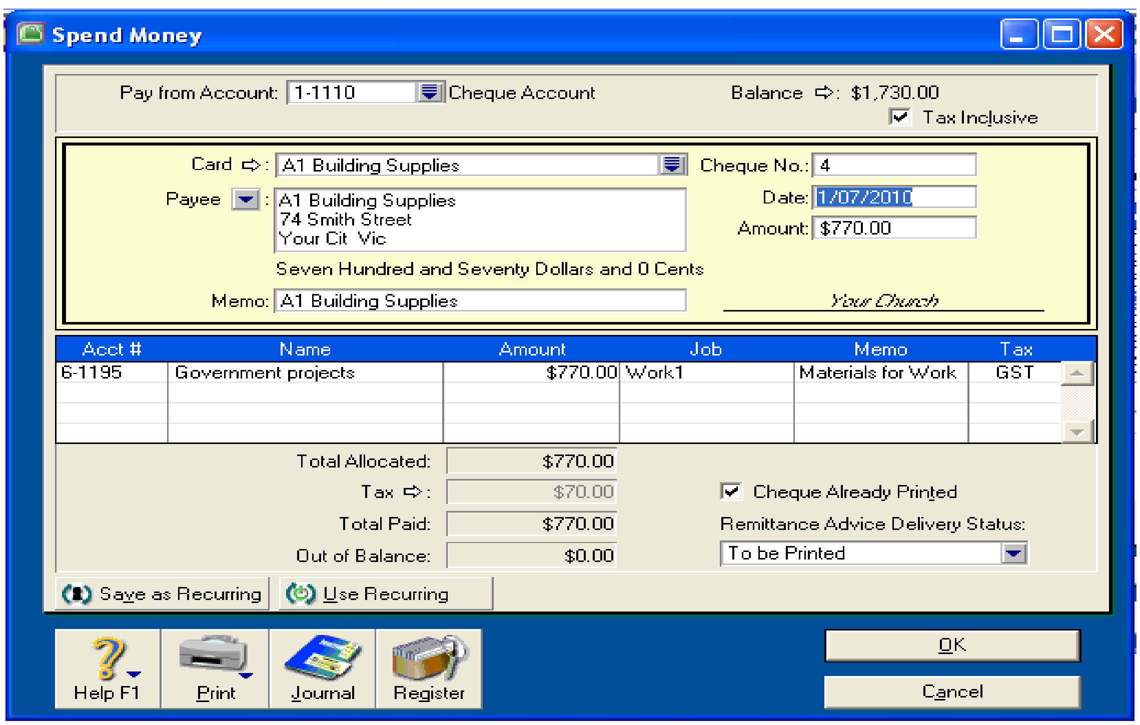
This function is the simplest way to handle the payment of bills, however the disadvantage is that the software doesn't contain the same amount of detail that is recorded when one uses the "Purchases" function. The Church still has all the details available to it on the Tax Invoices that come from the supplier, but if one has to research the history of a payment then the use of this function is far more time consuming as one has to find the paperwork. Under the "Purchases" function this would be recorded in the software.

As indicated earlier in the discussion about GST, one needs to be mindful, when entering a payment, is to treat the GST component (if any) correctly. See the earlier discussion about GST in money that's paid out.

When using the "Spend Money" function of the software, enter the following:-

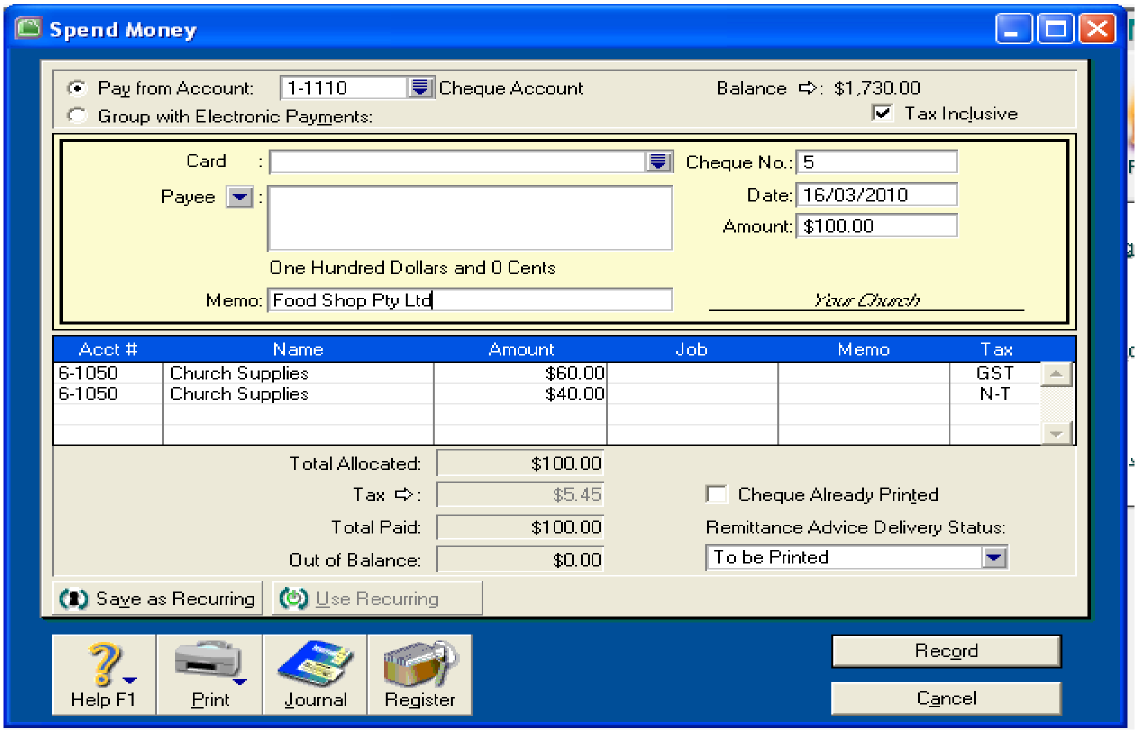
- The name of the receiver of the money in the Memo line
- The date on which the payment is made
- The total amount to be paid
- Enter a job code if the payment is part of money that has to be acquitted at a later time.
- Adjust the tax code column

The entry in the software may look like the following:-



When GST applies to only part of a payment

If the GST only applies to part of the payment, then use two lines. One line will contain the amount that has full GST and the second line with contain the amount that has no GST in it. It may look like:-



Note the following about the above transaction when GST applies to only part of the payment:-

- The tax invoice from Food Shop Pty Ltd would indicate that only some of the items purchased attract GST. The amount for this is $60 in the above example, and the GST component of $60 / 11 = $5.45 is shown in the summary at the bottom.
- The part of the invoice that doesn't attract GST is $40, and this line has the tax code of "N-T".

Purchases function

This function is the preferred function to use. There is a little more data to enter when recording the purchase, but the capacity to search past records in the software is greatly enhanced, as one can search according to the supplier's name, not just the date on which the transaction occurred when using this function.

Using the Purchases function of the software takes a bit longer to record – it has two stages.

- The first is to enter the tax invoice as a Purchase
- The second is to pay for the purchase.

The advantage of using this method of recording the purchase and then the payment is that if there is any need at a later date to recall the details of the transaction it will all be contained in the records of the software. This is of particular advantage if there has been a long period of time between recording the transaction and the later investigation.

1) Entering the tax invoice into the Purchases function of the software

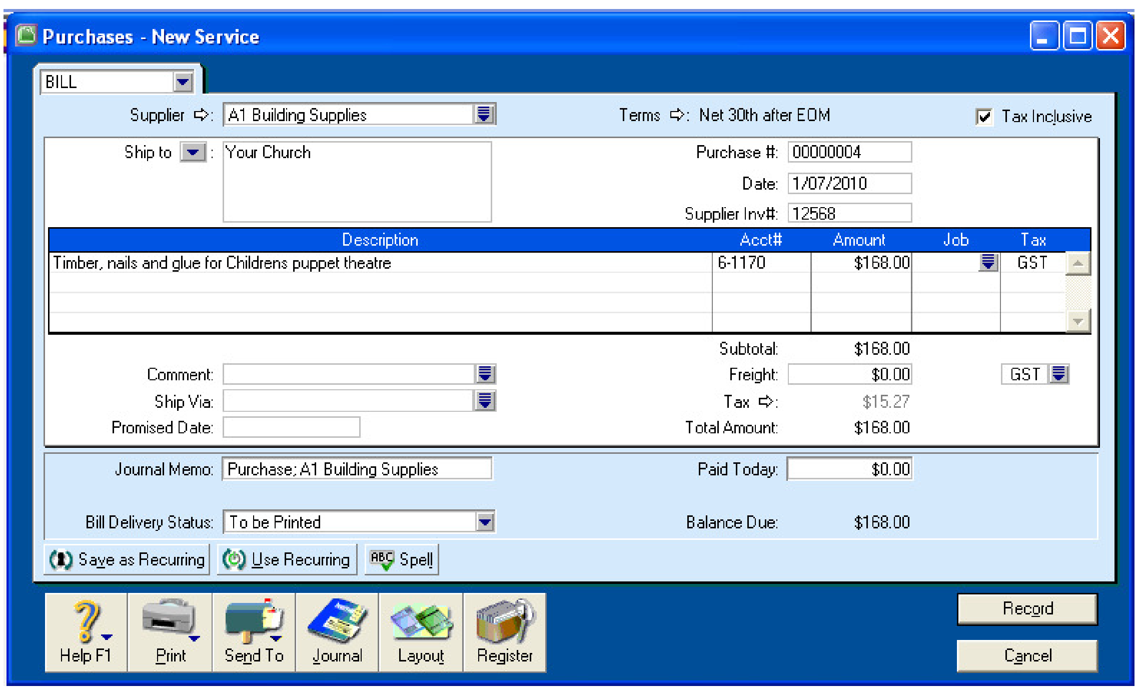
The supplier of the invoice needs to be entered as a “Card” into the software. This is a once-only entry, and contains the name of the business, the address of the business, contact details of phone, fax, email, web address, etc, the ABN of the supplier etc.

From the “Purchases” icon, select the ‘enter purchase’ button. This will bring up a blank Purchase order form.

Fill in the fields requested. The suppliers invoice number field can be set up so that the software will warn if one attempts to enter a previously entered invoice number. This saves entering the same invoice twice, and so helps prevent the payment of an invoice twice. In the “Description” field enter a brief description of what is being supplied on this invoice. This is the part that makes later investigations far easier.

Also enter the account to which the invoice is to be charged, the amount and the appropriate GST tax code.

An entry into a Purchase Invoice may look like the following:-



Note the following about the above purchase invoice:-

- The amount that will be debited to account 6-1170 is $168 less the GST of $15.27 = $152.73
- The GST of $15.27 will be debited to account 2-1330 GST Paid
- The trade creditors account 2-1200 will be credited with $168.00

When the time comes to pay this invoice the software will credit the bank account from which the money is taken and debit the trade creditors account 2-1200.

The end result of this transaction is that $168 has been taken out of the bank account, account 6-1170 has been debited with $152.73 and the GST Paid account 2-1330 has been debited with $15.27. This is exactly the same end point that would be achieved by using the "Spend Money" option in the software, except for the fact that the software now contains details of what was on the original invoice.

2) Paying for the tax invoice that has been entered as a "Purchase"

The software will have an icon called "Pay Bills" (or similar wording). Select that icon, and then select the particular bill to be paid and the bank account from which it is to be paid. This can then be paid by writing a cheque, getting the software to print a cheque or making an electronic payment.

Modern software will also allow the user to pay bills electronically. Check with your bank to ensure that they will accept such an instruction from your church, and follow the guidelines for your particular software to record this payment. Where the software, and arrangements with the Bank, allow electronic payment, one way to make the payment is to prepare an "ABA" file (i.e. a file that the bank's software can read) and send this to the bank. Check with your software provider on how to set up ABA files in your software.

Petty Cash

Petty Cash is a system of being able to purchase items that normally have a low monetary value and when using forms of payment other than cash is inappropriate. Petty cash can be used to pay for any expenses of the Church. Common examples are kitchen supplies, postage, travel reimbursement, small stationery items, etc.

A petty cash system can be easily administered by following these four steps:-

A. Write out a cheque that is payable to the Church for (say) $100, or the amount that is to be the float in the Petty Cash Tin. This cheque is to be allocated to account 1-1170 "Petty Cash".

    a. Put this cheque into the Church offerings prior to banking the money, and take $100 in cash from the banking. The total of the banking will still be the same.

    b. Put the cash into a tin that is kept securely. Access to this tin should only be through one person (or a maximum of two people – for security reasons)

B. Someone who wants to get access to use some of the petty cash can get it through one of three ways. Each of these ways needs to have the paperwork signed by a person who can authorise the payments

    a. The person brings the Cash Register Receipt or invoice for the item they have purchased. This is swapped for cash – the cash goes out of the tin and the Cash Register Receipt goes into the tin. The tin will have both cash and invoices that total the original float of $100.

b. A person takes money from the Petty Cash tin to go and purchase something where the price is unknown at the time, e.g. the person wants to pay for the postage of an article. If the person takes (say) $20 from the tin a voucher is filled out stating who took the money and how much was taken. Again, the tin will have cash, vouchers and invoices that total the original float of $100

c. A person has spent money legitimately on a church expense, but has lost the invoice. The next time a church invoice goes through the washing machine won't be the first, nor will it be the last time this happens. Fill in a Petty Cash voucher (available from stationery suppliers) with appropriate details and have it signed by a person who has the authority to authorise the payment. Again, the tin will have cash, vouchers and invoices that total the original float of $100

C. As the cash in the Petty Cash tin gets low take out all the invoices and vouchers and total these – say this comes to $85, leaving $15 still in the tin. Note on each invoice or voucher which expense account to which the payment is to be allocated. Write out a cheque to the Church for $85. Put this cheque into the Church offerings prior to banking the money, and take $85 in cash from the banking. Put the $85 into the tin, which then restores the float back to the original amount of $100.

   Use the "Spend Money" function of the software to record this cheque. Use the account numbers on the invoices and vouchers to allocate the payments to the correct expense area. Pin all theses vouchers, tax invoices and Cash Register Receipts onto an A4 sheet and store them appropriately.

D. Return to step B above to continue the cycle.

If the cash in the Petty Cash tin needs to be replaced constantly, allocate more cash to the tin by repeating step A above.

If there is too much money in the Petty Cash tin the excess cash can be banked in a normal banking, with the deposit being allocated to account 1-1170 Petty Cash.

Reconciling bank accounts

Reconciling bank accounts is a normal and regular part of the cycle of bookkeeping. The concept here is that one needs to check to see if the transactions that are going through the records of the software are the same as those going through the bank account. Where there are differences action must be taken to get the two records to agree.

The process of completing a bank reconciliation is to:-

1) Open the "Bank Reconciliation" part of the software

2) Remember that items in the credit column on the bank statement show deposits into the bank account (these will be reflected in the debit column in the software) and items in the debit column on the bank statement show withdrawals from the account (these will be shown in the credit column in the software)

3) Find the closing balance on the bank statement and enter this into the appropriate field in the software. The most common scenario at this point is that the software will show an

"Out of Balance" figure somewhere. The objective of this process is to make this "Out of Balance" figure to be $0

4) Put a "∧" on the bank statement for those entries that are both on the bank statement and in the software. Also put a "√" into the corresponding line in the software. These entries are the same in both the software and on the bank statement, and so not causing an out-of-balance error.

5) When this is complete put a "º" next to each item on the bank statement that doesn't have a "√" next to it. These are the items that are causing the out-of-balance figure to be something other than $0. These items must now be added into the software. bank statement

    a) Note: the type of transactions that can be in this category could be bank fees, direct deposits into the account that haven't been recorded (some members of the church pay their tithes directly into the bank account of the church), recurring monthly payments (such as lease fees on a photocopier, or rent for a building).

    b) Some other transactions that might be included in the software but not on the bank statement could include things such as cancelled cheques.

6) After adding the items that have a "º" next to them into the software, repeat point 4) above. This should change all these items on the bank statement to have a "∧" next to them.

7) At this stage the out-of-balance figure should be $0. If it is not, then further investigation is needed to find out why and make adjustments.

    a) Note: an old hint of finding where a problem may be is to sum the digits of the out-of balance figure. If this sum comes to "9", or a multiple of "9", then the problem is most likely to be that figures have been transposed in the entry. E.g. $1640 has been entered as $1460. The difference between these two figures is $180. Summing the digits of 180 (i.e. one plus eight plus zero) one comes to the answer of "9".

8) Once the out-of-balance figure is $0, print out a reconciliation report, attach this to the bank statement and finally click the button to complete the reconciliation.

Once a Bank Statement has been reconciled the accounts should be "locked", i.e. under the security part of the software there should be a place where a date can be given. Once a date is put into this place the software won't accept any transactions that are dated prior to that date. This is so that the bookkeeper won't accidently enter a record that will nullify the bank reconciliation report that has just been completed. Should it be necessary to add a record prior to the date of the bank reconciliation date, this "locked" date can be removed, the record added, and then the "locked date" re-entered.

Reporting on the activities of the Church

There are several groups of people who have legitimate access to reports of the Church's financial activity. These would include, but not limited to:-

- The members of the Church at an Annual General Meeting
- The Board of the Church

- Companies or banks who may lend money to the Church from time to time
- Church Auditors
- The ATO
- The Government Department under which the legal structure of the Church has been established

The Church's reports have the greatest legitimacy if the records have been audited by an independent auditor. This audit process is the subject of a separate discussion elsewhere in this book.

The common reports that can be produced from the Church's records are:-

- Income and Expense statement (the software may call this a "Profit and Loss" statement.
- A Balance Sheet
- A Cash Flow Statement
- Departmental reports for Church Departments

A further suggestion is also made here, and that is a "Cash Position Report" (see later notes on a "Cash Position Report"). This is a snapshot of what cash has (or can lay claim to) at a particular point in time, and what are the claims to that cash. This is most useful to the people managing the Church's finances, as it shows the cash the church has, the current commitment the church has to pay and the amount of cash that is unencumbered. In reality, it's only the unencumbered cash that the management has a choice on spending (or saving).

A more detailed discussion of these reports is given in a later chapter. However, the following is a brief explanation of what each of these contains.

Income and Expense statement (the software may call this a "Profit and Loss" statement.

An "Income and Expense" statement gives a summary of the income that has been received over a period of time (say for a month or a year) and a breakdown of what that money has been received for (e.g. tithes, building fund, youth department, etc)

This statement also gives a summary of the expenses of the Church over the same period of time. These expenses will be summarised into the names of the accounts in the expense section of the Chart of Accounts. Some of these may also be summarised with a sub-total, for example, employment expenses.

Where the income is greater than the expenses the Church has made a surplus for the period. The software may call this surplus a "Profit".

When the expenses are greater than the income, the church has suffered a deficiency for the period.

This report should be one of the default reports that the software can produce.

A Balance Sheet

A Balance Sheet is a report that shows the (book) value of the Assets of the Church. This is matched against the liabilities of the Church. The difference between these two is called the "Equity" of the Church. So, at all times, the records of the Church will show that:-

The value of the assets of the Church = the liabilities of the church plus the members equity

Assets are cash and other items of value (land, buildings, plant and equipment, fixtures and fittings, shares, bonds, etc) that the Church may own. They are normally recorded at the value they had at the date of purchase (or the value from an official valuation), which can be a different figure from what would be obtained if the item was sold. A discussion on how to account for the sale of assets is given elsewhere in this book.

Liabilities are amounts of money that are owed to people or companies who are not members of the Church. These would include bank loans, trade creditors, bank overdraft facilities, etc. If the value of the liabilities is greater than the value of the assets, the Church is technically insolvent, and should be wound up. That's an issue for the Board to handle.

The Balance sheet is a snapshot in time. Just as a photograph snaps a person or a scene at a moment in time (if the person has their eyes closed, they will be closed in the photograph) so the Balance Sheet snaps the value of the assets and liabilities of the church at a moment in time. If a minute after the balance sheet was produced another transaction was entered into the software the Balance Sheet would be different.

The production of a Balance Sheet should be a default report built into the software.

A Cash Flow Statement

A "Cash Flow Statement" shows where the cash has come from and where the cash has gone over a period of time. It starts with the bank balance at the start of the period, and ends with the bank balance at the end of the period.

A Cash Flow Statement is organised into three parts:-

A. Cash from the normal operations of the Church and adjusted for things such as depreciation, long service leave, holiday pay, etc This cash is normally called **Cash from Operating Activities.**

B. Cash that relates to the purchase and sale of assets. This is normally referred to as **Cash from Capital Activities.**

C. Cash that relates to the borrowing of money and the repayment of loans. This does not include the interest paid on the loans, as interest would be included in the Cash from Operating Activities. This is normally referred to as **Cash from Financing Activities**.

So the theory is that the cash the Church has at the start of the period is

1) Added to the cash received from the operating activities

2) Plus the cash received from the sale of investments
3) Plus the cash received from new loans less the cash paid for the expenses of the church
4) Less the cash paid to purchase new assets
5) Less the cash paid out to repay loans

Will equal the cash the Church has at the end of the period.

It may be possible to set up the accounts in the software so that they automatically belong to one of these three areas. If so, the software will have a Cash Flow Statement as one of the default reports available.

Departmental reports for Church Departments

The majority of the times what the Departmental Leaders want to know is how much cash can they spend. However Departmental Leaders should also be given a statement of what has been processed through the account. It is usually sufficient to give the Departmental Leader a print out of the appropriate accounts from the equity section of the Balance Sheet. This will show all the income the department has received and all the expenses the Department has paid.

Cash Position Report

Enter your Church's name here

CASH POSITION REPORT

Week Ending **27-Dec-10** Type in white cells only

WHAT WE HAVE				WHAT WE OWE			
CHEQUE ACCOUNT		Reconciled to		**DEPARTMENTS**			
Bank Statement Balance	$15,892.53	23-Dec-10		Ladies Ministry	$1,345.26		
plus receipts banked	$5,229.92			Mens Ministry	$500.80		
Total	$21,122.45			Childrens Ministry	$501.01		
less unpres. Chqs	$16,352.17	**$4,770.28**		Youth Ministry	$6,845.18		
				Missions	$8,678.00		
				Building Fund	$230,376.90		
				Events	$794.00		
OTHER CASH HOLDINGS							
Investment Account	$260,467.32			Total			$249,041.15
Petty Cash	$100.00			**PROVISIONS**			
Undeposited Funds	$348.00			Insurance /dues	$2,150.00	$100/week	
				Depreciation	$1,820.00	$20/week	
				LSL Provn	$2,407.86	$26.46/week	
				Holiday Leave	$1,601.00	$25/week	
				Superannuation Payable	$256.45		
				GST Collected	$141.45		
				PAYG Withholding Payable	$67.00		
GST Paid	**$317.99**						
Total Other Cash Holdings		**$261,233.31**					
				Total			$8,443.76
				FRINGE BENEFITS OWING			
				Employee's name	$784.00		
				Total			$784.00
TOTAL OF WHAT WE HAVE		**$266,003.59**		**TOTAL OF WHAT WE OWE**			**$258,268.91**

The Bottom Line

The spare money available to the Church is

$7,734.68

(Our Surplus funds that we can make decisions about)

A Cash Position Report is a simple one-page document as shown in the previous diagram. It is divided down the centre, with the cash the Church can lay claim to on the left hand side, and the cash that the Church is committed to pay out on the right hand side. The difference between the total of the two sides is either a cash surplus or a cash deficit and shown at the bottom of the page as either “Spare Cash” or a “Cash Deficit”.

Down the left-hand side of the page one shows each of the bank accounts that the church has in existence. Also on this side is other cash the church has, or claims to cash. Other cash may be the cash that’s in the Petty Cash tin, and the cash in an investment account. Cash that the Church can lay a claim to would include GST that’s been paid out. This is the Church’s money, but it is in the Government’s bank account. It will be returned when the next BAS is submitted to the ATO.

On the right hand side are three boxes:-

The first box (called “Departments” in the example shown contains information about money that may be paid out at very short notice. For example, the records of the departmental account go into this box. A Departmental Leader who knows that there is $500.80 (as with the Mens’ Department above) in the department’s account can come along at any time (subject to the policies of the Board) and ask for this to be used to pay an expense of the department.

The second box (called “Provisions” in the example shown) contains money which the Church expects to pay out, but there will be a delay in the payment. This box would show things such as:-

- The superannuation that is payable on employee’s wages;
- The value of the Long Service Leave that has been accrued by employees;
- The cash that is being accumulated to pay for the replacement of assets. It is suggested that whatever is the value of the accumulated depreciation, the same amount of cash is set aside to assist in the replacement of the asset at some future date. See the notes in Appendix E for these suggestions;
- If the Church has large annual bills (such as the insurance premium, or the annual dues payable to the Church headquarters) the cash that is accumulated over the year to pay such bills will be shown in this box;
- The value of any funds that have been given for a particular purpose, e.g. the building fund;
- Some churches accrue cash to cover accrued holiday leave, but only for those employees who are replaced by another (additional) employee whilst they are absent – i.e. the church is paying two lots of wages while the permanent employee is on holidays.

The third box contains the value of any wages that have been processed through the software, but where the cash has not been paid out. This is the employee’s money, but in the Church’s bank account. Normally this will be restricted to the value of any Fringe Benefit money that the employee hasn’t put in a claim to have paid out on the employee’s behalf.

The difference between the two sides shows either a Cash Surplus or a Cash Deficit.

Experience has shown that this report is of more practical use to the church management team in terms of day-to-day cash management than any other report. The management's general comment is "Don't tell me how much money is in the bank account; tell me how much I can spend". This report will show that.

See Appendix E for details instruction on how to set up a Cash Position Report.

Transferring money between bank accounts

At various times it is necessary to transfer money from one bank account to another. For example the Church may have cash in the cheque account which is in excess of the needs of the Church in the foreseeable future, so put the excess into an account that will pay some interest, for example a Cash Management Account.

This transfer may be done in one of three ways (all of which do the same thing):-

1) Use the "Transfer Money" icon in the software (if the software has this available). This is easy to use as it clearly states the account from which the money is coming and the account to which it is to be paid
2) Use a General Journal entry. If using this method, make sure that the account that is paying the money has the entry placed in the credit column and the account that is receiving the money has the entry placed in the debit column.
3) Use the "Spend Money" feature of the software. Write a cheque to pay the money, and make sure the account to which the money is going is specified.

Note: For each of these, the physical cash has to be physically transferred from one account to the other.

Storing Documentation

The easiest way to store documentation for both the receipt of money and the payment of money is in Lever Arch Folders. Keep a folder for the receipt of money. Keep separate folders for each of the bank accounts of the Church. These store the documents that back up the expenditure of the money. Keep the documentation of the payment of money in cheque number order or payment number order (if using electronic banking).

These are very important to facilitate an audit as well as investigate past transactions.

Documents should normally be stored for seven years, but this can change from time to time. Check on the length of time that is required with the Church's auditor.

Section 3

Advanced topics

7. Keeping records for departments

Churches often run several departments, for example, Children, Men, Women, Youth, and Missions.

Depending on the circumstances of the Church some of these may be broken down into further parts. For example, the Youth Department may run a High School Program, an Events Program, a Primary School Program, a School Breakfast Program and a general Youth Program. These would all be a sub-set of the Youth Program.

In the Chart of Account as given 100 account numbers have been set aside for each department. If a department wants several sub-accounts to record and report the separate activities of the department, then the suggestion is to:-

1) Make the account as shown in the Chart of Accounts a "Header Account". By doing this one can get an aggregated balance for the department
2) Use other available numbers within the range up to the next Department to set up the different sub-sections of the Department.

Three types of Departments

There are three types of departments. The record keeping for the first two varies slightly, but the record keeping for the third is very different. A separate chapter has been devoted to the record keeping of this type of "Department". These different types are:-

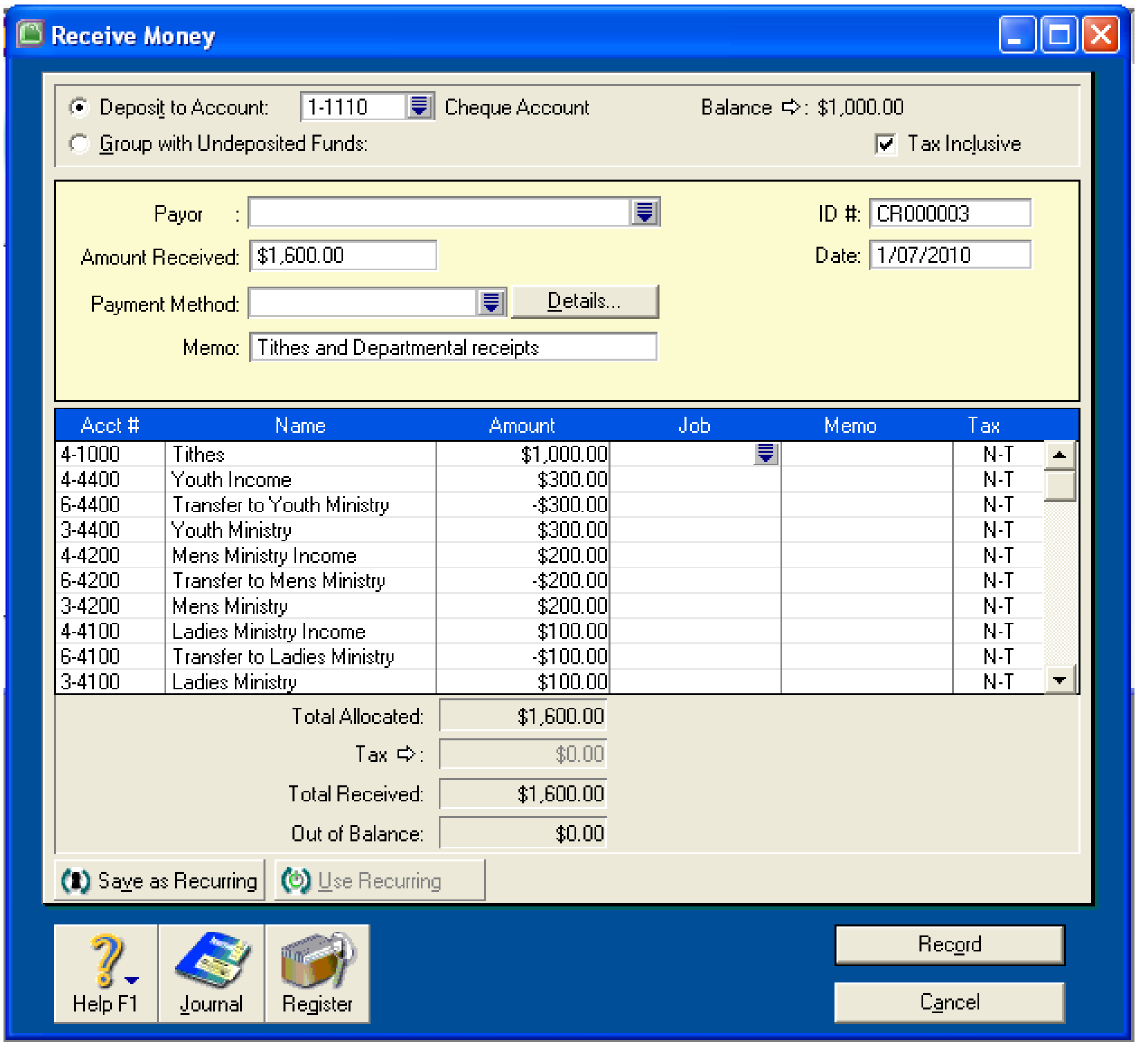
1) Departments that self-fund their activities:-
    a) These departments are usually those that can request the members of the department to pay their way in the various activities of the department. Examples of these departments may be the Mens' department, the Womens' Department, and Youth.
2) Departments that are partially self-funded and partially funded from the Church:-
    a) These departments are usually those that can't raise sufficient funds from their own activities, but because the Church sees these departments as significant, will support them out of the Tithes and Offerings of the Church.
    b) Examples of such departments are the Children's' department and Missions.
3) Departments that are funded by specific targeted giving:-
    a) These are departments where funds received by the Church are specifically given for the Department.
    b) An example of such a "Department" may be the Building Fund, and a separate Chapter on how to account for such a Department is given below.

Accounting for Departments that are self-funding

Recording the receipt of departmental money

As an example, say that on a particular day the Church has received $1000 in tithes, $300 from Youth activities, $200 for Mens' activities, and $100 for Womens' activities.

The entry into the software would look like the example below:-



Note that for each department there are three lines to record the receipt. These are:-

1) The "4" account to acknowledge that the money received is income for the Department, e.g. 4-4400 Youth Income $300

2) The "6" account that immediately records this as an expense to the Church, e.g. 6-4400 Transfer to Youth Ministry. Note that the entry in the "Amount" column is a negative figure to force this entry to be a debit entry in the account.

3) The “3” account to record the entry as an equity account, e.g. 3-4400 Youth Ministry.

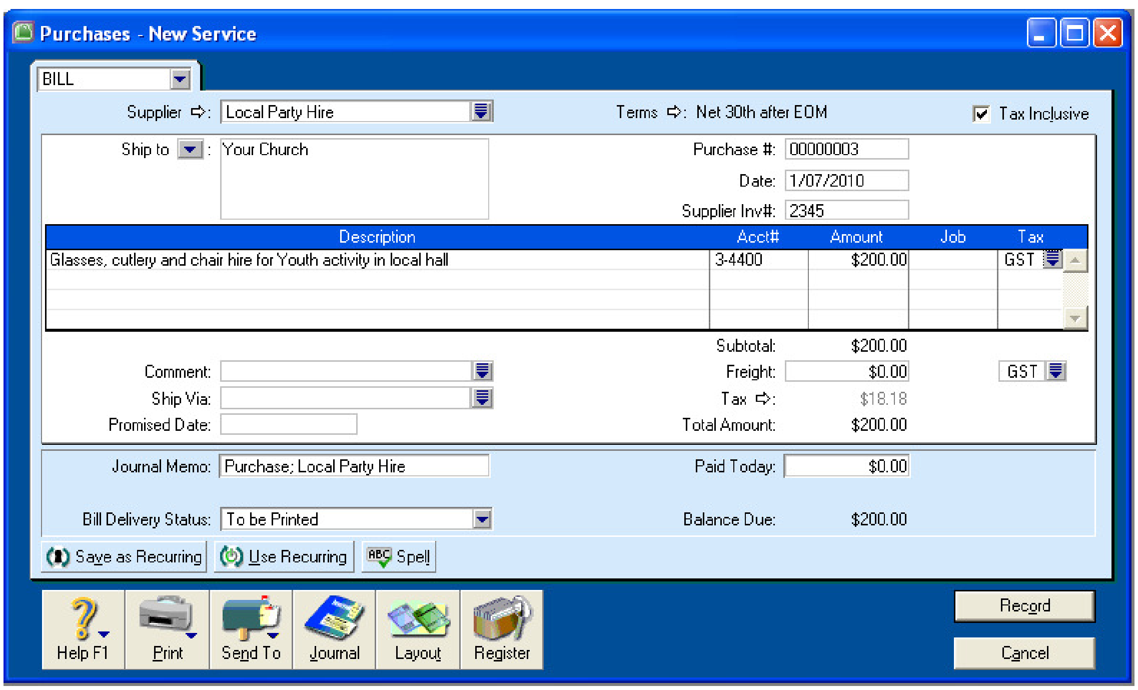
The effect of the above combination of entries is to:-

- Acknowledge that the money received is actually income to the Church. The Department is not a legal entity in its own right, so that any money received is actually Church funds.
- Realise that this money has been deposited with the intention that it will be quarantined for the exclusive use of the department – this is done by expensing the money out of the Church funds immediately in the “6” account
- To quarantine the money for the exclusive use of the Department. Nothing will happen to this money until an appropriate person in the Department requests the payment of the money to a particular creditor.

Recording the payment of departmental money

The payment of funds from Departmental funds is done by directing the payment to the department’s “3” account. The example below shows how this might look in the software.

First of all the tax invoice from the supplier would be entered into the “Purchases” section of the software. This entry may look like:-



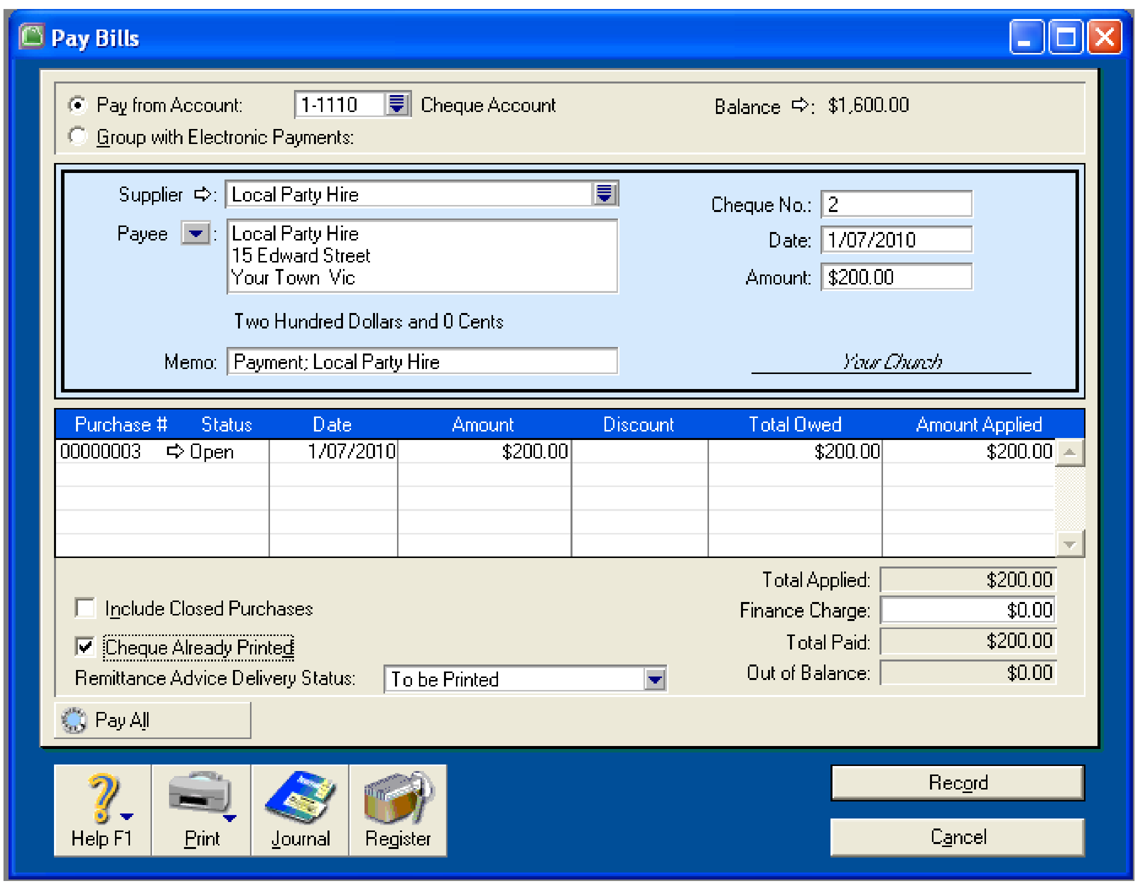
Note the following things about this entry:-

- The creditor (Local Party Hire) is shown as the supplier. This will automatically put this entry into the “2-1200 Trade Creditors” account in the Liabilities section of the Chart of Accounts by the software.
- The details of what is being purchased is shown in the “Description” section
- The account that is to be charged is put into the Account Number column, in this case account “3-4400 Youth Ministries”
- The amount that is to be paid to the Creditor is put into the “Amount” column.
- The GST treatment of this account is shown I the “Tax” column. Note that GST can only be claimed if the Church is registered for GST.

The accounting effects of the above entry will be to:-

1) Record $200 as owing to the Trade Creditor
2) Allocate $18.18 to the account “2-1330 GST Paid”. This will be claimed back from the ATO when the next BAS return is completed.
3) Take $200 - $18.18 = $181.82 from the available Departmental Funds

When the time comes to actually pay this bill the following entry in the “Pay Bills” section of the software would produce a screen that may look like:-



The things that happen in this transaction are:-

1) The money will come out of the Cheque Account – if a different account is to pay this, select the appropriate account at the top of the screen.

2) The Trade Creditors will be reduced by $200.

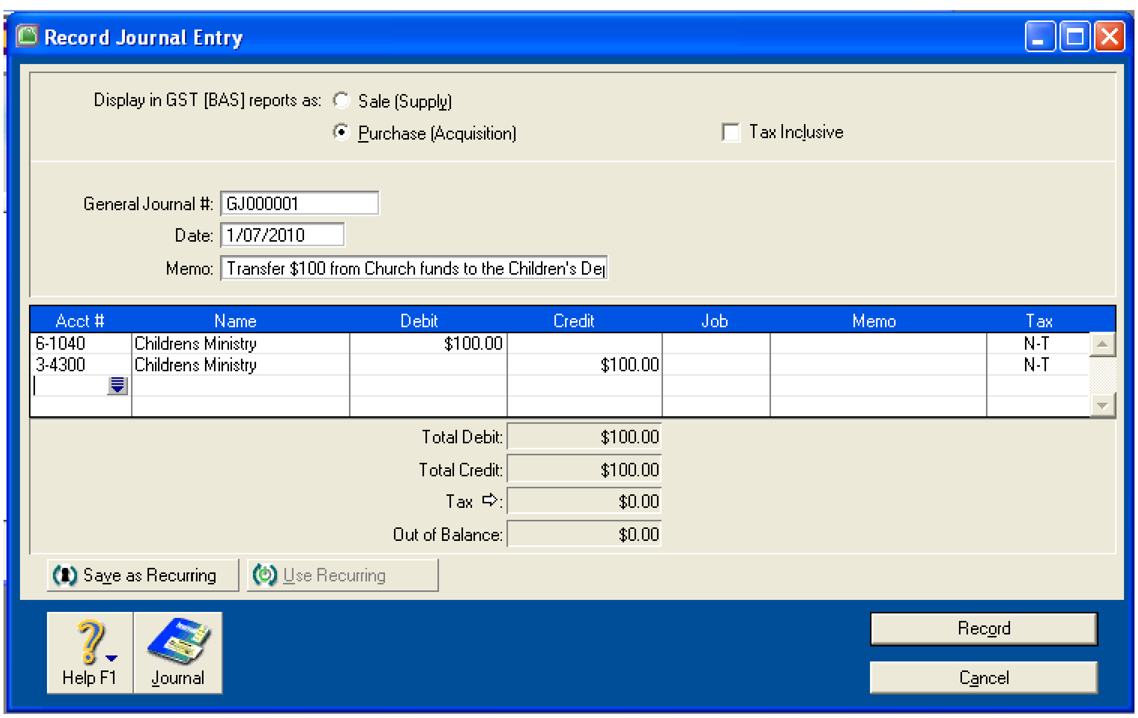
Accounting for Departments that are partially self-funding and partially supported from the Church

Some Departments cannot raise sufficient funds from their own resources to fund the costs of the department. This is often the case with the Children's Department. This Department will get some of their funding from offerings taken up during Children's Department activities, but this is rarely enough to pay their costs. Because of the importance a Church places on such activities the Church will partially fund these costs.

Recording the receipt of departmental money

The receipt of money, which comes from offerings taken up during the Children's Department activities, will be recorded in exactly the same manner as that shown above for Departments that fully fund their activities.

The difference comes in the transfer of funds from the Church to the Department. This is done through a General Journal entry. The Journal entry may look like:-



Note the following details about this entry:-

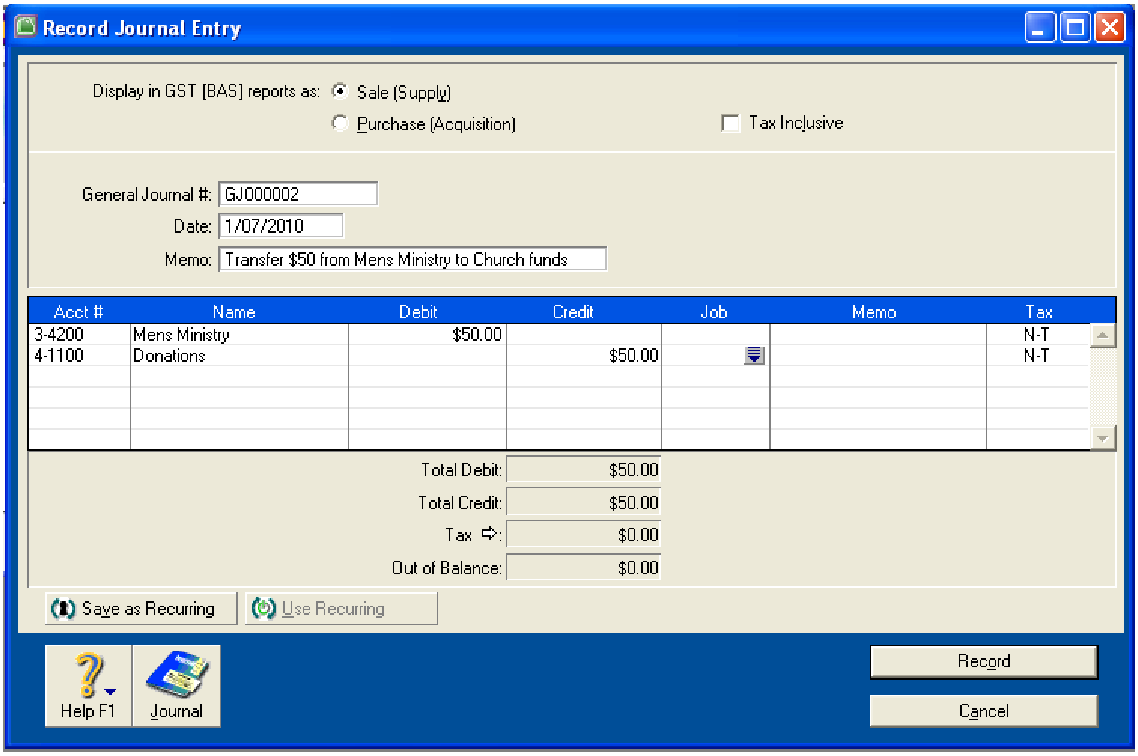
- The expense account “6-1040 Children’s Ministry” is different from the account “6-4300 Transfer to Children’s Ministry”. The latter account is only used as part of the recording of funds raised by the department. The earlier account is used when the cost is a genuine cost of the Church.
- The “6-1040 Children’s Ministry” account is debited – this follows the rules above given in the “Chart of Accounts” section
- The “3-4300 Children’s Ministry” account is credited. This makes the funds available to the Children’s Ministry department.
- This transaction is an internal one within the Church. This is outside the requirements of the Goods and Services Act, so an appropriate tax code will be used. In the above example the “N-T” code is used. This code is defined elsewhere in the software as to mean “No Tax”.

Recording the payment of departmental money

The funds paid out of a department that is partially funded from the general funds of the Church will be handled in exactly the same manner as that shown above for the Departments that are fully self-funded.

Transferring Departmental funds back to the Church

Occasionally a department will wish to support an activity of the Church, or a department ceases to function (but still has funds set aside for it) which means that the departmental funds are written back to the general church accounts. This would be done through a General Journal, and may look like the following:-



Things to note about the above transaction:-

- The “3-4200 Men’s Ministry account” is debited with the amount to be transferred back to the Church. This follows the rules given in the Chart of Accounts section to decrease the amount that the Men’s Ministry Department can spend.

- An income account (in this case “4-1100 Donations”) is credited to record income to the Church. Even though the transaction will be given for a particular activity of the Church, it doesn’t have to be specifically tied to that activity. It is now available for the Church to spend on that activity.

  Should the leaders of the Church, or the Department, require that the funds be specifically tracked, this can be done by using the “Jobs” function of the software. Both the income received by the Church, and the expenditure for the activity, would be given an appropriate “Job Code” and then at a later stage a Job Report can be produced to show the relationship between the income and the expenditure. As different software producers will handle “Jobs” in their own unique manner, look for how to handle this in a book written for the specific software that you use.

- This transaction is an internal one within the Church. This is outside the requirements of the Goods and Services Act, so an appropriate tax code will be used. In the above example the “N-T” code is used. This code is defined elsewhere in the software as to mean “No Tax”.

8. Building Fund

Whilst the heading of this section is "Building Fund", the record keeping here is for any money received that is to be set aside to purchase an asset in the future. This could be for a building program, vehicles, sound equipment, or anything else where specific money is given and the money is to be accumulated over a period of time before it is expended.

Two different ways to keep these records

There are two different methods of keeping these records. Both methods produce the same result at the end of the expenditure, but handle the process differently.

Method 1 requires the cash received to be kept in a separate account (usually an investment account where interest will be received on the investment). The accounting records for this are simpler than the accounting records for Method 2, but requires that the money received be transferred in total into the investment account. If this is not done, the accounting records balance of the investment account will not accurately reflect the total of the money received.

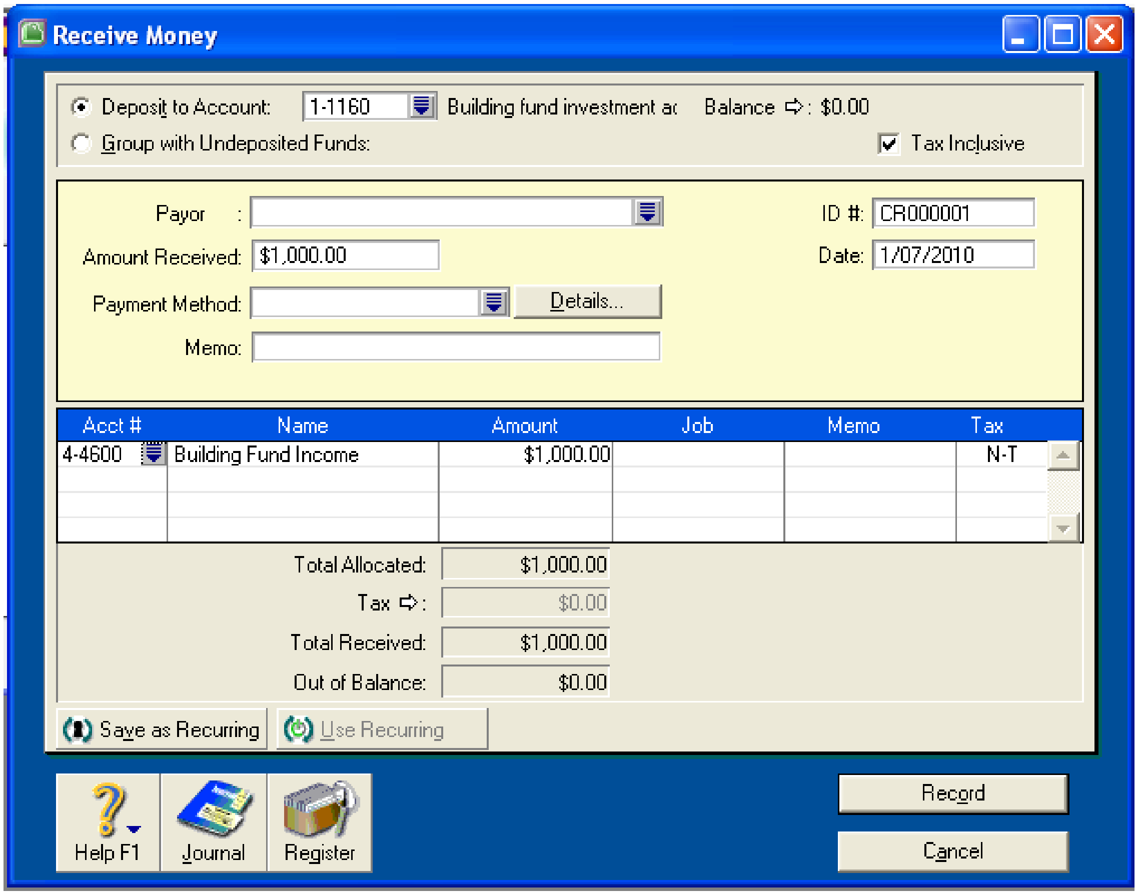
Method 2 is slightly more complex in the record keeping than method 1, but the financial records of the Church will always show the total funds received and the remaining funds available to be spent once the expenditure of this money starts. This is the preferred method of keeping these records.

Method 1

Recording the Money Received.

The example below shows the money coming in under account "4-4600 Building Fund Income". It would be more appropriate for this to come in under an "8" account (i.e. into the "Other Income" section of the Chart of Accounts., e.g. 8-4600). This would ensure that the income is recorded appropriately, but would be outside the normal operating income and expenditure of the Church.

Whatever money is received for the Building Fund is deposited into the investment account immediately. It is never banked into the operating cheque account. The following is an example of what the entry into the software may look like in the software.



There are two issues of which to be aware at this point.

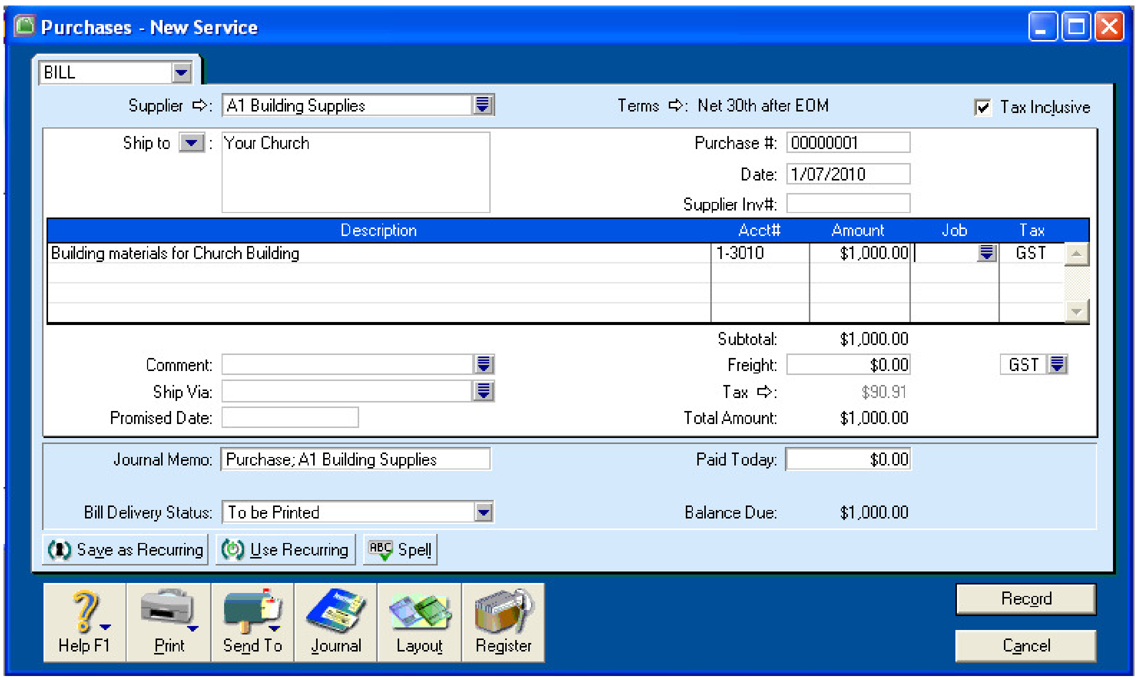
1. The first is that when such funds are collected with the normal tithes and offerings of a Church, there has to be a clear capacity to see that these funds are not part of the normal tithes and offerings. The Church may provide a specially worded envelope for this purpose.

2. The second is that sometimes the funds received cannot be easily separated from other money received for banking purposes. For example, if the above $1000 was part of a cheque for $2000, where $1000 is designated for the Building Fund, $500 for Missions and $500 for general tithes, the cheque has to be deposited into the cheque account and then at a later time $1000 transferred from the cheque account to the Building Fund Investment Account. Unless there is a system for this later transfer to happen, it may be forgotten – thus the funds received may not get to their appropriate destination. The Building Fund Investment Account would not show the total of the funds received for this purpose.

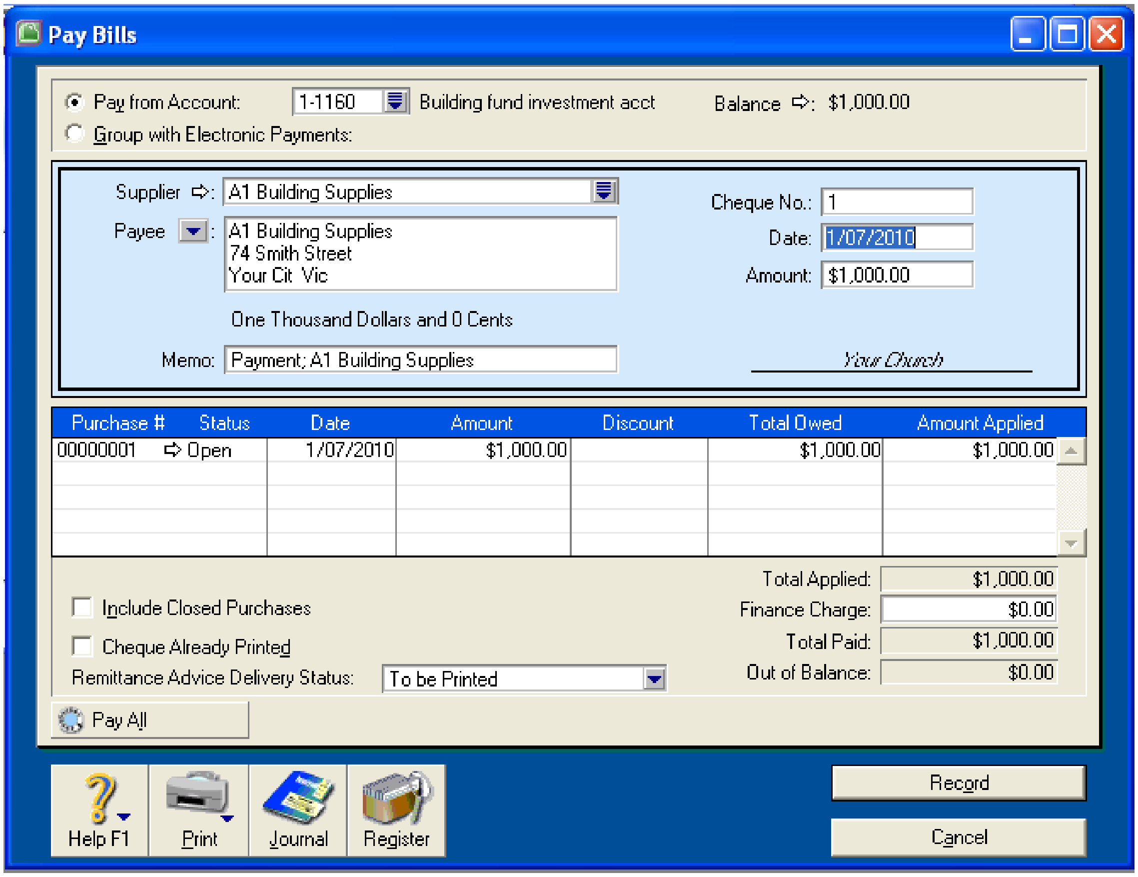
Recording the money expended

As the money is expended it would be paid directly from the Building Fund Investment to the supplier of the goods or services. A "Purchase Order" would be produced that details the supplier, the goods or services received, the asset account to which the payment is to be allocated, the total amount that is to be paid to the supplier and the GST code that is appropriate for the supply.

Below is an example of what such a Purchase Order may look like in the software:-



When the purchase is to be actually paid it would be paid directly out of the Building Fund Investment account. Below is what such a payment may look like in the software:-



This process would complete the record keeping of the receipting the money, the payment of the money to a supplier and the “Land and Buildings” account would show the increase in the value of the asset.

One further point for consideration:-

In the above example the total cash paid out to the supplier from the Building Fund Investment account will be $1000, but the amount that is debited to the 1-3010 Land and Building account is only $909.09. This is because of the effect of GST. The GST will be recorded in the GST paid account.

Method 2

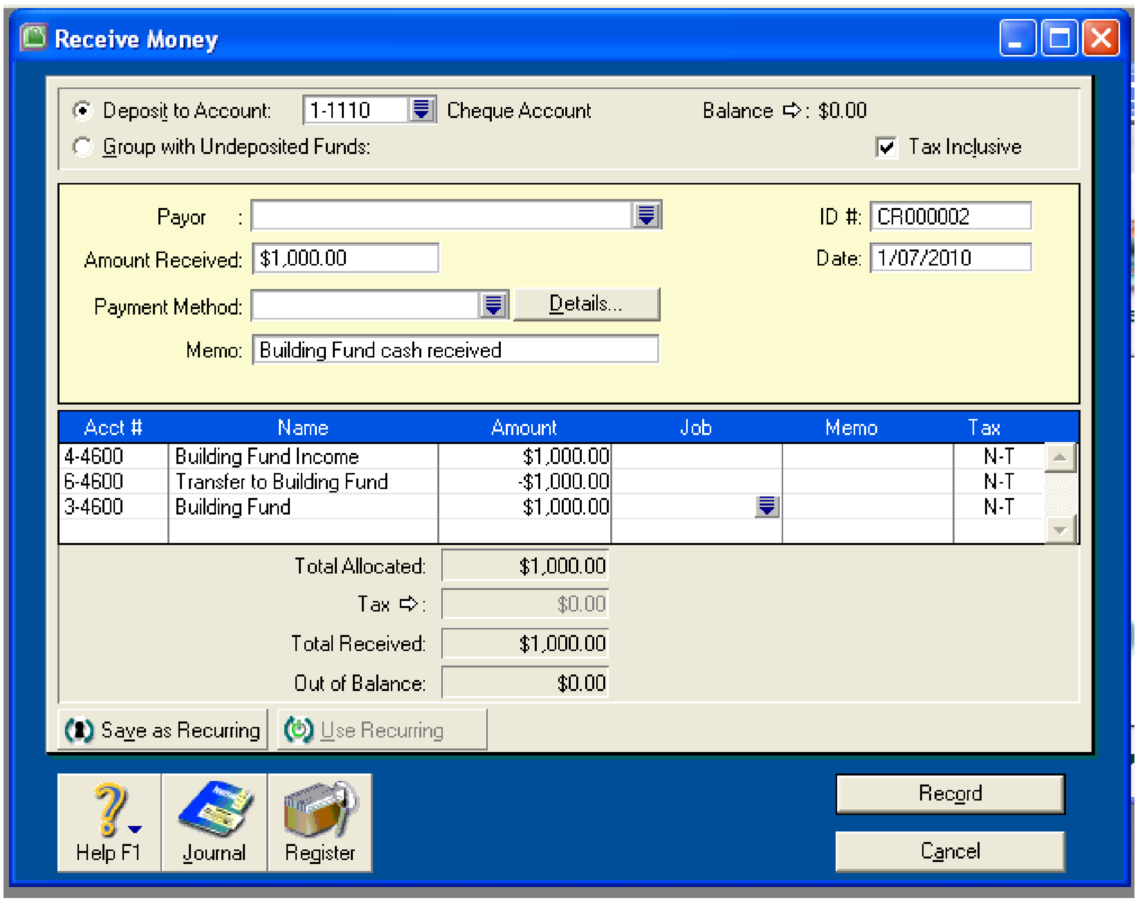
Method 2 of recording money for the Building Fund is slightly more complex than that of Method 1, but doesn’t need the intervention of human memory to make sure that all funds received are actually transferred to the Building Fund Investment account. The software records will always show the total that has been received, and as the money is expended, the amount that is still available to be spent.

Recording the Money Received.

Under this method the money received is recorded in three lines of data in the "Receive Money" part of the software:-

1. As income (The "4" account in the example below);
2. As an expense (The "6" account in the example below);
3. As equity (The "3" account in the example below);

The example below demonstrates how this can be done:-



Note The entry for the "6" account is a negative figure. This is necessary to ensure that the entry in the "6" account is placed on the debit side of the account.

What happens in this entry is as follows:-

1. The money is banked in the cheque account (as shown by the bank account at the top of the screen). This overcomes the problem indicated in Method 1, money coming in where several income items may be given in the one cheque. If, for example, a cheque for $1500 was given where $1000 is for the Building Fund and $500 is given for tithes and offerings, the above example could be modified by including an extra line where the tithes and offerings account is used, showing a deposit of $500.

2. The money is recognised as income to the Church, (which is what it is) in the “4” account.

3. The money is immediately expensed out of the normal operations of the church by the entry in the “6” account – thus the normal day-to-day operations and records of the Church are not affected by this money

4. The money is allocated to an equity account that waits for the day when it will be expended for the purpose for which it is given. If for some reason the money is never expended, then it will automatically be equity for the Church, so its entry here in the equity section of the Chart of Accounts will not have to be adjusted.

Whenever the money is transferred to the Building Fund Investment Account then becomes something that can be done at any time.

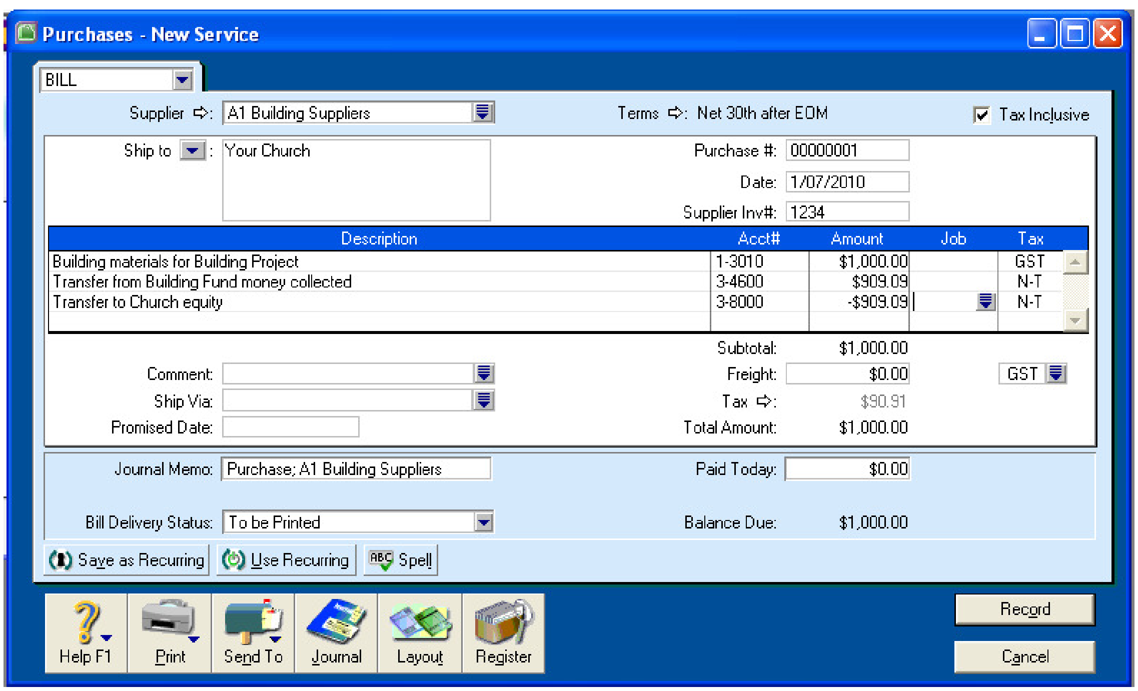
To find out what is available to be expended on Land and Buildings, one would look at the balance of the “3” account, not the balance of the Building Fund Investment Account, as the cash could be in either the Cheque account or the Building Fund Investment Account – it really doesn’t matter where the cash is stored – it’s the balance of the “3” account that is the major point here.

See the notes elsewhere in this document about a Cash Position Report that will show the relative figures for the cash available in the Building Fund, and the cash that’s available in both the Cheque account and the Building Fund Investment Account.

Recording the money expended

Under Method 2 it doesn’t matter whether the cash comes from the cheque account or the Building Fund Investment Account to pay for a Land and Buildings expenditure.

The Purchase Order would be set up slightly differently from that in Method 1. Below is an example of what this would look like:-



Note that there are four things that happen in this entry into the software:-

1) The amount owing to the supplier is shown as $1000 including GST (which is correct).

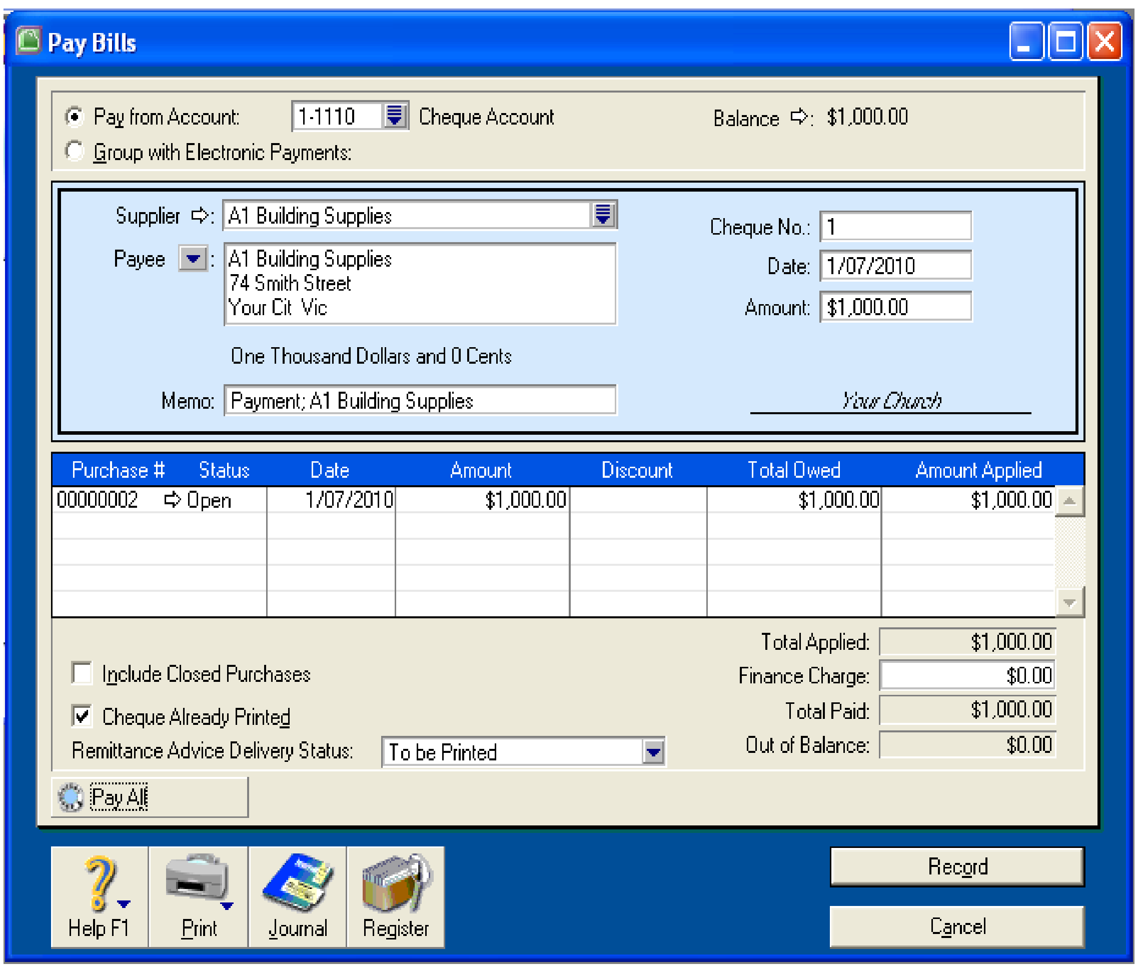
2) An entry is made to account 3-4600 for the ex-GST component of the payment (i.e. $909.09). This will reduce the amount available to spend on the Land and Buildings by the net amount by which the asset account 1-3010 is increased.

3) The long-term equity account “3-8000 Retained Earnings” will be increased by the non-GST part of the payment ($909.09) – thus retaining the net value of the transaction to the Church.

4) The Trade Creditors will be increased by $1000 – the software will do this automatically.

To pay the supplier, go to the Bill Payment section of the software. The cash for this can come from any account one chooses. The balance available to spend on Land and Buildings is the balance in the account “3-4600 Building Fund” - not the balance in a particular bank account or investment account where some or all of the cash may have been deposited. See the notes on the Cash Position Report elsewhere in this document for a report on this.

The following is an example of what the payment to the supplier in the software may look like:-



Two things happen with this transaction:-

1) The cheque account will be reduced by the amount paid ($1000).
2) The trade creditors will be reduced by $1000 – the software will do this automatically.

At the end of either Method 1, or Method 2, the records of the Church will be in exactly the same position, i.e.:-

1) The receipt of the money has been recorded accurately.
2) $1000 will have gone out of either the Cheque account or the Building Fund Investment Account.
3) A Creditor (A1 Building Supplies in this example) has been created and paid
4) The GST that was paid in the $1000 will be in account “2-1330 GST Paid” waiting to be included on the next BAS return.
5) The equity of the Church will reflect the changing value in the Land and Buildings account 1-3010.

The Church reports will reflect the transactions accurately.

9. Employment records

Legislation

When the Church employs people to perform various tasks and roles, the relationship between the Church and employer is set by the legislation that is in force from time to time. It is up to the leaders of the Church to familiarise themselves with this legislation and ensure that the Church is conforming.

As legislation and awards under which employees are employed can (and do) change from time to time, it is the responsibility of the employer to be familiar with such legislation and awards. Where such legislation and awards differs from the information given here, the legislation and awards are to be always followed in preference to this information. However, the software one uses should be able to be configured to reflect the requirements of such legislation and awards.

Some of the ways in which a Church can get support to ensure that there is compliance with legislation and awards is from:-

- Appropriately qualified and registered professional people, for example, a solicitor who specialises in employment law
- Consulting with the headquarters of the denomination to which the Church belongs. Some of these denominational headquarters will research the requirements of the employer / employee relationship through appropriately qualified, registered professional people and produce a template that assists the local church to comply with appropriate legislation.

Selection of an employee

The process of selecting a person to be an employee can take many different roads, but the most common are to:-

- Advertise the position;
- Conduct an interview of a short-list of applicants for the position;
- Contact the referees that the applicant has provided;

Much has been written in other texts on this process, and these texts could be read to get an understanding of this process. It is too big a topic to be discussed here.

Offer of employment

Once a potential employee has been selected, they need to be given an “Offer of Employment”. Such a document will have two sections.

Section 1

The first section will contain data that relates to the general conditions of employment for anyone being employed at the Church. This will include, but is not limited to,

- Hours of employment
- Superannuation
- Long Service Leave
- Policies that the Church adheres to in its employment relationship
- Period of probation during which the employer may end the employment relationship
- Use of private vehicles for Church business
- Termination processes

Section 2

Attached to the Offer of Employment will usually be a schedule that relates to the conditions of employment of the particular individual. For example (but not limited to)

- Pay rates
- Duties to be performed
- Review dates
- Basis on which a review will be made
- Period of time to be served before holidays can be taken
- The number of days / hours per year of holidays that may be taken.

Again, the Church should consult an appropriately qualified professional, or the headquarters of the denomination to ensure that what is placed in the Offer of Employment complies with the current legislation. Some denominational headquarters have templates of Offers of Employment that a church can use.

Setting up the software to automatically accumulate entitlements

Software that has an employment module will be able to record and report many aspects of the employment relationship and details of the employee. Such data may include

1) The employee's name:-
    a) An employee identification code, if the employer uses such codes
    b) The address of the employee
    c) Contact details of phone, fax, email address etc
2) Personal details such as:-

a) Date of birth

b) Gender

c) Starting date of employment

d) Basis of employment, e.g.:-

i) Individual employee

ii) Labour hire employee

e) Employment status

i) Full time

ii) Part time

iii) Casual

f) Employment Classification within the Church

g) How the payslip is to be delivered:-

i) As printed pay-slips

ii) As emailed pay-slips

3) Wages details such as:-

a) The basis of pay

i) Salary

ii) Hourly rate

b) The frequency of the pay:-

i) Weekly

ii) Fortnightly

iii) Monthly

c) The hours of employment within a pay period

d) The expense account to which the gross wages are to be debited

4) Superannuation:-

a) The superannuation fund to which superannuation is to be paid

b) The employee's superannuation fund membership number

c) The different arrangements under which superannuation may be paid for an employee, for example:-

i) The superannuation guarantee amount paid by the employer

ii) Any amount to be salary sacrificed by the employee

5) Any entitlements to which the employee is entitled, for example:-

a) Accrual of holiday leave

b) Accrual of personal leave

c) Accrual of Long Service Leave

6) Any deductions that are to be taken out of the “after-tax” cash component of an employee’s wage, e.g.:-
   a) Union fees
   b) Employee’s donation to the church
7) Any employer expenses involved in employing the person, e.g.:-
   a) WorkCover
8) Deducting the appropriate tax from an employee’s wage, e.g.:-
   a) Pay as you earn tax
      i) This tax has a variety of tax rates at which the tax is withheld, e.g.:-
         (1) When the employee claims the Tax Free Threshold or not
         (2) If the employee has a HECS or HELP debt to the ATO
         (3) Foreign resident tax rates
         (4) Medicare exemption tax rates
         (5) Various combinations of the above
   b) Tax Rebates which the employee is able to claim
   c) Additional tax which the employee wishes to have taken from his / her pay and forwarded to the ATO

Fringe Benefits

Fringe Benefits are a way of packaging an employee’s wage so that an employee doesn’t pay tax on the gross wage. For example, if an employee has a gross wage of $50,000 it may be possible to have $10,000 of this quarantined as a Fringe Benefit. The employee would then be taxed on $40,000. The $10,000 has to be paid to an independent third party, where the employee gets the benefit of this money.

As there are many different aspects of the law relating to Fringe Benefits, and many of these change on a regular basis, it is essential to get advice on this from a qualified, registered professional person to help set this up.

Pastor’s fringe Benefits

Pastor’s fringe benefits are a part of the law contained in the Fringe Benefits Taxation (Assessment) Act (FBTAA), which is subject to change from time to time. Anyone who wishes to act on any comment made here in relation to this should always check to see if what they plan to do complies with the Act with an appropriately qualified, registered practitioner before putting their thoughts into action.

Some pastors may be able to package up to 100% of their salaries as Non-Reportable Fringe Benefits. It is up to each organisation to determine the percentage split between the Non-Reportable Fringe Benefits and the Taxable component of an employee’s salary. Non-

Reportable Fringe Benefits are not included on the Payment Summaries of the employee. To be able to do this:-

- The employer must be a “Religious Institution” within the meaning section 57 of the Fringe Benefits Taxation (Assessment) Act
- The employee is a religious practitioner within the meaning of this Act
- The benefit is provided to the employee, the employee’s spouse or the employee’s child, and
- The benefit is provided principally in respect of pastoral or other directly related religious duties, i.e.:-
    - The communication of religious beliefs
    - The teaching and counselling of adherents and members of the surrounding community
    - Providing adherents and members of the surrounding community with spiritual guidance and support
    - Attendance at an in-service training seminar by a person or persons conducting the seminar, provided that the seminar is of a spiritual nature, and
    - Meeting with and visiting adherents, the sick, the poor, or persons otherwise in need of emotional and spiritual support.
    - The following examples, which is not exhaustive, are duties or activities which are not pastoral or directly related to religious duties
        - The administration of the Church
        - Work undertaken by a director or a department of a Diocese or similar unit of ecclesiastical administration: and
        - The administration of a school.

Should the employee have a package of 100% of the salary as fringe benefits, the Church and / or employee would have to be prepared to explain how small purchases such as a newspaper can be purchased by the employee. If the Church doesn’t pay them any cash, how can the employee make such purchases? The Board of each church should establish a policy in this matter.

The tax ruling “TR 92/17” that was issued by the ATO states (in part) that:-

1) “The income of a ‘Religions Institution’ is exempt from income tax under paragraph 23 (e) of the *Income Tax Assessment Act 1936* (ITAA)

This ruling goes on to discuss what a “Religious Institution” is and what is a “Religious Practitioner”. One of the four definitions of a “Religious Practitioner” is “a minister of religion”. It further goes on to state that in determining whether or not a person is a minister of religion many, if not all, of the following characteristics should be present (quote):-

a) The person is a member of a religious institution;

b) The person is recognised officially by ordination or other admission or commissioning, or, where the particular religion does not require a minister to be formally ordained, the person is authorised to carry out the duties of a minister based on a specific level of theological or other relevant training or experience;

c) The person is recognised officially as having authority in matters of doctrine or religious practice;

d) The person's position is distinct from that of the ordinary adherents of the religion;

e) The person has acknowledged leadership in the spiritual affairs of the religious institution;

f) The person is authorised to discharge the duties of a minister or spiritual leader, including the conduct of religious worship and other religious ceremonies.

This nine-page document governs who may be entitled to a package of up to 100% fringe benefits, and anyone contemplating using this as the basis of salary packaging should have the advice from an appropriately qualified, registered practitioner.

In practical terms as far as entering this into the computer software the bookkeeper would set up the employee with the gross wages or salary, set things such as the superannuation to be based on this gross wages or salary, and then in the "Deductions" section of the payroll component of the software set up the percentage or dollar amount of fringe benefits that is to be deducted from the gross wage, before taxation is applied to any balance. This deduction could then be set as being exempt from PAYG withholding tax.

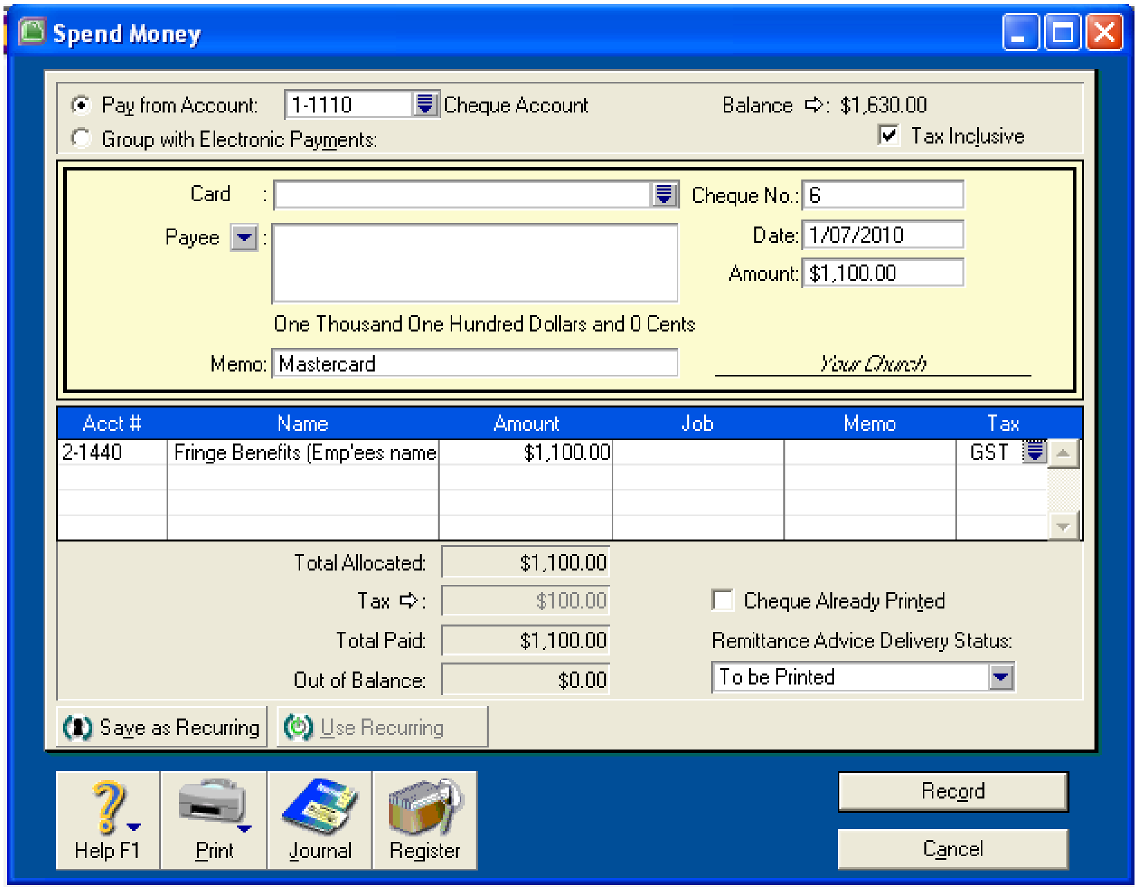
Also, such deductions are not shown on the employee's Payment Summary, nor are they included in Fringe Benefit Tax Returns the Church may have to complete. However, there are times when the employee has to quote their gross wage to Centerlink if he/she is eligible for other Government support.

A practical approach to the management of Pastoral Fringe Benefits

One practical and simple way to manage this for the Church is for the Pastor to have a personal credit card where the Church will pay up to an agreed amount (say $1000) per month off the balance of that card. There must be an agreement with the employee that no cash advances will ever be taken from this card – it is only to be used to purchase goods or services from third parties. A cash advance may constitute the pastor receiving taxable income for which tax is to be remitted to the ATO. The payment of the $1,000 goes to the provider of the Credit Card, so this part of the requirements of Fringe Benefit law is fulfilled.

On or before the date on which the payment is to be made to the Credit Card Provider the pastor would hand in the paper-work of the items that amount to up to $1,000. If the Church is registered for GST, this paper work would be scrutinized for any GST component in the payment. The Church pays this component independently of the Fringe Benefits, and then claims this back on the next BAS return. Hence, it is possible for the church to pay up to $1,100 off the Credit Card, with $1,000 of this being allocated to the Pastor's Fringe Benefit account and $100 being allocated to the church's GST Paid account. The end effect of this is that the pastor has been able to purchase goods and only pay the non-GST component of the bill from his Fringe Benefit account.

Such a payment may look like the following in the software:-



Note the following about the above transaction that contains $100 GST:-

- The Church pays $1,100 to the Credit Card Provider;
- $1000 is allocated to account 2-1440 (This would be seen if the "√" is taken out of the "Tax Inclusive" box), which is the agreement between the Church and the pastor;
- $100 is allocated to account 2-1330 GST Paid;
- The Church would claim back the $100 on the next BAS.

Non-Reportable Fringe Benefits may also be used to pay off part of the balance of a Line of Credit Loan.

Fringe Benefits for other employees

Other employees may also benefit from having part of their salary quarantined as "Fringe Benefits"; however this should be set up under the advice of an appropriately qualified professional. There are times when the Fringe Benefits legislation can be applied to an individual employee; however when the Fringe Benefit tax that has to be paid by the employer is taken into account it may be that the whole process of packaging an employee's salary is not worth it.

Superannuation

Employers are required to pay superannuation on behalf of the employee. This is in addition to the salary paid to an employee. It is paid to the employee's superannuation fund. The employee has the choice of which fund this is paid to, however the employer may give the employee information about the employer's preferred fund.

At the time of publication of this book, the employer is only required to pay this superannuation if the gross wage for the month is $450 or more. The employer may choose to pay superannuation on wages of less than $450 per month, but this will be a local Board decision.

Also, at the time of writing, the amount that has to be paid is 9% of the gross wage. This percentage is subject to change. The ATO has published guidelines on what is to be included in the gross wage and what is exempt.

The normal practice is that the superannuation payment is to be paid to the Superannuation Fund by the date that the BAS is to be lodged at the ATO.

Any payments that are late need to be paid to the ATO. Such payments will have an additional interest component added to them. The thought here is that if the payment had been made on time to the Superannuation Fund then the fund would have been able to put that money to work to produce a return on it. If the payment is late the employee should not miss out on that return, so the employer is required to pay it. Should the Church be required to pay a late superannuation payment to the ATO, contact the ATO to find out what procedure is required, and how much additional money has to be paid.

WorkCover

WorkCover (or whatever name is given to insurance to cover the cost of an employee who is injured at work) is a compulsory insurance cover which the Church must take out if it has a total wages expense in excess of $7,500 which includes the Fringe Benefits part of an employee's wage package (check this amount out with the insurance company being used to provide the WorkCover insurance). WorkCover is designed to give financial assistance to employees who are injured in the course of their employment. This is a specialised area of insurance, and the Church should familiarise themselves with the requirements of this aspect of employment and what it covers.

It is legally binding for a Church to fulfil the requirements of WorkCover. If in doubt, seek advice from an appropriately qualified practitioner. There is usually a base point where, if the total wages paid by the Church are less than a certain amount (e.g. $7,500 per annum, it is not essential to take out a WorkCover policy. When the total wages go beyond this the employer is required to take out a WorkCover policy.

Should the employer not take out an appropriate policy, and an employee is injured whilst at work, then the employer is said to be "self insured", i.e. the employer has to pay all the benefits the injured employee would have received had the employer taken out the policy.

Companies that provide WorkCover policies organise the amount that is to be paid in premiums in two parts:-

1) At the start of a year (which may be any day in the year) the employer is asked to estimate the total wages that are to be paid over the next twelve months. The premium that is paid is based on this estimate.

2) At the end of the year the actual wages paid are reported to the WorkCover company and the premium is adjusted accordingly with either an additional premium or a refund of premium.

WorkCover is an insurance premium, and can be recorded in one of two ways:-

1) Recorded as an expense in account 6-1200, or

2) Recorded as an expense in account 6-5300. This method gives a more accurate method of seeing the full cost of employment in the accounting records.

Note Being an insurance policy there may be part of the cost that attracts GST, and part that is GST free. Please refer to the section on the Goods and Services tax as to how to accurately record any GST component of a WorkCover premium.

Personal Leave

All employees will be entitled to paid leave to be taken under specified circumstances. Some of these types of leave may be (and these can change from time to time with changing awards and legislation):-

i) Holiday leave

ii) Sick leave

iii) Carers leave

iv) Maternity leave

v) Jury leave

vi) Compassionate leave

vii) Unpaid leave

If the conditions of these different types of leave are not detailed in the Contract of Employment, then the conditions that are noted in the appropriate award or legislation take effect. It is usually the case that what is noted in the Contract of Employment can never be less than what is in the appropriate award or legislation, but may be more. For example an award may give an employee the right to have four weeks per year for holiday leave, but a particular employer may grant that employee five weeks of annual leave.

When an employee takes any form of leave this should be recorded in writing, with both the employer and the employee signing the form. This form would be kept in the employee's file.

Software that has a payroll component will be able to automatically accumulate the entitlement of an employee with each payday. When the leave is taken please ensure that the pay is allocated against the entitlement so that the software accurately records the current entitlement available.

Note that some forms of leave will aggregate over many years, whilst the entitlement of others will only apply within the year. Any balance that is not taken within the year is forfeited by the employee. The employment agreement with the employee should specify which forms of leave may be aggregated over many years.

> An example of this is Holiday Leave. The employment agreement may indicate that holidays can be accumulated for a maximum of two years. Should the employee not take the appropriate holidays within that time then other consequences may be activated.

Some forms of leave never have any entitlement accumulated in the software. Two examples will demonstrate this:-

1) Compassionate leave is usually given to an employee who has a family relative who dies or is suffering from a potentially fatal illness. This leave may be for (say) three days per occurrence. As this will happen on an irregular basis there is no accumulation of this leave in the software and the appropriately signed documentation will be sufficient to record this. Such leave would be recorded in the software as normal salary and wages.

2) Carer's leave may specify in the employment agreement that an employee may take up to (say) 10 days per year to care for a person who is an immediate family member who is ill. The agreement may say that such leave is to be taken out of the sick leave entitlement of the employee. In such a situation the software would accumulate the sick leave entitlement in each payday, and then decrease the entitlement when the employee takes Carer's leave. Hence, there would be no specific accumulation of Carer's leave. The appropriately signed documentation for the leave would be sufficient to record this form of leave.

Long Service Leave

Long Service leave (LSL) is a benefit paid to the employee who stays employed by the same employer for (say) 10 years.

The Church should check the appropriate awards and/or legislation to see what applies to any person it employs.

The benefit that is to be paid to an employee should be written into the Employment Contract. It would be a major source of disagreement if the employee holds the view that he/she will be entitled to 13 weeks of long service leave after 10 years employment if the employer has the view that the entitlement is for 10 weeks after 15 years of employment.

The examples here will be based on the assumption that an employee will be offered 13 weeks of long service leave after 10 years of continuous employment.

Where the employee is in continuous full-time employment, the employer should be setting aside funds in the anticipation of the employee staying for the 10 years. The thought here is that at the time when the employee takes the leave the employee will be replaced. During that time the church will have to pay wages to two people, i.e. the employee taking the long service leave and the employee who is employed as a temporary replacement. By setting funds aside for this, it eliminates (or at least reduces) the impact of this additional cost on the church. As the person's wage increases, so the funds set aside in the provision should increase to allow for the amount that will be paid in LSL at the final $/hr rate of employment

The rate at which funds should be accumulated is:-

13 weeks divided by 10 years = 1.3 weeks of gross wages per year

Such funds should be invested in an appropriate manner to allow for interest to be accumulated on the funds and/or an aspect of capital growth to occur.

The employee who stays for 10 years will usually have some form of salary review happen over that time, so the salary at the end of 10 years will be different from that which occurred in year 1. As long service leave is paid out at the rate that is paid in the year the long service leave is taken, the amount that is set aside in the years progressing towards year 10 (or beyond if the employee delays taking this leave) should have the capacity to grow to cover both inflation and pay rises that occur along the way.

The calculation of the long service leave entitlement of an employee who changes time fractions during the 10 years is a little more complex. Even though an employee may work full time in the last years of becoming entitled to Long Service Leave the salary that is paid to the employee is adjusted according to the changing time fractions.

Time fractions of employment are usually expressed as decimal numbers, such as

0.1 = half a day per week

0.2 = 1 day per week

0.3 = 1.5 days per week

0.4 = 2 days per week

0.5 = 2.5 days per week

0.6 = 3 days per week

0.7 = 3.5 days per week

0.8 = 4 days per week

0.9 = 4.5 days per week

1.0 = 5 days per week

Where an employee works for (say) 2 days per week for 2 years, then 4 days per week for 2 year, then 3 days per year for 3 years, then 5 days per week for 3 years, the calculation of the entitlement is based on these changing time fractions. The time accrued for LSL at the end of 10 years would be calculated as:-

0.4 days x 2 years + 0.8 days x 2 years + 0.6 days x 3 years + 1.0 day x 3 years

= 0.4 x 2 + 0.8 x 2 + 0.6 x 3 + 1.0 x 3

= 0.8 + 1.6 + 1.8 + 3 = 7.2 (This figure of "7.2" is used in a further calculation below.)

The equivalent calculation for an employee who works continuously in a full time capacity for the whole of the 10 years would be

1.0 days x 10 years

= 1.0 x 10 = 10

Taking these two calculations of “7.2” and “10”, the employee who has worked at different time fractions would be entitled to receive

7.2 divided by 10, then multiplied by 100 = 72%

Thus the employee would receive 72% of 13 weeks’ salary during the time of their 13 weeks of long service leave. This adjustment of salary reflects the changing time fractions worked during the 10 years.

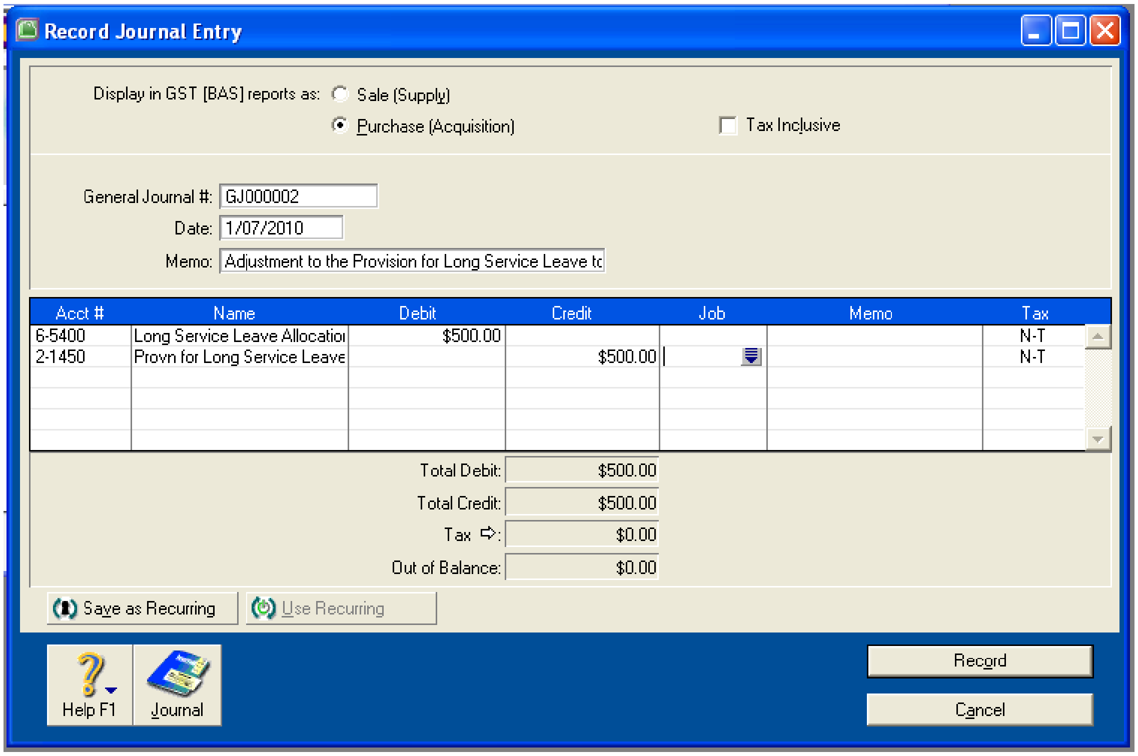
Calculation of the annual provision for Long Service Leave

A spreadsheet has been provided with this book to assist in the calculation of the amount of money that should be set aside on an annual basis for accrued long service leave. Appendix 2 gives instructions on how to enter data into this spreadsheet.

The general thought behind the calculation for Long Service Leave Provision is that the Church records the change in provision from that which was recorded last year. If, for example, the provision last year was $2,000 and this year the calculation is $2,500, then only the difference between the two figures of $500 is recorded.

Recording the provision for Long Service leave into the software

A General Journal entry is made to record this adjustment. The General Journal may look like the following:-

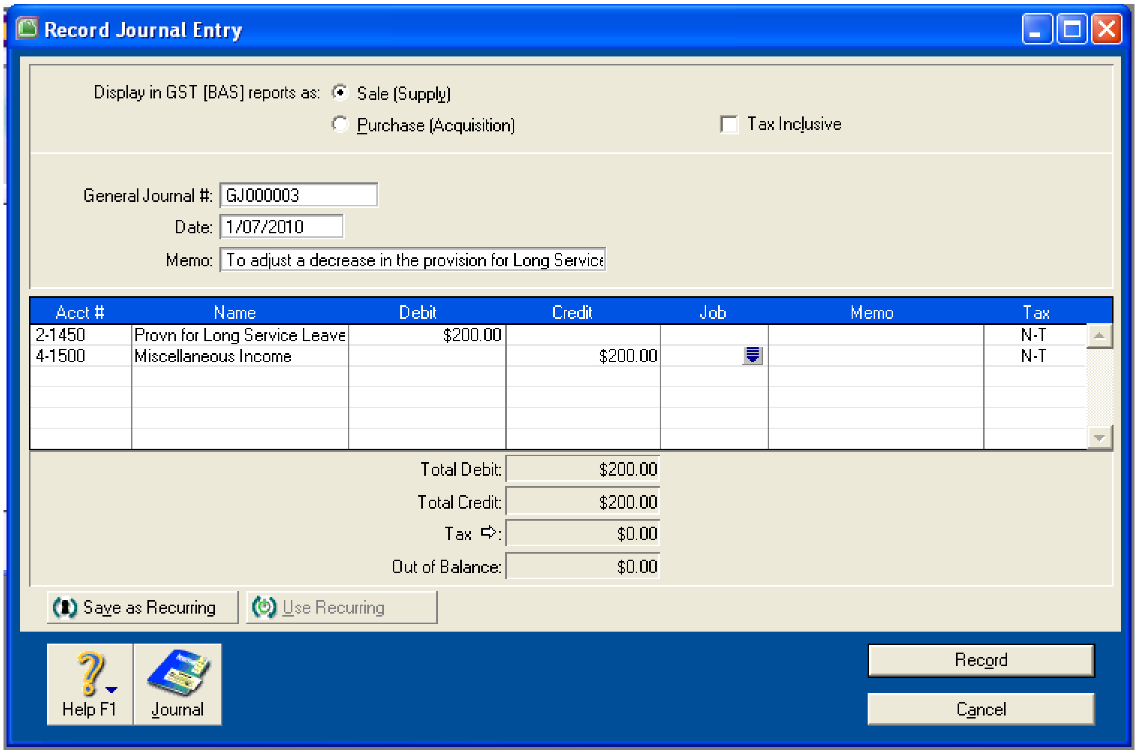


Note these details in this entry:-

- The expense account 6-5400 is debited with the change for the year;
- The liability account 2-1450 is credited with the change for the year;
- The memo field contains the details of what has happened in this entry;
- The Tax code is set at “N-T” as this transaction is outside the provision of the Goods and Services Act.

Please note that it is possible for the adjustment to be a negative figure. For example, if several employees, who had several years accumulated towards their long service leave, all left in the same year the amount that had been accumulated for them would be written back to $0. This means that when one calculates the provision for Long Service Leave and it comes to (say) $1,800, and the provision for last year which stood at (say) $2,000 the difference is -$200.

If this were the case, the General Journal to record this would look like:-



Note the following details about this entry:-

- The account 2-1450 Provision for Long Service Leave is debited with $200. This has the effect of reducing the liability of the Church;
- The account 4-1500 Miscellaneous Income is credited. This $200 will be a source of income to the church in the year in which the entry is made;
- The Memo field records the reason for the entry;
- The Tax code is set at “N-T” as this transaction is outside the provision of the Goods and Services Act.

Adjusting the Provision for Long Service Leave when an employee leaves prior to the 10-year time period

Some employers have the policy that, if an employee has worked the majority of the time, but not the full period for Long Service Leave to become due, an ex-gratia payment may be made to the employee. It is strongly suggested that the Church seeks expert advice from an appropriately qualified, registered practitioner in taxation to see how the taxation on such a payment should be handled.

Adjustment to the Provision for Long Service Leave when an employee takes Long Service Leave

If the software has been set up to accrue long service leave for an employee, then when the long service leave is actually being taken, the wages so paid should be off-set against the accrual so that the hours actually taken decrease the number of hours accrued.

Adjustments to the initial Offer of Employment and the related schedules

Any adjustment to the initial offer of employment and any associated schedules of hours to be worked, pay rates, etc should be always made in writing in duplicate, signed by both the employer and employee, and one copy stored in the employee's file and the second copy given to the employee.

Things that should be acknowledged in writing are changes such as:-

- Changes to time fractions;
- Change so employment conditions;
- Changes to rates of pay;
- Changes to responsibilities / accountabilities.

Remitting tax deducted from wages to the Australian Tax Office

Tax that is deducted from an employee's wages needs to be remitted to the ATO on a regular basis. The normal way of doing this at the time of writing this book is as part of submitting the BAS, but the ATO may change these arrangements in the future – that's their prerogative.

The tax that has been deducted from wages is stored in account 2-1420 PAYG Withholdings Payable as each wage is processed. Always make sure that when the tax is remitted to the ATO that the amount remitted is debited to account 2-1420.

Visiting Ministry

Payment of a Preaching Fee, or honorarium, to a visiting ministry is one that should only be done with advice from an appropriately qualified, registered professional. The view that the ATO takes is that when such a fee is paid, it is paid to an employee of the Church. That is, even if a person only preaches at the Church once, that person has legally been employed and all the associated paperwork of an employment arrangement need to be completed, such as notifying the ATO, obtaining the tax file number of the person, setting up the person as an employee within the software, obtaining data about the person's preferred superannuation fund, etc. When the payment is made to the person the appropriate level of taxation should be withheld from the payment and the person supplied with a Payment Summary at the end of the tax year.

There are ways to avoid this problem, such as:-

- Make the payment to the Church where the visiting ministry is an employee. That church would then pay this money to the employee in the normal pay cycle. If the employee is eligible to receive non-reportable Fringe Benefits, this money can be included in such payment.
- If the visiting ministry has registered and has an Australian Business Number (ABN) the fee can be paid to the holder of that ABN. This would need to be exchanged for an appropriate tax invoice. How that holder of the ABN handles the money so received is up to that holder.

This is an area that is well worth seeking advice from either an appropriately qualified, registered practitioner, or asking for advice from the head office of the denomination to which the Church belongs.

10.Costing total employment costs

The cost of employing people in a Church context is more than the wage paid to the employee. There are minimum wages that must be paid to people who fulfil particular tasks, and this is subject to change on a regular basis. Make sure that the relevant data is accessed to ensure the correct wages (as a minimum) are being paid. Sources of this data include, (but this list is not limited to):-

- Relevant Government legislation;
- Determination by independent courts, tribunals, etc;
- Government websites;
- The relevant National Office of a denomination (for example, the National Office of the Australian Christian Churches);
- Awards;

To cost out the total cost of employing people one must consider:-

- The gross wage / salary to be paid;
- The superannuation that an employer must pay. This is in addition to any superannuation the employee may choose to pay;
- WorkCover expenses;
- Fringe Benefit tax payable on certain Fringe Benefits;

As part of the package with this book you have been provided with a spreadsheet that will assist in the calculation of the total costs of employment to a church. This spreadsheet requires the user to answer a range of questions about each employee.

When budgeting, it's always appropriate to calculate the total cost of employing people rather than use the gross wage paid to the employee.

The following chart shows the questions that are asked within that spreadsheet to calculate the total cost of employment to the Church. Appendix D gives an explanation on how to enter data in to this spreadsheet and how to understand what the various calculations mean.

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Calculator to analyse the cost of employing people	
(Only fill in cells with a white background)	**Employee's name**
When the employee is eligible for Long Service Leave, how many weeks may be taken?	
How many years need to be served before Long Service Leave may be taken?	
How many working days of Annual Leave does the employee get per year?	
How many days of Personal Leave per year are allowed?	
Is Fringe Benefits Tax payable for this employee? (Y/N)	
Is this employee claiming part of the Salary as "Non-Reportable Fringe Benefits"? (Y/N)	
Is the tax-free threshold being claimed by this employee? (Y/N)	
Is Superannuation paid on the Grossed up fully taxed salary? (Y/N)	
Superannuation rate payable by employer	
Is this employee replaced during Holiday Leave? (Y/N)	
Does the employee get Annual Leave Loading (Y/N)	

Annual Leave Loading rate %
WorkCover premium %
Percentage of annual gross salary allocated to Fringe Benefits %
Additional Taxable Allowances (e.g. Car Allowance) not included in annual gross salary
Additional Non-taxable allowances
Annual Gross Salary (if a figure is entered here, don't use the hourly rates on the next 9 lines)
Use this section is for those employees who are employed according to the pay scale shown in column AE
Salary Scale level (enter the Salary Scale number from column AB)
Hours employed per week
Hourly pay rate (in Dollars)
Number of weeks per year employed
Use this section is for those employees who are employed on an hourly rate basis other than the pay scale shown in column AE
Hours employed per week
Hourly pay rate (in Dollars)
Number of weeks per year employed
Gross Salary
Fringe benefit component
Taxable component of Salary
Taxation to be deducted from taxable Component
Tax on Fringe Benefits
Net Cash component
Total of Fringe Benefits and net cash component
Grossed up fully taxed equivalent salary
Hours of wages per week reimbursed from other sources
Annual reimbursement to be received
Hourly charge out rate to other sources (to cover wages plus on-costs)
Long Service Leave Provision for this year
Annual Leave Replacement
Annual Leave Loading
Sick Leave Provision
Superannuation payable by employer
WorkCover premium
Annual cost of employee to employer
Net Total annual wages cost to Employer (after reimbursements)

11. Capital Expenditure

"Capital Expenditure" relates to things that are purchased and the purchase is recorded in the Balance Sheet section of the accounts, i.e. in the Asset accounts.

To qualify for classification as "Capital Expenditure" the item being purchased has to pass two tests. If the answer to the following two questions is "Yes", then the item can be classed as an asset. If either of the answers are "No", then the purchase should be recorded as an expense.

The two questions are:-

1. At the time of purchase is the item expected to last for more than 1 year?
2. Does the item cost a significant amount of money not including GST? See previous notes on this topic as to what constitutes and asset. If in doubt, check with the Church's auditor as to what the auditor will accept as an asset during the audit process.

Sometimes several things may be grouped together to arrive at this value of $500. For example, a sound system for the Church may have many different components, the sound desk, the speakers, boxes of electronic wizardry, etc. These individual items may cost less than $500, but all of them are needed together to make the sound system work. Therefore the whole system would be considered as an asset.

There are also occasions where one would answer "Yes" to these two questions, but allocate the purchase to an expense rather than an asset. Here the test is more subjective, as one has to look at other things relating to the item. For example, a microphone may cost more than $500, and with proper care would last for more than 1 year. But the portability of the microphone, the capacity for someone to slip it into their pocket and steal it would mean that the security of the microphone would give one the thought that even though it has the capacity to be of service for more than 1 year, it may not physically be there in one year. Therefore the item would be classed as an expense rather than an asset.

The bookkeeping process for recording the purchase of an asset is very similar to that of paying for expenses as explained earlier:-

- Enter the tax invoice from the seller into the Purchases part of the software;
- Use an account that starts with "1" to record the purchase;
- Pay the invoice by the due date.

<u>Asset Register</u>

Anything that's recorded as an asset needs to be recorded in the Asset Register. An Asset Register is a document that contains pertinent data about the purchase, such as:-

- A description of the item;
- The serial number of the item;
- An asset identification code;

- The contact details of the retailer;
- The purchase date;
- The purchase value (not including GST);
- The source of funds that was used to purchase the item;
- The depreciation method (straight line, diminishing value method);
- The depreciation rate;
- Details of the warranty;
- The date the warranty expires;
- The date of disposal;
- The disposal value;
- How was the item disposed of, or to whom was it sold;

An asset register can be kept in many different forms, e.g.:-

- As a computer spreadsheet;
- On a piece of card that's been designed for this purpose;
- In a book.

An Asset Register that works in combination with a Depreciation Schedule has been provided with this book. See Appendix C for notes on how to use this Asset Register

Depreciation schedule

A spreadsheet that contains a Depreciation Schedule has been included with this book. See Appendix C for assistance in completing a Depreciation Schedule.

Items that appear in the Asset Register must also appear in the Depreciation Schedule. A Depreciation Schedule is the calculation of how much of the asset has been used in the year. A similar view, expressed in a different manner, is that the depreciation that is attached to an item reflects the value of the item that has been used in the year to help to earn the revenue of the Church.

The preparation of a depreciation schedule uses well defined, very exact numbers, but in the end the answers it produces are a guess. It is only at the time of disposal of the asset that one can produce numbers that have certainty.

The types of guesses one had to make in the preparation of a depreciation schedule are:-

- How long will the asset last?
- What will be its value at the point of disposal?
- Will it contribute more to the earning of income in its early years than the latter, or will it contribute evenly each year over its anticipated life span?

A change to the answers in any one of these types of questions would produce different results in the calculations of the Depreciation Schedule.

A Depreciation Schedule will contain:-

- The date the asset was purchased;
- The name of the asset;
- The asset identification code;
- The purchase value of the asset (not including GST);
- The book value of the asset (i.e. the original purchase price less all the amounts of depreciation that have been allocated to the item in previous years;
- The method of depreciation (Straight line, Diminishing value or Units of Use);
- The rate at which the depreciation will be applies (expressed as a percentage);
- The value of the depreciation;
- The "Book Value " of the item at the end of the year, i.e. after the depreciation value has been subtracted from the book value the item had at the start of the year. This may be referred to as the "Written Down Value";
- The account numbers that were used to record the depreciation in the financial records of the Church;
- The General Journal number that was used to record the depreciation;
- The date of disposal of the asset;
- The selling price of the asset (or trade-in value if the asset was traded in on a new asset);
- The value of the profit or loss on the sale of the asset.

A further column is suggested be added to the Depreciation Schedule is that of the insurance value of the item. This is particularly useful where the insurance policy of the Church has a "New for Old" clause in it. If the original purchase price is adjusted each year by the inflation rate of that year, the true replacement cost would be reflected as the years progress. This would be the figure on which to base the insurance cover.

It is suggested that the Church should check out with the Insurance Company as to whether or not the assets should be valued at their original price or their inflation adjusted price for insurance cover purposes.

Straight Line Depreciation

Straight line depreciation is used for assets that are expected to be used evenly over their expected life. For example, furniture could easily fit into this section.

To calculate the depreciation of an item using straight line depreciation two guesses have to be made at the time of purchase.

1. How long will the item last?
2. What will be the trade-in or sale value of the item when it is disposed of?

Let's take an example – say a desk was purchased for $1540 including GST. The non-GST component of the purchase price of this desk is $1400. The desk is expected to last for 12 years, and would have a sale value of $150 at the end of that time.

The amount on which depreciation is to be calculated is $1400 less $150 = $1250. Divide $1250 by 12 years = $104 (rounded to the nearest dollar). Remember the two guesses of lasting 12 years, and having a sale value of $150, are more than likely to be wrong (but at the time of purchase they are the best guess possible) so rounding the annual depreciation to the nearest dollar value of $104 is quite acceptable.

This desk would be depreciated by $104 per year for 12 years. Assuming this is the only asset of the Church, the General Journal entry to record this would be:-

- Debit 6-1090 Depreciation Furniture and Fixtures $104
- Credit 1-3035 Accumulated Depreciation Furniture and Fixtures $104

Diminishing Value method of depreciation

The diminishing value method of depreciation is used for assets that contribute more to the earning of revenue in their earlier years of ownership, than in the latter years, or for items that are anticipated to have an increasing cost of maintenance as they get older. Electronic equipment usually falls easily into this category.

To calculate the depreciation under this method the same calculation as for the Straight Line method above is used up until the point of calculating the dollar value of the straight line depreciation.

Let’s use an example, to calculate the depreciation of a computer that was purchased for $1800 (including GST) and is expected to last for 4 years before it has to be replaced, and its sale value at the end of that time was $50. The calculations will be as follows:-

The amount to be depreciated over 4 years is:-

($1800 / 1.1) - $50 = $1636.36 - $50 = $1586.36 = anticipated cost of ownership of the asset

Using the straight line method, this equals $1586.36 / 4 years = $396.59 per year.

From this point the diminishing value method differs from that of the straight line method.

This straight line depreciation of $396.59 as a percentage of anticipated cost of ownership of the asset of $1586.36 is:-

= $396.59 / $1586.36 x 100 / 1 = 25%.

This result of 25% is multiplied by 1.5 to get 37.5%. Thus, this computer will be depreciated by 37.5% of its diminished value. The factor of multiplying the depreciation rate by 1.5 is an acceptable standard approximation to use. The book value of the item at the end of the 4 years will not be the same as the anticipated trade value of $50, but then depreciation is, at its best, an estimation, and any differences are reconciled in the final calculation on the disposal of the asset.

The Diminishing Value method applies the percentage to the initial cost of the asset, not taking into account the trade in value at this point.

Year 1 depreciation = $1636.36 x 37.5% (of 1636.36 x 37.5 / 100) = $613.64 (or rounded to $614). The General Journal entry to record this will be to

- Debit 6-1110 Depreciation Plant and Equipment $614
- Credit 1-3025 Accumulated Depreciation Plant and Equipment $614

Year 2 depreciation uses the diminished value of the computer, i.e. $1636.36 (the original value not including GST) less $614 = $1022.36. The depreciation for year 2 = $1022.36 x 37.5% = $383.38 (rounded to $383). The General Journal entry to record this will be to

- Debit 6-1110 Depreciation Plant and Equipment $383
- Credit 1-3025 Accumulated Depreciation Plant and Equipment $383

Year 3 depreciation uses diminished value of year 2 value less the depreciation for year 2, i.e. $1022.36 less $383 = $639.36.

The depreciation for year 3 = $639.36 x 37.5% = $239.76 (rounded to $240). The General Journal entry to record this will be to

- Debit 6-1110 Depreciation Plant and Equipment $240
- Credit 1-3025 Accumulated Depreciation Plant and Equipment $240

Year 4 depreciation uses the year 3 value less the depreciation for year 3, i.e. $639.36 less $240 = $399.36. The depreciation for year 4 = $399.36 x 37.5% = $149.76 (rounded to $150). The General Journal entry to record this will be to

- Debit 6-1110 Depreciation Plant and Equipment $150
- Credit 1-3025 Accumulated Depreciation Plant and Equipment $150

The total value of the depreciation over the four years = $614 + 383 + 240 + 150 = $1387, giving the computer a book value (or diminished value) of $1636.36 - $1387 = $249.36, which is not the same value as the anticipated sale value of $50 at the end of 4 years, but this difference will be accommodated when the “Disposal of Asset” calculation is completed.

Note: If one uses the Straight line method, the book value of an asset will eventually arrive at either $0 or the anticipated sale / trade in value of the asset. If one uses the Diminishing Value method of Depreciation the book value will continually decrease, but never arrive at $0.

Disposal of Assets

There always comes a point when assets are of no more use to the church and disposal occurs. This may be by sending them to the tip, selling them, or using as a trade-in on a new asset. When this happens the bookkeeper needs to go through the process of removing these assets from the records of the Church. This process is outlined over the rest of this chapter.

Asset Register

As indicated earlier, when an asset is no longer owned by the Church it, needs to be recorded in the Asset Register. Fill in the details of:-

- The date of disposal,
- The value of the disposal,
- How the asset was disposed of,
- The name and contact details of anyone who took it as a trade in or who purchased the asset.

The asset record is not deleted from the Asset Register, but it is clear from this record that the asset is no longer owned by the Church.

Depreciation Schedule

Within the Depreciation Schedule the objective is to show the value of the asset has been written down to $0.

At this point we come to the concept of making a profit or loss on the sale of the asset:-

1) If the asset has a book value of (say) $500 and it is sold or used as a trade in for (say) $400, then the church has disposed of the asset for a book loss of $100.
2) Alternatively, if the asset with a book value of $500 is sold for cash for $650, the church has received a profit of $150 on the sale of the asset.
3) Should this asset with a book value of $500 be sent to the tip, the church has to record a book loss of $500 at the time of disposal.

These figures should be seen in the Depreciation Schedule that is distributed with this book. See the notes in Appendix C on how to record this in the Depreciation Schedule.

Accounts in the Chart of Accounts

Within the Chart of Accounts any record of ownership of this asset is reduced to a value of $0. The figures in the Depreciation Schedule are used in this process. The following calculation is made to calculate the profit or loss on the sale of the asset:

<u>Profit or loss on the sale of an asset</u>

Complete the following calculation:-

- Original purchase price of the asset (excluding GST)
- Less the total depreciation that has been allocated to this asset
- Less the sale price or trade-in value of the asset

  = profit (if the result is a negative figure) or loss (if the result is a positive figure) on the sale of the asset

To record this there needs to be an account in either the income or expense area to record this profit or loss. For the purpose of this, we'll create account "4-5000 – Disposal of Assets" to record this.

To consider each of the four scenarios given of the $500 asset discussed above. The General Journal to record this would be:-

1) If the asset was purchased for $2000, has a book value of (say) $500 and it is sold for (say) $400, then the church has disposed of the asset for an actual loss of $100.

   The General Journal entry to record this would be:-

   - Credit the asset account with the original purchase price of the asset, i.e. $2000
   - Debit account "4-5000 Disposal of Assets" with $2000
   - Debit the appropriate accumulated depreciation account with $1500 (the amount which must have been written off this asset to give it a book value of $500)
   - Credit account "4-5000 Disposal of Assets" with $1500
   - Debit the bank account with the $400 – the cash received on the sale of the asset.
   - Debit a new account called "Loss on disposal of assets" with $100. This account will be an expense account.

   This will give account 4-5000 a debit balance of $100, showing the loss on the sale of the asset and all other accounts will have the records relating to this asset brought to $0.

2) If the asset was purchased for $2000, has a book value of (say) $500 and it is used as a trade-in for (say) $400 on a new asset, then the church has disposed of the asset for a actual loss of $100.

   The General Journal entry to record this would be:-

   - Credit the asset account with the original purchase price of the asset, i.e. $2000
   - Debit account "4-5000 Disposal of Assets" with $2000
   - Debit the appropriate accumulated depreciation account with $1500 (the amount which must have been written off this asset to give it a book value of $500)
   - Credit account "4-5000 Disposal of Assets" with $1500
   - Debit the asset account where the purchase of the new asset will be recorded with the $400 – the trade-in value of the asset.

- Debit a new account called “Loss on disposal of assets” with $100. This account will be an expense account.

This will give account 4-5000 a debit balance of $100, showing the loss on the sale of the asset and all other accounts will have the records relating to this asset brought to $0.

3) If the asset was originally purchased for $2000, has a book value of $500 is sold for cash for $650, the church has received a profit of $150 on the sale of the asset.

   The General Journal entry to record this would be:-

   - Credit the asset account with the original purchase price of the asset, i.e. $2000
   - Debit account “4-5000 Disposal of Assets” with $2000
   - Debit the appropriate accumulated depreciation account with $1500 (the amount which must have been written off this asset to give it a book value of $500)
   - Credit account “4-5000 Disposal of Assets” with $1500
   - Debit the bank account with the $650 – the cash received on the sale of the asset.

   This will give account 4-5000 a credit balance of $150, which is the profit on the sale of the asset. All other accounts will have the balance of the records relating to this asset brought to $0.

4) If the asset was originally purchased for $2000, has a book value of $500 and was sent to the tip, the church has to record a book loss of $500 at the time of disposal.

   The General Journal entry to record this would be:-

   - Credit the asset account with the original purchase price of the asset, i.e. $2000
   - Debit account “4-5000 Disposal of Assets” with $2000
   - Debit the appropriate accumulated depreciation account with $1500 (the amount which must have been written off this asset to give it a book value of $500)
   - Credit account “4-5000 Disposal of Assets” with $1500

This will give account 4-5000 a debit balance of $500, which is the loss on the sale of the asset, and all other accounts will have the records relating to this asset brought to $0.

Accounting for the purchase and sale of land and buildings

The normal manner of recording the value of land and buildings in the accounts of the Church is at historical values. The price paid for the land at the time of purchase is the value that is recorded in the software. This value usually remains the same for many years. As time passes the value of land changes, but this change is not reflected in the records of the Church unless the Church has an official valuation completed.

Purchase of land

The recording of the purchase of land will normally be done by using a solicitor or conveyance agent to complete the legal processes. The documentation that this solicitor or agent provides will be the basis of the record that is entered into the software. This documentation may have many different lines of financial data on them, so what is given here can only be a guide as to what these might be. If necessary, consult the Church's auditor for guidance on what is the entry that the Auditor will sign off in the annual audit.

The General Journal entry to record the purchase of land may contain the following:-

- Debit an asset account with the purchase price of the land;
- Debit appropriate asset accounts with the expenses of the transfer of ownership, e.g.
    - Solicitors fees
    - Stamp duty
- Credit the bank account with the cash paid out on this transaction
- Credit a liability account if the land is purchased by the use of a mortgage

Revaluation of land

The recording of a revaluation of land usually only occurs when the Church has asked for, and received, an official valuation from a registered valuer.

The costs of the registered valuer would be recorded through either "Spend Money" or the "Purchases" part of the software, with the latter being the preferred way of recording this.

If the original land was purchased for $500,000 and the official valuation comes in at $600,000 then the difference of $100,000 is the figure that has to be recorded in the software.

Complete a General Journal entry that:-

- Debits the asset account in which the purchase of the land was recorded with $100,000
- Credits an equity account called "Accumulation – land revaluation" with $100,000

Recording the costs of a building program

See the section on the recording of transactions of a Building Fund elsewhere for a recommendation on how to record the costs of a building program.

Refinancing a mortgage on the land and buildings

From time to time a Church will re-finance a mortgage being held on the real estate of land and buildings.

The General Journal that records this in the software would be:-

- Debit the liability account that records the old mortgage with the current amount owing;
- Credit the liability account that records the new mortgage with the net value of the new mortgage;
- Debit an expense account with the fees associated with the release of the old mortgage and the fees associated with the establishment of the new mortgage. These fees may take the form of;
    - Fees from the Titles Office
    - Fees from the mortgage broker
- Credit the account from which the expenses of this transaction are paid. These may be:-
    - The bank if the fees are paid for in cash
    - The liability account where the mortgage is recorded if these fees are added to the net mortgage taken out.

Sale of land

At the point when land and buildings are sold the General Journal entry to record the sale would be:-

- Credit the account in which the land and buildings is recorded with the balance of that account;
- Debit the liability account with the payout of the mortgage (if a mortgage is being held on the property) with the current value of the mortgage;
- Debit appropriate expense accounts with the expenses incurred in the sale process, e.g. agents fees;
- Debit the bank account if the sale process involves the receipt of cash with the amount of cash received;
- If at this point the General Journal requires a credit entry to make the journal balance, the Church has made a profit on sale of the land. Allocate this to an “Other Income” account. If it requires a debit entry to make the journal balance, the Church has suffered a loss on the sale of the land and buildings. Allocate this to an “Other Expense” account.

12. Accounting for shares

Accounting for shares required some additional accounts to be added to the Chart of Accounts given earlier in this book. These may be:-

- 1-4010 Shares
- 6-1025 Brokerage on Share transactions
- 3-7000 Share Revaluation Reserve

Also, just as the accounting for assets requires an Asset Register and Depreciation Schedule to be established, so too the purchase and sale of shares should be kept outside the accounting software. A spreadsheet would suit this well.

The Shares Register would show:-

- The name of the company;
- The date of the purchase;
- The purchase price of the shares;
- The number of shares purchased;
- The costs of brokerage and other costs on the purchase of the shares;
- The date of disposal of the shares;
- The number of shares so disposed (which may not be the same number as the number of shares purchased – the church may choose to sell only part of their holding, or there may have been a rights issue giving the Church more shares in the company);
- The cost of brokerage on the sale of the shares.

Purchase of shares

If the Church owns shares in publicly listed companies, some specific records need to be kept about these shares, i.e.:-

At the time of the purchase of the shares the records would be recorded through either the “Spend Money” or “Purchase” component of the software. See notes above on the use of these two. The preferred method of recording is to use the “Purchases” module of the software as this allows for greater detail to be recorded and easier recall of the transactions in the software.

The effect of recording the purchase of the shares will be to:-

- Debit account 1-4010 Shares with the purchase price of the shares plus the brokerage costs
- Debit account 2-1330 GST paid with the GST component of the brokerage costs

- Credit the bank account with the total cost of the transaction.

Revaluation of shares

During the time the shares are owned the changing value of these shares should be recorded. The minimum basis of recording these changes should be annually on balance date.

The closing values of shares are published daily in newspapers, so are readily available. This closing value is more than likely going to be different from the price paid when the shares were purchased. This process records these changes, which may be either a higher or a lower value.

The first time a revaluation of shares is recorded in the software new accounts are required to be set up, i.e. an account in the “Other Income” or “Other Expense” section, to record either an increase or a decrease in the value of the shares. Say these account numbers are “8-2000 Share revaluation income” and “9-2000 Share revaluation expense”. Add the changed value directly to account 1-4010.

The following are some examples of recording a revaluation of shares. Two examples will be given, one for the first time the shares are revalued and another when the shares are revalued in subsequent years.

The first time the shares are revalued

The first time shares are revalued they can have a value which is either higher or lower than the original purchase price.

1) The shares have a higher value:-

   Say 3000 shares in a (fictitious) company called AZZ were purchased for $5 per share and have a value of $5.20 at the close of trade on the last day of the financial year of the Church. The initial purchase involved a total sum of 3000 x $5 = $15,000. The subsequent valuation valued the shares at 3000 x $5.20 = $15,600. This is a change of value of $600. The General Journal entry to record this change would be

   - Credit account 8-2000 Share Revaluation Income with $600
   - Debit account 1-40101with $600

2) The shares have a lower value:-

   Say 3000 shares in the above (fictitious) company called AZZ, which were purchased for $5 per share, have a value of $4.50 at the close of trade on the last day of the financial year of the Church. The initial purchase involved a total sum of 3000 x $5 = $15,000. The subsequent valuation valued the shares at 3000 x $4.50 = $13,500. This is a change of value of $1,500. The General Journal entry to record this change would be

   - Debit account 8-2000 Share Revaluation Income with $1,500
   - Credit account 1-4010 with $1,500

The second and subsequent time the shares are revalued

In the second and subsequent years the revaluation of the shares will be based around the revaluation that occurred in the previous year.

If last year the valuation was $5.20 per share and the new valuation is $5.50 then an increase in the valuation of $0.30 per share (or 3000 x $0.30 = $900) would be recorded in a General Journal by:-

- Credit account 8-2000 Share Revaluation Income with $900
- Debit account 1-4010 with $900

If (again) the valuation last year was $5.20 and the new valuation is $5.10, then a decrease in the valuation of $0.10 (or 3000 x $0.10 = $300) would be recorded in a General Journal by:-

- Credit account 1-4010 with $300
- Debit account 9-200 Share Revaluation expense with $300

In all of these General Journal entries the GST tag attached to them would be “N-T”.

Sale of Shares

When the shares are finally sold the original purchase and the revaluations that occurred are all to be recorded back to $0, with a final profit or loss on the sale of the shares being recorded. The following is an example of the General Journal entry required to record the sale of the shares:-

- Credit account 1-1310 Shares with the original purchase price of the shares
- Look at the latest share revaluation value that was recorded at the end of the last financial year
    - If the latest revaluation price is less than the original purchase price, debit account 3-700 with the difference between the purchase price and the latest revaluation price times the number of shares
    - If the latest revaluation price is more than the original purchase price, credit account 3-700 with the difference between the purchase price and the latest revaluation price times the number of shares
- Debit the bank account with the net dollars received from the sale of the shares
- Debit the expense account “6-0125 Share Brokerage” with the brokerage costs incurred in the sale. Note: this entry will attract GST.
- At the end of this process the General Journal entry will have either a debit or credit balance that still hasn’t been allocated. The General Journal entry can’t be saved in the software until this balance is entered. This balance represents the overall final profit or loss on the sale of the shares.

- If the General Journal entry requires a credit entry to balance the Journal, the Church has made an overall profit on the sale of the shares. Allocate this to an “Other Income” account.
- If the General Journal entry requires a debit entry to balance the Journal, the Church has made an overall loss on the sale of the shares. Allocate this to an “Other Expense” account.

13. Having the Church accounts audited

The auditing of the Church accounts is a specialised process, and should be done by an appropriately qualified, professional person. The audit process is highly regulated and the auditor has to comply with the many laws and regulations that surround this specialised area of accountancy.

The process of auditing the Church accounts is to make sure that the records of the church comply with several things, including:-

- The laws under which the Church is legally structured
- The Australian Accounting Standards
- The Constitution of the Church
- The directions and decisions of the Board
- The various laws that apply to the Church's activities, e.g. laws relating to employment and superannuation

For this reason, the auditor has full and open access to all documentation relating to the finances of the Church, the minutes of the Church Board, and an explanation of the processes the Church uses to collect, hold, bank and spend money. It is anticipated that the auditor can get access to, and have an understanding of, the various pieces of legislation that relate to the Church – the church doesn't have to supply a copy of such legislation.

There are also some things that are not part of the audit process. For example, it is not up to the auditor to say that the Church has spent too much money on a particular expense, or that they should not have employed a particular employee. What the auditor will want to do is to make sure that the documentation for the particular expense supports the figures that have been recorded, and also that the payment of wages to the particular employee, together with other costs such as superannuation, WorkCover or Long Service Leave have all been done correctly and appropriately.

The audit process does not look at every transaction that goes through the records of the Church. The auditor uses a sampling technique to satisfy himself/herself that the probability of the records being correct is very high – say a 98% probability.

The auditor chooses their own sampling technique, and this may differ from year to year and from auditor to auditor, however the following may be some of the things that the auditor does:-

- Check the gross wages paid by the church against the Payment Summaries that have been given to employees
- Check that the tax deducted from employees wages has been submitted to the ATO
- Check that the BAS has correctly submitted all GST collected to the ATO and claimed all GST paid back from the ATO
- Check any Fringe Benefit return that the Church may be required to submit to the ATO
- Check that the Church has paid the Employer Contribution to Superannuation (plus any further superannuation contributions the employee may make) to the appropriate superannuation fund

- Check that the money collected at Church services has actually been deposited into the bank
- Check the minutes of the Board for any decisions that relate to financial transactions to see that these have been completed accurately in the accounts
- Check the constitution of the Church to see if the transactions fall within the scope of what the Church is legally allowed to do (e.g. is the Church permitted in its constitution to invest money in the share market, or to buy an investment property?).
- Check that the Bank Reconciliation process has been completed accurately
- Check the documentation and recording of any transaction over (say) $2,000
- Check the documentation and recording of all transactions that go through a selected range of accounts
- Contact third parties who have had financial dealings with the Church to ensure that the documentation of the third party agrees with the Church records

As part of the audit process the auditor will keep notes on what documentation has been seen, the systems and processes the Church uses and the figures in the audit.

Over the many years the author of this book has worked with many churches in different denomination and with several different auditors. The following is a list of things for which auditors have asked. This list has been built up over many years and as an auditor asks for a new or different thing, it gets added to the list. It is rare for something to come off this list!

It is important to note that not everything in this list relates to every church, however everything on the list has related to a church somewhere over the author's experience. Therefore, if an item on this list doesn't relate to your church, ignore it. Should the user of this book find something new that an auditor has asked for, please add it to this list.

<u>The list of data to be sent to the auditor:-</u>

- All bank statements, including the month after the end of the accounting year
- Original copies of evidence of money received by the Church
- All invoices the Church has paid
- Evidence of the Church's investments
- Petty cash records
- Any employment records being held by the Church
- Land Revaluation report (if the land / property owned has been officially re-valued in the last year)
- Look through last year's audit – are there particular notes or comments from last year's audit that need to be addressed.
- A copy of the BAS statements
- Bank reconciliations, but particularly for the last statement
    - Look at the outstanding cheques – on which bank statement do these appear in the following accounting period
    - Which outstanding cheques on the last day of the accounting period have still not been presented to the bank when the audit is done

- An Asset Register and Depreciation Schedule:-
    - All acquisitions need to be shown at the "original cost" in the Asset Register (excluding GST), i.e. the "Original Cost" in the Asset Register needs to agree with the asset account in the Balance Sheet

    - When an asset is finally disposed of (whether by being tossed out, sold or used as a trade-in), adjust the Asset Register's figure, as well as adjust the asset account in the Balance Sheet (see notes on disposal of assets)
- Adjust Long Service Leave (General Journal entry)
- Adjust Holiday Leave entitlement (General Journal Entry)
- Full printout of the ledger, showing opening balances, transactions and closing balances
- A copy of the Profit and Loss Report for the year
- A copy of the Balance sheet as at the last day of the year
- A reconciliation of the Fringe Benefits
- Wages Data, including:-
    - A copy of the employment contracts with the employees
    - Reconciliation of General Ledger (i.e. the figure for "Wages" on the Balance Sheet) with the totals of the figures on the Payment Summaries handed to the employees. To do this:-
        - Run the "Payroll Activity Summary" report from the software. This reports should show:-
            - the name of each employee;
            - the gross wages paid to the employee;
            - any deductions from the wages;
            - the net cash component of the wages;
            - the superannuation that should have been paid to the employee's superannuation fund.
        - Show that the totals on the "Payroll Activity Summary" report agrees with the totals on the individual pay records or PAYG payment summaries.
        - The "Payroll Activity Summary" also needs to agree with the expense in the Income and Expense report
    - Superannuation – identify who are the employees that are represented in the 2-1430 Superannuation Owing account. The total of these individual employees should equal the balance of the account 2-1430.
    - WorkCover documentation
- Department balances
    - Give a listing of departments showing:-
        - Opening balance;
        - Total funds received by the department (i.e. not transferred from the Church funds);
        - Total funds transferred to the Department from the Church's funds;
        - Total funds paid out of the Department;
        - Ending balance.
- <u>Age listing of Debtors</u> – use the reports section of Sales:-
    - Receivables
        - Run the "Aged Receivables (Summary) to (date) in the software
        - This figure must agree with the figure on the Balance Sheet – if not, an explanation or reconciliation must be made.
    - Calculation of Doubtful Debts
        - Which of the debtors from the previous year that were classed as doubtful at that time have now been written off as bad debts? Such debtors need to be written off against the Provision for Doubtful Debts, not against the expense account;
        - Which of the debtors as at the end of the current accounting period are now considered as doubtful? Adjust the "Provisions for Doubtful Debts" appropriately.
- <u>Age listing of Creditors</u> – use the reports section of Purchases
    - Payables Reconciliation Summary to (date)

- A copy of the software data file

As part of the audit process the auditor may require adjustments to be recorded in the records of the church. Always date these as at the last day of the Church's financial year.

After the auditor has signed off on the audit the church should receive back the following:-

- A letter from the auditor saying that the audit was conducted in accordance with the requirements of the current legislation and would also contain an Audit Opinion:-
    - The Audit Opinion that the Church is seeking is one that states the reports contain a "True and Fair View" of the financial activity of the Church;
    - This letter is included as part of the published reports of the Church to the membership of the Church.
- A letter to the Board of the Church with any comments about the systems or processes of the Church that may need attention and adjustment in the coming year
    - This is a private letter and only for the Board's attention – it is not published or shown to people outside the Board
- A statement of Income and Expenses
- A Balance Sheet (or statement of financial position) as at the last day of the year
- A Cash Flow Statement

Copies of these documents from the auditor are made available to:-

- The members of the Church at the Annual General Meeting
- The Statutory Authority under which the Church is legally established
- They are also the documents that would be made available to lending institutions when the Church is in the process of borrowing money.

After the audit process is complete the accounts of the Church should be "Locked", i.e. **NEVER, EVER, EVER** change a record in the period of time that has been audited.

14. Compliance with the law

As the Church exists as a legal entity within the context of the legal environment of the country, it must comply with the laws that are current from time to time.

These laws are under constant review, and so will change from time to time. The legal processes assume that the Church keeps up with these changes, and applies the changes appropriately. The normal manner in which a church will do this is either:-

- To research the laws
- Get advice from its state or national head office or
- Consult an appropriately qualified, registered practitioner for advice on how to apply the laws to the Church.

The following are some of the laws that apply to Churches.

Registering an ABN (Australian Business Number)

Independently of the legal structure of the Church, the Church must have an Australian Business Number (ABN). This will be assigned to the Church as part of the process of establishing the Church as an Incorporated body, a Company or an Unincorporated Body.

GST

Depending on the dollar value of the turnover of the Church, the church can choose as to whether or not it registers for GST. Above a particular value of the turnover of the Church it is required by law to register for GST. Consult an appropriately qualified, registered professional person or the Australian Taxation Office website as to what this value is, as it can (and does) change from time to time.

The advantages of registering for GST include:-

- Within the Church environment the majority of the income is likely to be received as "GST free" money, i.e. the money received contains no GST, therefore there is usually nothing to be forwarded to the ATO
- The Church can claim back from the ATO any amount of GST that was included in the purchases it made, thus reducing the costs of running the church. Within a Church context this is normally larger than the GST the Church has to pay to the ATO, so a net refund is usually received.

The disadvantages of registering for GST include:-

- The Church must have a system where the GST component of any transaction can be recorded
- The Church is required to return a BAS according to a timetable set by the ATO (e.g. quarterly)

Tax laws

Whilst the Church is probably given a "Not for Profit" tax status by the ATO, it still has to comply with appropriate taxation laws. The "Not for Profit" tax status means that the Church is exempted from making an annual taxation return on its income and expenses, such as is required from businesses and individuals.

Such laws that the Church is required to comply with would include:-

- Pay as you earn tax, i.e. tax deducted from an employee's wage, together with the annual Payment Summaries that must be issued to the individual employees
- Fringe benefits return, if any employee has a fringe benefit component to their salary packaging. Note some pastors can claim a form of fringe benefits that are not reportable to the ATO – see notes elsewhere for a more detailed explanation on this.
- Employment. Both the State and Federal Governments change laws on employment from time to time. As an employer the Church is required comply with these laws.

WorkCover

WorkCover laws differ from State to State. For example, in Queensland the WorkCover arrangement for a pastor or employee of the Church who is on the Board of the Church is different from the arrangements in other States. The Church administration needs to get advice on the local laws as they relate to their particular circumstances.

15.Tracking finances where the Church has to account for what it receives and spends

There are occasions where a Church receives money and it is required to give the donor of the money an account on how the money was spent. An example of this may be where the Church received a grant from the government to assist in the training of people to develop work skills. At the end of the program the Government is most likely to ask for an explanation of how the money was spent to ensure that it was used in the way it was intended. This process is called “Acquitting” for the income received.

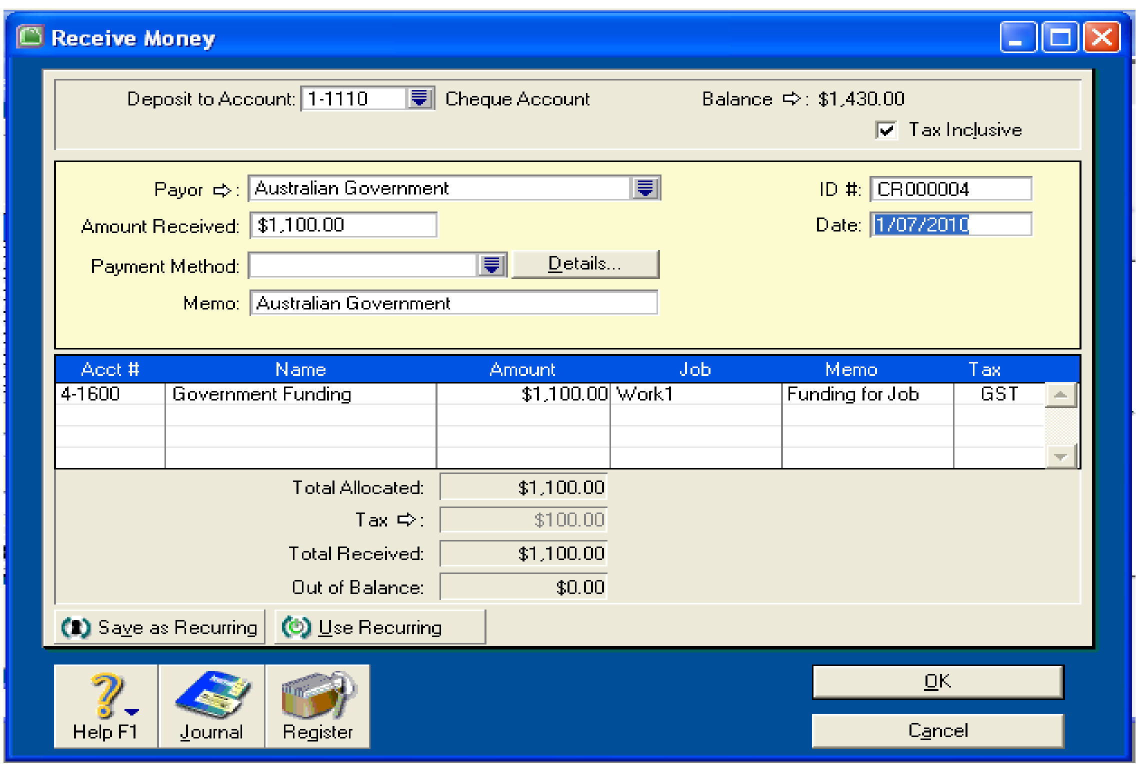
Whenever such money is received, it is far easier to set up the systems to report on this money before any money has been spent than to try to establish at a later stage where the money went.

The software will have a feature that allows both the cash received and the cash spent to be attached to a Job, a Class, or some other such term. Different brands of software may call these different names, but the effect will be the same.

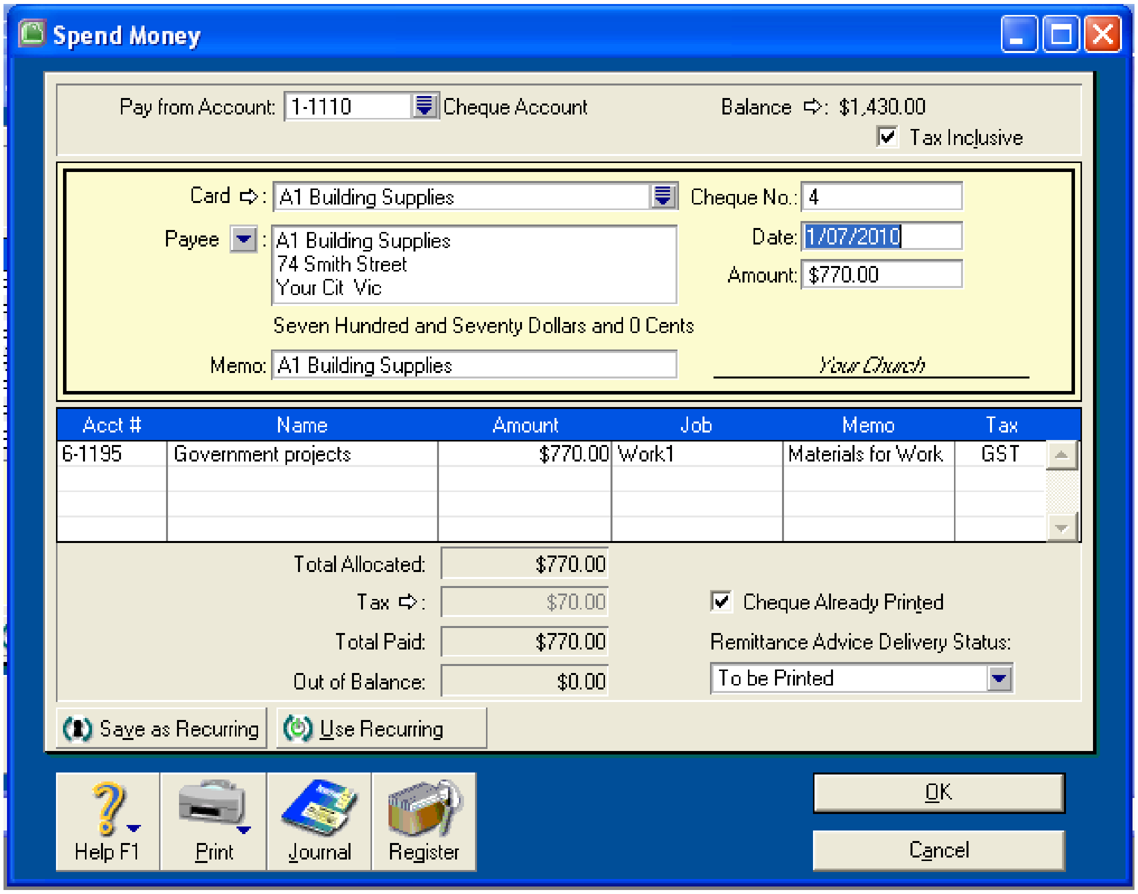
As the money comes in, assign a Job number or Class number (e.g. Work1) to the receipt in the software. Also, when the money from this source is being expended, attach the same Job or Class number to the expenditure.

To report on this (or acquit for this income) get the software to produce a report on the Job number “Work1”.

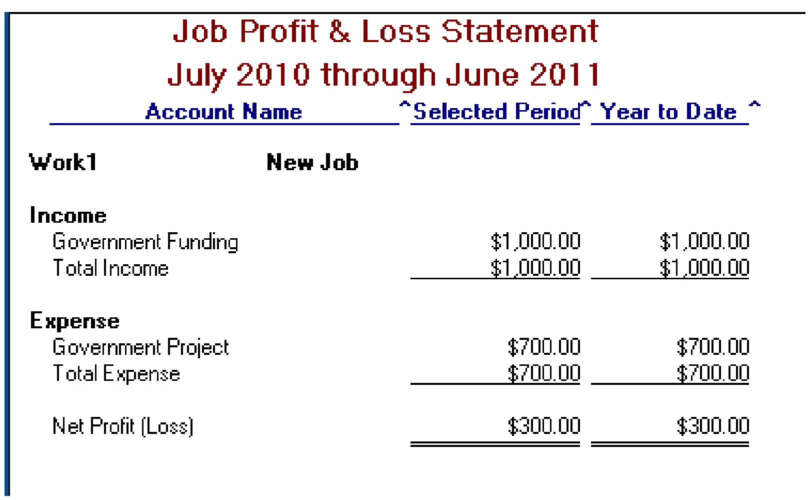
The receipt of the money in the software may look like this:-



The payment of money in the software may look like this:-



The report that the software produces may look like this:-



Job Profit & Loss Statement
July 2010 through June 2011

Account Name		Selected Period	Year to Date
Work1	**New Job**		
Income			
Government Funding		$1,000.00	$1,000.00
Total Income		$1,000.00	$1,000.00
Expense			
Government Project		$700.00	$700.00
Total Expense		$700.00	$700.00
Net Profit (Loss)		$300.00	$300.00

16. Finances that fund the vision of the Church

The idea that this section argues is that God funds the vision He gives to a Church leadership. It is the responsibility of the Church leadership to define what that vision is, and enunciate it clearly to the people of the Church. If God has given the vision of the Church to the leadership, then God will also have a plan of how that vision is to be accomplished in both, the activity to be done by the people of the church to achieve it, and also the finances that must be released to fund it.

The following is one way to connect all three together.

The **<u>SMART</u>** way to connect a Church Vision with the Church Budget

"S.M.A.R.T" is an acronym that helps us step through a process. This acronym has been used in many forums to assist organisations form a strategy on how to achieve an objective. This is not the only way to do this, but it is a way that works. As an example, this process is based on the concept that the Church wishes to see 120 new salvations within a year.

<u>SMART</u> stands for

- Simple
- Measurable
- Achievable
- Reported
- Time limited

1) <u>S = Simple</u>

i) The vision of the Church is broken down into a number of very simple components. Each component is expressed as a simple sentence, e.g. "We will have 120 salvations in the year."

2) <u>M = Measurable</u>

a) There has to be a capacity to measure each of the simple sentences in a quantifiable way. If this can't be done, re-state the simple sentence in a manner that can be measured. One such measure may be "Cards" are completed for each salvation – therefore count the cards.

3) <u>A = Achievable</u>

a) Written strategies on how the objective will be attained.

b) There may be several strategies produced at this stage. This point may be illustrated by the thought that one wants to travel from one capital city in Australia to another. The strategies may be:-

   i) Aeroplane, boat, car, motorcycle, bike, hitchhike, walk, run etc
   ii) The route to be taken may be via the direct route between the cities, by visiting another capital city along the way, by driving around the coast, by keeping off the major highways, etc
   iii) The time one wishes to take in the journey will affect the number of choices, for example, if one wished to complete this journey within the next 10 hours an

aeroplane flight may be the only choice, however if it is to be completed within 2 years one could wait for a shoe sale, then at the appropriate time start walking. The costs of these two would be quite different.

iv) Using different methods of transport, different routes, different time horizons in which to complete the journey will all produce different costs to complete the journey, however the strategic objective of travelling to the other city never changes.

c) In this section the objective of the simple statement doesn't change, however the strategies, the routes, the time allowed to achieve the objective, can all have different cost structures to them in achieving the outcome required by the Simple sentence.

d) Back to the example of achieving 120 salvations in a year – each group within the church could be asked to nominate the number of salvations they will build into their program to assist in this objective. The response may be:-

i) Youth activities = 20
ii) Childrens' programs = 20
iii) Royal Rangers = 10
iv) Connect Groups = 20
v) Men's department = 10
vi) Women's department = 10
vii) Personal evangelism = 30

(1) Each of these would have targeted programs to achieve these numbers, e.g. for Personal Evangelism it may run as follows:-

(a) House groups – each regular member attending constructs a list of 5 people they wish to see saved. The Home Group commits to praying for this list of (say) 50 people on a regular basis – both at the Home Group meetings and individually between the meetings
(b) Strategies are discussed at Home Group meetings on how personal evangelism can be done – to encourage the people to actually do it.
(c) Reports on how the process is going are given at the meetings
(d) Individual members of the Home Group are constantly encouraged to continue in their personal process of bringing their 5 people to the Lord

e) If the programs require a budget allocation from the Church Budget it would be quantified at this point of the "SMART" process for each of the strategies that were developed under point 3 b) above.

4) <u>R = Reported</u>

a) A continual program of reporting and communicating the progress of each aim is established and communicated at regular intervals, e.g. on the 1st of each month

b) Celebrations of success are routinely planned – if the Heavenly Host can have a party for each salvation, why can't we?

5) <u>T = Time Limited</u>

a) Times and dates are established as to when the progressive parts of the process are to be done (e.g. a timetable of activity)

b) A time and date is established for when the original objective is to be completed

In each of these stages there is a component of communicating the vision from the Leadership Team so that the same message is being provided consistently throughout the year, but there is also enough room given for groups and individuals to be able to "Buy In" to the process and establish the part they will play in achieving the objective. Expect to see very creative and different things happen when this “Buy In” happens.

This “Smart” methodology is one way to connect vision with funding. If as part of this program one realises that the overall call on funds exceeds the anticipated income to pay for it, then the comment about developing different strategies above would mean that the vision remains unchanged, but a different strategy that costs less would be employed to get to the outcome stated in the vision (or simple sentence).

Continuing past programs

There are times when past programs of the Church come to their “use by” date, but not everybody recognises this. Some church members may say “We have always sent $100 each year to this particular charity - why are we stopping doing this now – they need our money.”

Past programs can continue to be funded if they form part of the enunciated vision of the Church, but if not, then the time for God’s blessing to fund this has ceased, and so the funding should stop. A need is not a calling – a church can’t fulfil every need. We all have many needs placed before us on a constant basis, but it is the “calling of God” that designates which ones will be funded.

17. Establishing a budget

It is appropriate for the Church to establish a budget of the anticipated income and expenditure of the Church over the coming year. This budget may also extend out beyond the current year, to include from 3 to 5 years of anticipated income and expenditure.

It is also appropriate for the Church to establish a budget for the Balance Sheet. Such budgets are less common in practice; however it is possible for the Church to plan what Balance Sheet should look like in a year, and take actions to achieve that result.

The starting point of establishing a budget is to look at what is included in the Vision of the Church. In the section on "Funding the Vision of the Church", there is a section that connects the Vision with the monetary requirements of that vision and the actions of the members of the church to achieve both the vision and to do so within the budget allocations.

When budgeting for the expenses of a Church, there are four major components in this. It doesn't matter which part is done first, as each part will be handled individually at the start of the budgeting process, and then refined as the process continues. These components are:-

- Budgeting for employment
- Budgeting for the operational expenses of the Church
- Budgeting for specific activities expressed in the Vision of the Church
- Budgeting for income

There are many different paths a Church may take in establishing a budget. The following comments are one way of doing this, but they are not the only way.

<u>Budgeting for employment</u>

One way is to start with the anticipated wages expense, as this is usually the largest single component of the Church's expenses. Included with this book is a spreadsheet that assists in calculating the anticipated total wages. Look at appendix D for instructions on how to enter data into this spreadsheet.

A few comments about the allocation of funds to pay wages within a church setting:-

- The Church should have a target percentage of tithes and offerings that it is prepared to spend on wages.
- It is the writer's view that if the Church is spending less than 50% of its tithes and offerings on wages it is missing out on some necessary expertise to make the Church function appropriately (although this expertise may be getting provided through voluntary assistance).
- It is the writer's view that if the Church is spending more than (say) 55% of its tithes and offerings on the total wages bill then it is limiting its capacity to pay for other running costs of the church, as well as fund specific aspects of the vision of the Church.

- The wages paid should have a connection back to the vision of the Church, i.e. the people who are employed are employed to ensure that specific parts of the Vision of the Church are accomplished.
- Where a person is employed in a role that does not support the vision of the church, then that employment has to be questioned, or the role of the employee changed.

Budgeting for the operational expenses of the Church

Budgeting for the operational expenses of the Church covers areas such as maintenance, telephone, office supplies, printing and photocopying, bank fees, postage, depreciation, etc.

A common way to budget for items such as these is to examine the expenditure that occurred last year and make adjustments based on the impact of changing prices, changing use, changing technology, etc.

It may be possible to off-set some of the expenses by examining the use of the expense area. For example, if the Church departments make heavy use of the photocopier, it would be possible to set a “per copy” charge on photocopier use, and then recover this from the department.

Budgeting for specific activities expressed in the Vision of the Church

When budgeting for specific activities that are expressed as being part of the Vision of the Church each activity needs to be considered separately. As suggested in the section that discusses “Funding the Vision of the Church”, there needs to be a real connection between the vision, the outcomes required by that vision and the budget to support the activities to achieve that vision. The path that exists between the vision and the outcomes can take many different paths or strategies, and each would have their own expense profile.

The suggestion here is that each part of the vision of the church needs to be:-

- “Simple”, - stated in a simple sentence
- “Measurable”, - there is a quantifiable method of measuring where the church is at in its progress towards achieving the vision stated in the simple sentence
- “Attainable”, - strategies need to be set up so that the church becomes involved in activities that are designed to achieve the vision stated in the simple sentence
    - At this point, many strategies may be set considered, each having their own expense profile. This is the point where the budget is being set up to support the vision of the Church
- “Reportable”, - there is a process for the progress of the objective of the simple sentence to be communicated with the relevant people.
- “Time Limited”, - there is a time by which the outcomes of the vision are to be achieved.

This “SMART” approach is one way of connecting:-

- The vision to the activity of the Church members,
- The creation of “buy-in” from the Church members (e.g. if the Church members suggest the strategies that are to be used to achieve the vision, they are more likely to be involved in the outworking of those strategies). These strategies may not be the first choice of the Church oversight, but if the strategies have the capacity to work (with some minor adjustments from the Church oversight) then it would be wisdom to choose to put them into practice.
- The sensitivity to the monetary constraints necessary to put the vision into practice.
- The Church leadership and member’s ability to see the outcome of their efforts in the various Church programs.

Budgeting for income

Once the first cut of the budget for expenses has been completed the Church needs to consider the amount of surplus it considers to be appropriate for the year. This figure is added onto the total expenses, and becomes the total income required to fund the operations of the Church for the year.

It is at this point where there is a divide between the anticipated expenses that are to be paid and the income required to fund the expenses.

The quantum of the income required needs to have a mixture of faith and practicality. In terms of the faith component, if the church leaders have a “rhema” word from God about the coming year, then that should be followed. Without this the church should be using a mixture of what they can believe for and what can be considered as an appropriate practical figure.

Just as the proposed expenses can be examined and planned, so too can the income. The “SMART” approach shown above can be overlaid across the proposed income just as easily as it can be used for proposed expenses.

When the income has been considered and appropriately adjusted, the budgeting process then returns to the expenses component. Where this adjusted income is not supporting the proposed expenses, the expenses need to be addressed again. Some of the alternative strategies may have to be employed to control the expenses, or maybe some of the proposed areas of expenditure will have to be delayed, until there is sufficient income to support them. If this is to occur, then the “Simple Sentences” of the vision of the Church will need to be put into a hierarchical order so that there is an agreed order in which they will be funded.

This process of considering the income and the expenses of the Church continues until there is agreement between the leaders of the Church as to what they believe is achievable for the Church.

Once the budget has been agreed to by the senior leadership and the Board, it should be presented to the Board to be formally adopted. This gives the budget the backing of the body that is responsible for the financial operations of the Church.

The annual budget can then be divided into monthly budgets, which is then entered into the budgeting component of the software. This forms the basis of reporting actual income and expenditure against the budget that has been entered.

Where a line item is predominantly received, or spent within a particular month of the year, (e.g. paying the annual insurance bill, or paying the annual dues to the Church's headquarters), such budgets can be allocated to the specific month.

Where a line item has been shown by past example that it varies from month to month, there is justification to vary the monthly budget in accordance with the experience of the past. For example, if in a particular month 8% of the annual tithes and offerings were received, then it would be justified to allocate 8% of the new budget to the same month in the budgeted year. This 8% is calculated by multiplying the annual tithes and offerings by 8 and dividing by 100.

When particular income or expenditure has been allocated to a "Job" or "Class", this too can be entered into the software so that reports of actual income and expenditure can be measured against the budget.

Budgeting for the Balance Sheet

Budgeting for the Balance Sheet follows a very similar process to that of the process of budgeting for income and expenses.

Each line item of the Balance sheet is taken and the figure that the Church oversight wishes to see in that line in a year's time is inserted into that line.

Where there is a change in a value from one year to the next there has to be a strategy or plan of how that change is to occur. The "SMART" approach shown above when considering income and expenses can also be used in the balance sheet.

For example, if the Church has a loan from a finance provider and wishes to pay off all or part of the loan within the next 12 months, it can state this in a simple sentence. This would be measured by the balance of the loan still outstanding as the year progresses. The strategy may be to ensure that the monthly payments include a capital repayment component that will systematically reduce the value of the money owing. This would be reported to the Church oversight on a regular basis at Board meetings. It is also "time limited" in that the budgeted loan balance has to be achieved in a year's time.

The connection between budgeting for the income and expenses, and the budgeting for the balance sheet, is in what occurs in the Cash Flow of the Church.

As indicated earlier, Cash Flow occurs in three areas

1. From the balance between the income and expenses of the Church
2. From the sale or purchase of assets
3. From the receiving or repayment of loans

Therefore, in budgeting for a Balance Sheet one must always be mindful of the progress of the Cash Flow of the Church.

18. Budgeting to Fund specific events

There are times when a Church or Church department wishes to engage in a particular activity that could be considered as a "Defined Event", i.e. it is a singular event that will start and finish. Examples of these could be a:-

- Youth Bus trip
- Kids Carnival

The approach to budgeting for events such as these would be very similar, i.e.

- What are the activities that are to occur during the event
- What are the costs of the activities in the event
- How many people are anticipated to attend the event
- Will the participants be expected to pay a fee to be involved with this event
- Will there be sponsorship from other sources for the event.

Each component needs to be quantified as early as possible in the planning process. This can be done by:-

- Obtaining quotes from different suppliers
- Setting up a registration process so that people commit to attending
- Pre-selling tickets

Within the planning stage of such events the leadership of the event needs to come to a view as to whether or not the event will run at a profit. If the event is anticipated to run at a loss there needs to be a plan of where the funds will come from to cover the loss. If such funds are not available, then the event needs to be re-designed so that the loss does not occur.

19. Monitoring actual transactions against the budgeted transactions

It is one thing to set up a budget for a church, but this is meaningless unless there is a process to monitor what actually occurs against the budget, and then having a capacity to adjust what is occurring if this is not in line with the Budget.

The software should have the capacity to produce income and expense reports (the software may call these "Profit and Loss" reports) with a budget analysis.

Traditionally such reports of budget against actual performance show two columns:-

1. The percentage difference between the two
2. The dollar difference between the two

In analysing such reports both these columns need to be considered together.

The Percentage difference between the budgeted performance, and the actual results, will give an indication of the impact of the difference. Boards, for example, may choose to have a standing request that whenever a line item has a percentage difference of more than (say) 10% then the Board will need to be given a explanation of why that has occurred, and what will be the response to bring the line item back into line with the budget – particularly if the difference is a reduction of income or break-out in expenditure.

The dollar difference between the budgeted performance and the actual results will give an indication of the difference on the cash position of the Church. Again, there may be a standing request that whenever a line item has a dollar difference of more than (say) $500 then the Board will require an explanation of why this has occurred, particularly if it is a reduction of income or an over-spend of expenses.

Section 4

Reporting the recorded data to the relevant people and authorities

20. Reports that are meaningful to Leaders

The following are a group of reports that can (or should be able to be) produced from the software. Some are a legal requirement to present to the Board (e.g. the Income and Expense statement as well as the Balance Sheet). The others are management reports to indicate to the Board that the Church is remaining solvent and has the capacity to pay its bills when they fall due.

The reports covered in this section will be:-

- Income and Expenditure Statement
- Balance Sheet
- Cash Flow Reports
- Cash Position Report
- Funding cash commitments over the next month
- Departmental reports

<u>Income and Expenditure Statement</u>

The income and expenditure statement will often be called the "Profit and Loss" statement in the software. Another term that is often used is that of an "Income and Expense Statement". These refer to the same thing. The reason for the use of the term "Income and Expenditure Statement" is that Churches are set up as non-profit organisations, and some people see that it is a misnomer for a non-profit organisation to be earning a profit. Therefore terms such as "Income, expenses, surplus, and deficit" are used as replacements for "Income, expenses, profit, and loss".

An income and expense statement shows three basic things:-

1. The income the Church has received according to the account numbers in the chart of accounts. The total income from all sources is shown;
2. The expenses of the Church are shown according to the expense account numbers as per the Chart of Accounts. Some of these expenses may be sub-totalled according to specific groupings, e.g. Office Expenses, or Employment expenses. The total of all the expenses is given;
3. The difference between the income and expenses is shown. If the income is greater than the expenses, then the Church has received a surplus. If the income is less than the expenses then the Church has suffered a deficit.

Note: A deficit will occur from time to time in the life of a Church. This is not necessarily a bad thing, however there must be past surpluses greater than the deficit to support it.

It is usual for a Board to receive two Profit and Loss Reports at the Board meetings. One will show the monthly performance, while the other will show the year-to-date performance of the Church.

Cash or Accrual basis of accounting

Profit and Loss Reports can be produced on a Cash Basis or an Accrual Basis.

When a Church operates on a Cash Basis it only recognised income and expenses when the cash transfer occurs.

When a Church operates on an Accrual basis it recognises income and expenses when there is a responsibility to either receive money or pay money out. The responsibility to receive money would occur when the Church sends out accounts to debtors – people who owe money to the church. This would occur if the Church sells something to a person, but the person doesn't pay for it at the time the sale occurs.

When the Church recognises an expense as soon as it receives a Tax Invoice from a creditor, which is usually different from the date on which the Church pays the Invoice it is operating on an Accrual basis.

Software can normally differentiate between these two different types of reports for Profit and Loss Reports.

Note: The Cash or Accrual basis within the records of the Church are not quite the same as the preparation of a BAS return, which can be calculated on a Cash or Accrual basis as well.

Whilst the Church may operate on an Accrual basis for its internal operations, it may be registered with the ATO to report on the BAS under a cash basis. The software the Church uses should be able to differentiate between these when collating the data for the BAS return.

Balance Sheet

A Balance Sheet is a snapshot at a point in time, and can be likened to a picture being taken with a camera. If a person in the photo has closed eyes at the time the photo was taken, this will be seen in the photo. In the same manner, a Balance Sheet reflects the state of the accounts of the Church at a point in time when the Balance Sheet is prepared. If at that moment the Bank Account has $1000 in it, that's what will show on the Balance Sheet, etc.

The Balance Sheet is made up of three parts:-

1. The Assets of the Church, i.e. the things it owns and are shown at the historical purchase price or official revaluation of when the assets were purchased.

2. The Liabilities of the Church, i.e. the value of things that are owed to people or organisations that are outside the membership of the Church. Such things will include bank loans, or wages that have been processed but not paid out to the employees.

3. The Equity of the Church, i.e. the difference between the value of the assets and the value of the liabilities. The double-entry processes that the software uses will always

keep these three things aligned in this way. It won't accept a transaction that would contravene this.

The Assets of the Church are normally broken down into two parts:-

1. The Current Assets.

   Current assets are things that the church owns or are of value to the Church, but are likely to change in value within the next twelve months. Items that would appear in this section would be:-

   - The balance in the bank account(s);

   - The value of any trade debtors – people who owe money to the Church.

2. The Non-current Assets. This is sometimes called the "Fixed" assets.

   Non-current assets are normally shown at their historical value. For example, if a block of land was purchased five years ago for $500,000, it will still be shown in the Balance Sheet at $500,000 unless there the Church has received an official valuation of the land. There are accounting processes that allow the Church to record such assets at their present-day value, but this is beyond the discussion here and rarely used in Churches.

   For a purchase of an asset to be placed in this section it is anticipated that the item purchased will remain in the possession of the Church for a minimum of twelve months and remain so for the next twelve months.

   Some assets have the potential to increase in value over time, such as land and buildings, or shares and property investments.

   Some assets have the potential to decrease in value whilst they are owned by the Church. Such assets may be vehicles, furniture, and equipment. The approximate decrease in value of these will be shown by the process of depreciation. An explanation of depreciation is given elsewhere in this book. The process of depreciation is an attempt to show how much of the asset has been used to earn the income of the Church. This thought differs to the commonly held view that it is an attempt to show the market value of the asset. The market value will depend on many factors such as the condition of the asset, the demand for the asset in the market place, changing technologies, etc and will only be quantified in reality when the asset is sold.

   It is normal to show non-current assets that are expected to decrease in value over two lines:-

   - The original purchase price of the asset

   - The total depreciation (called the Accumulated Depreciation) that has been written off against the asset. This will be a negative figure in the Balance Sheet;

   - The difference between the purchase price and the accumulated depreciation is normally shown as well.

The liabilities of the Church are normally shown in two sections:-

1. Current liabilities

   Current liabilities are those liabilities that are expected to be paid within the next 12 months. Such things as Trade Creditors and Credit Card balances fall into this section.

   This section may also contain a part of an item that was included in the Non-current section of a previous Balance Sheet. For example, if at the start of the year the Church owed $100,000 on a mortgage and expects to pay $10,000 of this amount within the next year, the Current Liabilities would show a value of $10,000 and the Non-current section would show a value of $90,000. The commercially available software that the Church is likely to be using may not have the capacity to make this differentiation, so the whole of the $100,000 is most likely to be shown under the Non-Current Liabilities section unless there is a General Journal entry to transfer the $10,000 from one section to the other.

2. Non-current liabilities. Sometimes this is given the title of “Fixed liabilities”

   Non-current liabilities are those liabilities that are not expected to be paid within the next twelve months. Long-term loans such as mortgages fall into this section.

The Equity of the Church – this may also be called “Proprietorship” or “Members Funds”.

Equity is the difference between the net value of the assets and the amount owed in the liabilities. It also represents the value that the members of the Church have invested in the Church.

Equity is likely to be recorded over two lines in the Balance Sheet:-

1. The first line will show the surplus (or deficit) that comes from the Income and Expense Statement.

2. The second line will show the accumulated surpluses from the previous year’s operations of the Church.

The sum of these two amounts will be shown, and will always equal the net value of the assets less the liabilities.

A note of warning needs to be included here. If the final equity figure is less than zero the Board should seek advice from an appropriately qualified, professional person, and the Church may be operating while insolvent. There are specific laws that come into play when this occurs.

<u>Cash Flow Reports</u>

Cash Flow reports give great insight into what happens to the cash of the Church over a period of time. They sit between the Income and Expense Statement and the Balance Sheet.

A Cash Flow Report is organised into three parts:-

A. Cash from the normal operations of the Church (i.e. the normal cash that has been received as tithes and offerings etc. and the cash that has been used to pay for expenses). Note: some items in this section may not be related to cash movements (for example depreciation of assets, allocating a provision for Long Service Leave) and so are excluded from this report. This cash is normally called **Cash from Operating Activities.**

Cash from Operating Activities is arranged in two parts:-

1. Cash received from income
2. Cash paid out for expenses

B. Cash that relates to the purchase and sale of assets. This is normally referred to as **Cash from Investment Activities.**

Cash from Investment Activities is arranged in two parts:-

1. Cash received from the sale of assets
2. Cash paid out to purchase assets

C. Cash that relates to the borrowing of money and the repayment of loans. This does not include the interest paid on the loans, as interest would be included in the Cash from Operating Activities. This is normally referred to as **Cash from Financing Activities**.

Cash from Financing Activities is arranged in two parts:-

1. Cash received from new loans
2. Cash paid out to repay loans

So the theory is that:-

1. The cash the Church has at the start of the period
2. Is added to the cash received from the operating activities
3. Plus the cash received from the sale of investments
4. Plus the cash received from new loans
5. Less the cash paid for the expenses of the church
6. Less the cash paid to purchase new assets
7. Less the cash paid out to repay loans
8. Equals the cash the Church has at the end of the period, which should be the amount as shown on a reconciled bank statement.

It may be possible to set up the accounts in the software so that they automatically belong to one of these three areas. If so, the software will have a Cash Flow Statement as one of the default reports available.

When reporting the activity of the Church to the Governmental authority under which legislation the Church has been established, a Cash Flow Statement is to be included.

Funding cash commitments over the next month

Some Boards require a report that shows the capacity of the Church to meet its financial commitments over the next month. If the software can't produce such a report, it needs to be produced in a spreadsheet outside the software.

Such a report would show:-

1. The reconciled bank balances at the end of the previous month
2. Add the income expected from the budget for the following month
3. Subtract the expenses that are expected to be paid in the following month
4. The sum of these three things will show the forecasted bank balances at the end of the following month.

Departmental reports

Departmental reports are normally produced at the end of each month for each active department. The report that normally satisfies the department leader is a print-out of the relevant accounts from the software for the month.

The first thing that the departmental leader needs to do is to examine each line in the printout to ensure that each figure has been appropriately allocated to the department. Note: The figures that are shown in these reports will not include any GST that may have been included in an original figure. The figure in the report needs to be multiplied by 1.1 to arrive at the original figure.

Should a departmental leader successfully show that a line item has been inappropriately allocated to the department, it needs to be re-allocated in the software, and new reports produced for all departments so affected.

If a departmental leader requires something more than just a print-out of the data in the software, this needs to be known and set up at the start of the month so that the entries can be recorded appropriately. The easiest way to arrange such different reports for the departmental leader is to allocate a job code to each transaction that goes through the department. A report based on the job code can then be produced for the departmental leader.

If Departmental reports are required for the Annual General Meeting of the Church the things that are reported for each department are:-

- The opening cash balance of the Department plus:-
    - The funds that were transferred from the Church to support the Department
    - The cash the Department raised independently of the Church (e.g. Youth taking up an offering at one of its meetings
- Equals the total income available to the Department for the year, less:-
    - The cash paid out to third parties

- Less the funds returned to the Church or to other departments (e.g. the Youth transferring funds to the Missions department)

- Equals the total expenses for the year

The cash balance at the end of the year equals the opening balance plus the income less the expenses.

A spreadsheet for presenting such a report to the Church's Annual General Meeting has been included with this book, and may look like the following diagram. A report for both 10 and 20 departments is given. Instructions on how to complete this report is given in Appendix G.

Enter your Church's name here

Departmental Report for year ending Enter the end of year date here

	Ladies Dept	Mens' Dept	Children's Dept	Youth Dept	Missions Dept	Building Fund				
Opening Balance	$300.00	$150.00	$545.00	$2,316.00	$594.00	$76,342.00	$0.00			
Income										
Transfers from Church or other departments			$600.00		$500.00					
Cash receipts	$1,527.90	$30.00	$322.95	$19.40	$4,218.00	$4,981.48				
Total Income	$1,527.90	$30.00	$922.95	$19.40	$4,718.00	$4,981.48	$0.00	$0.00	$0.00	$0.00
Expenses										
Transfers to Church or other departments				$500.00						
Cash Payments	$256.00	$0.00	$1,245.00	$183.85	$4,110.00	$1,578.02				
Total Expenses	$256.00	$0.00	$1,245.00	$683.85	$4,110.00	$1,578.02	$0.00	$0.00	$0.00	$0.00
Closing balance	$1,571.90	$180.00	$222.95	$2,151.55	$1,202.00	$79,745.46	$0.00	$0.00	$0.00	$0.00

Cash Position Report

The Cash Position Report that is advocated here is one that won't be found in any accounting text, but experience has shown that when the senior management team understands what is in this report, and how it can be used as a tool for the overall cash management of the Church, it becomes the major tool that is used. Where this has been introduced to churches, the senior management team continually ask for it to be produced.

The Cash Position Report is a one-page document that is divided down the middle and has four major components:-

1. Headings showing the name of the Church and the date on which the report is produced.

2. The left hand side shows the cash that the Church either has, or can lay claim to

3. The right hand side shows the cash the Church has an established responsibility to pay

4. The bottom of the sheet shows "The Bottom Line", where the difference between the two sides is shown. If the cash on the left hand side (cash the church can lay claim to) is greater than the right hand side, the Church has a cash surplus at that point in time. It is unencumbered money that the Church can use without interfering with those

things where the Church has a responsibility to pay. If the "Bottom Line" is negative, i.e. the cash available to the Church is less than the cash the Church has a responsibility to pay the Church will have a cash deficit.

A spreadsheet containing a Cash Position Report, that a church may use, is given with the purchase of this book. Appendix E contains details on how to customise this for the individual Church and produce the report. Once this is individualised it takes only a couple of minutes to produce this report.

A more detailed explanation of what is contained in the Cash Position Report

The Cash to which the Church can lay claim to can cover several areas, such as:-

1. Reconciled bank account and Credit Card balances
2. Petty cash floats
3. GST that has been paid out – this is the Church's money, but is theoretically in the Government's bank account until the Church claims it back on the next BAS

The cash which the Church has a responsibility to pay is displayed in three boxes:-

1. The cash that the Church may have to pay out quickly:-

   The balance of money that each department has within the Church's accounts falls into this box. It is foreseeable that a departmental leader can expect to have the responsibility and authority to operate the department, within the overall guidelines set by the Board. This could include the authorisation of payment of departmental expenses. Whilst it is most improbable that all departments will want all their money on the one day, the possibility that a departmental leader will want access to the department's money at any time is very real.

2. The cash the Church is expected to pay out, but there is a delay in this payment:-

   The amounts shown in this box will include things such as:-

   - The GST that has been collected on sales that include GST, but which will stay in the Church's bank account until the next BAS is sent to the ATO
   - The superannuation that is payable on employees' wages
   - The tax that has been deducted from employees' wages, but which won't be paid out until the next BAS is sent to the ATO
   - The provisions that have been set aside for things such as Long Service Leave and Annual Leave
   - Cash that the church is setting aside to cover future payments:-
     - This section is a very important part – it is often the only place where a consistent accumulation of money can occur within the records of the Church to pay for some future large acquisition or expense. Some churches achieve this by setting up separate bank accounts to 'save' this

money, but with this component in the Cash Position Report the second bank account is not needed.

- The replacement of assets. It is argued here, that it is appropriate for the Church to 'cash up' its depreciation, i.e. as depreciation is recorded in the Income and Expenditure Statement; it is matched by actual cash that can be used to replace the asset at a future date. It is recognised here that while an old asset will probably never be replaced by an exactly comparable asset, the process of cashing up depreciation allows the Church to have some money available to pay for whatever the new asset may be.

  Should a church not cash up their depreciation, then the total cost of the new asset has to be found in the year in which the asset is replaced. This can have major implications on the Church's capacity to fulfil its vision in that particular year.

- Major bills that occur in a particular month, e.g. annual insurance bills

- This section is an important section that allows a church to 'save up' for a future expenditure

3. The cash that is in the Church's bank account, but doesn't belong to the Church.

   This is normally the fringe benefit component of employee's wages that has not been paid out to a third party on behalf of the employee.

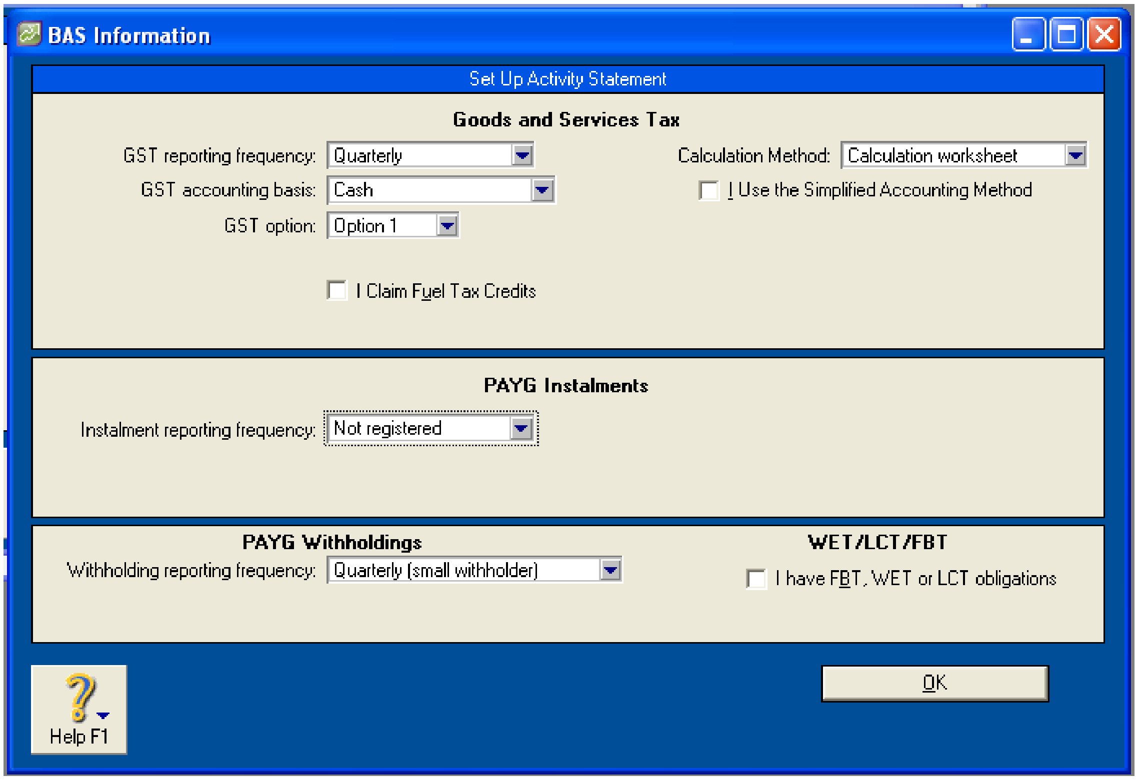
See Appendix E for an explanation on how to customise the Cash Position Report that is provided with this book to the circumstances of your local church.

Business Activity Statement

The Business Activity Statement (BAS) is the report that the Church uses to report some of the activity of the Church to the Australian Taxation office (ATO). Within a Church context this is generally limited to reporting:-

- The GST that has been collected in funds received,
- The GST that has been paid out to suppliers of goods and services, and
- The tax deducted from employees' wages.

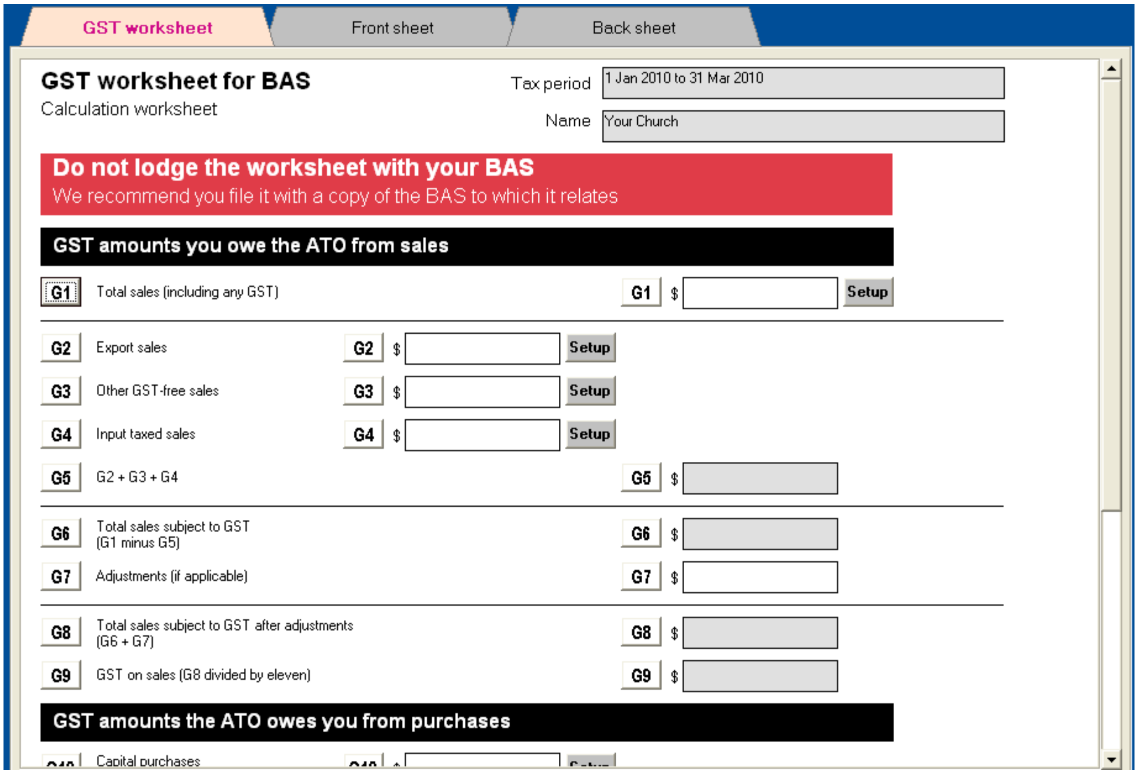
Before the software can be used to give the report required, the basic background data of how the report is to be constructed needs to be set up. This may look like the following, but should be customised to the local Church's circumstances:-



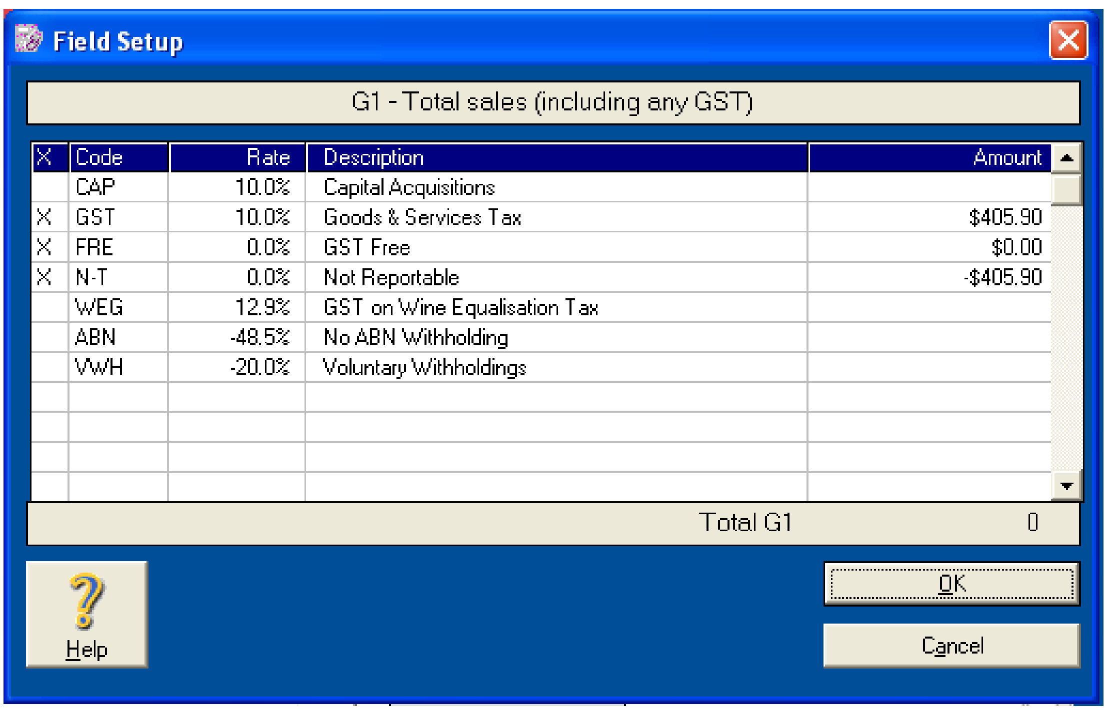
The Church is probably not registered for Pay as you go (PAYG) Instalments. This is used by business where it can calculate the tax that owes on the profits made by the business. When the Church is registered as an Income Tax Exempt Charity, no tax is payable by the Church on any surplus it makes.

The PAYG Withholdings relates to the tax that has been deducted from employees' wages and which has to be forwarded to the ATO with each BAS return.

When using the chosen software to summarise the figures that should be put onto the BAS return the software may produce a page that looks (in part) like the following:-



At various points in such software there will be opportunity to set up the figures that are to be included. This is generally achieved by clicking on the word "Setup" and then selecting the appropriate GST codes that are to be included in this window. When clicking on the "Setup" icon a screen such as the following may appear. Select the GST codes that are appropriate.



The Worksheet also shows other codes down the left hand side from G1 to G20.

G1 (Note: The numbers in this list may change).
This field is used to record the gross sales and any other income earned by your church. This figure includes any GST you have collected and includes any amounts shown at G2, G3 and G4.

Do not include:

- salary and wages and other employment income
- pensions, annuities, and so on
- amounts received from a hobby
- any amounts you receive from private sales—for example, the sale of your private residence or an item of household furniture used only for domestic purposes
- trust and partnership distributions dividends
- capital subscriptions—for example, amounts received by a company for shares issued
- loans received

G2
This field is used to record your export sales, which are GST-free.

Complete G2 only if you have made export sales in the course of your business. All amounts included in G2 must also be included in G1.

If you don't already have a tax code set up in your Tax Code list to track export sales, we recommend that you create one.

G3
This field is used to record any GST-free sales you have made other than export sales. All amounts included in this field must also be included in G1.

Examples of GST-free supplies include:

- Fresh food produce
- Many medical services and products
- Many educational courses

G4
This field is used to record any sales of input taxed supplies you have made. All amounts included at G4 must also be included at G1.

Input taxed supplies are supplies on which no GST is added to the final selling price. Businesses might pay GST when purchasing their supplies but they cannot claim an Input Tax credit for this GST paid.

Examples of Input Taxed Supplies are:

- Residential rents
- Unit trusts

G5
This field automatically calculates the total GST-free and input taxed supplies for you by adding the totals in fields G2, G3 and G4.

G6
This field calculates the total taxable sales by subtracting the total in G5 from the amount in G1.

G7
This field is used to record any adjustments you want to make to the GST you have collected. This includes discounts, rebates and refunds.

G8
This field calculates the total taxable supplies after adjustments by adding the totals in G6 and G7 and displaying the total in G8.

G9
This field calculates the total GST payable for the current reporting period by dividing the total in G8 by eleven.

G10
This field is used to record the acquisition of capital items for use in the Church.

G11
This area relates to input tax credits of non-capital items.

G12
This field calculates your total purchases for the reporting period by adding G10 and G11.

G13
This field is used to record any expenses that relate to making input taxed sales.

G14
This is where you include amounts for purchases, where the supply to you is not a taxable supply and, therefore, no GST is included in the price charged by the supplier. The Church's GST-free purchases should be recorded here.

G15
If you include an amount for a purchase at G10 or G11 and, at the time you made the purchase or incurred the expense, you planned to use the product or service partly for private or domestic purposes, you need to include an amount at G15. The amount you include at G15 is the part of the payment relating to the planned private or domestic use.

G16
Non-creditable purchases are purchases the Church has made that are not entitled to an input tax credit.

This field calculates the total non-creditable acquisitions by adding G13, G14 and G15. This total is then displayed in the G16 field.

G17
Creditable acquisitions are purchases that you have made for which you are entitled to an input tax credit.

This field subtracts G16 from G12 to calculate the total of your creditable acquisitions in this field. This total is then displayed in G17.

G18
Purchase returns and other input tax credit adjustments can be allocated here.

G19
This field calculates this value by adding G17 and G18.

G20
This field displays your total GST on purchases for the current tax reporting period.

G21
This field needs to be completed if you are using GST Option 3. This field is used to record the GST instalment amount you were advised to pay by the ATO. If applicable, this amount includes any wine equalisation tax or luxury car tax.

G22
If you choose to vary the GST instalment amount entered at G21, record your estimated net GST for the year in this field. (If you complete field G22, you must also complete fields G23 and G24.)

G23
If you choose to vary the GST instalment amount at G21, use this field to record the varied amount for the quarter.

This amount needs to be copied to field 1A in the BAS summary section.

G24
If you have specified a new instalment amount in G23, you must enter a reason for varying your instalment amount in G24.

T1
This field is used to record your total instalment income if your organisation pays tax on its profits. Your instalment income is usually your gross income, exclusive of GST, for the relevant reporting period.

T2
Copy the Commissioner's instalment rate to the T2 field. This rate will be printed on your activity statement or in the electronic BAS.

T3
You can vary your instalment rate if you believe the existing rate will result in you overpaying your income tax for the year.

T4
You need to specify a reason code for variation in one of the following instances:

- If you are completing the annual IAS and varied the ATO instalment amount at T5 (by entering an amount in T6).
- If you are completing the quarterly BAS using Option 1 and varied the ATO instalment amount at T7 (by completing fields T8 and T9).
- If you are completing the quarterly BAS using Option 2 and varied the Commissioner's rate at T2 (by entering a new rate in T3).

The ATO supplies a list of acceptable reasons for varying the instalment rate. Select a reason from the list at T4.

See ATO documentation for more information about these codes.

T7

The field is used to record the PAYG instalment amount the ATO has calculated for you to pay for the quarter. If you entered this amount in the **BAS Information** window, it appears here automatically.

You can either:

- use this amount, or
- specify another amount by completing fields T8, T9 and T4.

T8

You can vary the ATO instalment amount, if you believe the existing amount will result in you overpaying your income tax for the year.

If you complete this field, you should also complete T9 and T4.

T9

This field requires you to enter your varied tax amount for the quarter. Refer to the Instalment Activity Instructions for instructions on how to work out this amount.

T11

The value in this field is calculated by multiplying the PAYG instalment amount at T1 by the Commissioner's rate/ATO instalment rate at T2 or, if you chose to vary it, the new varied rate at T3.

The amount in this field will appear in field 5A.

1A

If you are reporting GST either monthly or quarterly (using Option 1 or Option 2), this field displays the total Goods and Services Tax payable amount, based on the information you entered in fields G1 to G9 on the GST worksheet.

If you are reporting GST quarterly using Option 3, this field displays the ATO instalment amount entered in field G21.

1B

If you are reporting GST monthly or quarterly (using Option 1 or Option 2) this field displays the total credit for Goods and Services Tax that you have paid. BASlink automatically displays this amount when you complete the GST worksheet.

If you are reporting GST quarterly using Option 3, this field should be left blank.

4
This is the total amount of PAYG tax you have withheld from all payments of wages to employees.

5A
This field is used to record your total PAYG instalment amount of tax on the taxable income of the organisation.

5B
This field is used to record a credit adjustment for previous income tax instalments. Only complete this field if you have varied the ATO instalment amount, or the Commissioner's rate, and it results in a refund, as at this period.

7
This field relates to companies that are liable to pay deferred instalments under the company or fund instalment system.

8A
This is the amount you owe the ATO for the current reporting period.

8B
This is the amount the ATO owes you.

9
A positive figure at field 9 is the amount of tax you need to remit to the ATO by the payment due date printed on your activity statement.

A negative figure at 9 is the refund amount you are due. The ATO will credit this amount to your nominated financial institution within 14 days of you lodging your activity statement, if you do not have any other outstanding tax debts or notifications.

W1
This field is used to record the total salaries, wages and other payments you have paid your employees and others. This includes gross wages where an employee may have remained below the tax-free threshold.

W2
Include here the amount you withheld from the payments at W1. This will normally be the income tax deductions on salaries and wages paid to employees, voluntary withholdings and any other special payments.

W3
This field is used to record other amounts withheld by you—for example, you can withhold amounts from investors' distributions where they failed to provide their Tax File Number. The withholding rate is made at the top marginal rate, plus the Medicare levy.

W4
Under the GST legislation, businesses that fail to quote their ABN on invoices of more than $50 can expect nearly half of the due payment to be withheld by their customers. The amount to be withheld is calculated at the top marginal rate plus the Medicare levy. Include the amount you have withheld at W4.

W5

This field calculates the total amount withheld by adding the totals in fields W2, W3 and W4.

Supporting documentation for the BAS

The values that are displayed in the BAS return should always be supported by other reports that can be produced from the software. For example

- Always produce an employment activity statement for the period. Such a statement will show the total wages paid as well as the tax that has been deducted from those total wages. The report will also show other data such as deduction that have been taken from the wages and the superannuation that is an employer expense that has to be paid on behalf of each employee. The totals of these should be the same as the figures produced by the BAS module of the software.

- Always produce a GST activity statement that shows the transactions that had no GST in them, the transactions that were GST free and the transactions that contained GST. The total of the GST paid and the GST collected should be the same as that produced by the BAS module of the software. If there is a discrepancy here it needs to be reconciled before the BAS return is submitted.

When the Church has concerns as to whether or not the BAS it plans to submit to the ATO is correct or not, the Church should have an appropriately qualified, registered practitioner check the BAS return for accuracy.

21. Setting Funds aside for future expenditure

There are several methods of setting funds aside for future expenditure, particularly if the anticipated expenditure will be abnormally large for the Church. Such future expenditure may be:-

- Asset purchase / replacement
- Long Service Leave
- Once-off, annual large expenditure (e.g. the annual insurance bill, or the annual remittance of a percentage of the tithes and offerings to the Church's State or National Head Office.
- Accumulated Holiday Leave
- Fringe benefits

Two methods of setting such funds aside are:-

1. Setting up a separate banking account or investment account for such payments
2. Using the "Cash Position Report" to automatically accumulate appropriate funds on a weekly basis.

Setting up a separate banking account or investment account for such payments

It is not advocated that multiple bank accounts be set up for every single item that the church may see a need to set funds aside for. A maximum of one such account should be sufficient, and should be one that attracts an interest rate return. Cash Management Accounts fall into such a category.

The Church sets a policy of setting a particular amount of money aside on a weekly basis for all the things it wishes to fund, and then has an automatic transfer of such funds transferred to the investment account. When the funds are needed for the purpose for which they have been accumulated, the funds are returned to the operating bank account.

Using the "Cash Position Report" to automatically accumulate appropriate funds

Using the Cash Position Report to automatically accumulate funds for particular projects is an alternative (and preferred) way of recording this. The Church may still have an investment account as discussed above, but there will be times when the Church is holding cash that is not going to be used for a season (say a month), so the amount that will be held in the operating bank account will be the result of the following calculation:-

> *Anticipated tithes and offerings to be received over the next month*
> *Less the cash expenses to be paid out over the next month*
> *Plus or minus such additional amount of money to keep the operating bank account with a positive balance throughout the month*

Anything in excess of this can be transferred to the investment account. This means that the balance of the investment account could easily be greater (therefore earning more interest) than only using the investment account for anticipated future expenditure.

By using the Cash Position Report one can see on a regular basis how much of the cash the church has set aside for targeted expenses in the future. The issue the first-time user of the Cash Position Report has to come to grips with is that the total of the cash available to the Church is shown on the left hand side. Any parts of where the cash is stored can be called upon to pay for any of the items listed on the right-hand-side of the sheet.

This report has the capacity to increase or decrease the amount that is being set aside for a range of projects, and can easily be adjusted for those times when cash is used from these accumulated funds for the purpose for which they money was set aside.

See Appendix E for further instructions on how this can be done in a very simple and practical way.

22. Delegating responsibility for specific income and expenditure

The concept of delegating responsibility for specific line items in the Church Budget, to particular people, can spread the work-load and make the management of the whole church much easier.

For example, the maintenance of the Church can be assigned to one individual, and this individual will know the total expenditure that the Board has approved in the budget for expenditure on maintenance. This person may also have a part to play in the development of the budget for maintenance, but that is an internal matter for the Church.

Any maintenance items that need to be done would be coordinated by that person, and the person would have the choice on how the maintenance will be carried out (e.g. by the use of volunteers, calling in tradesmen, etc. By doing this the maintenance person makes sure that the necessary work gets done, and also that the costs of such work do not exceed the budget allowed.

When a person is given the delegated responsibility for a particular expense component of the Church budget, the person must also be given an appropriate means of controlling that expenditure as well as a method of measuring the progression of the expenditure. The person is entitled to:-

- A system of monitoring and authorising the expenses before the expense has been incurred and there is a responsibility to pay the expense
- Should always be entitled to sign and authorise any payments that are to be made out of the expense line. This person should not be a cheque signatory.
- Regular reports on the progression of the expense area

How these points might be put into practice could be in the use of the photocopier. Some photocopiers have the capacity to log the use by particular departments or particular people. A code for each department or person must be entered before any printing or photocopying can be done. The usage against each code can then be retrieved and the costs appropriately apportioned (and retrieved).

Other costs such as the purchase of the photocopier paper at competitive prices would also be given to the person responsible for this budget line.

Similar delegation would be given to departmental leaders for their departments. Each department would be required to operate within the funds the department can raise and any allocation given to the department from other Church funds.

In a similar manner, responsibility for income line items can be given to individuals, e.g. the cash received for the Church's missions programs.

In the final scenario, the responsibility for the whole budget lies with the person delegated by the Board for this. This person is the one who has the final responsibility for the management of the Church, which is normally the Senior Pastor.

Section 5

Appendices

Appendix A

Details of the Chart of accounts

Your Christian Church		
Your Street		
Your Town		
Account number	**Account Name**	
1-0000	**Assets**	
1-1000	**Current Assets**	This is a header account. No entries are made to this account number.
1-1110	Cheque Account	Debit this account with all deposits into the bank. Credit this account with all withdrawals from the bank.
1-1120	Payroll Clearing Account	Debit this account with the cash component of an employee's wage when it is actually paid. Credit this account with the cash component of an employee's wage that is to be paid out to the employee. The software will do this automatically after the initial setup of the software.
1-1150	Investment Account	Debit this account with any amount placed into an investment, including interest if this is reinvested into this account. Credit this account with any amount withdrawn from the investment. This account needs to be designated as a "Bank" account in the software so that it can be reconciled when statements are received.
1-1160	Building fund Investment account	Debit this account with any money deposited into an investment account that contains funds for a specific project, in this case, funds collected for a future building fund. Credit this account with any amount withdrawn from this account. This account needs to be designated as a "Bank" account in the software so that it can be reconciled when statements are received.
1-1170	Petty Cash	Debit this account with any increase in the Petty Cash Float. Credit this account with any decrease in the Petty Cash Float.
1-1180	Undeposited Funds	Debit this account with cash that is being accumulated from a range of sources and will be grouped together to make a single deposit into the bank account. Credit this account with the amount of the deposit that is made to the bank account. This is to be the figure that will appear on the bank statement.
1-1190	Electronic Clearing Account	Debit this account with the funds that are electronically transferred to a third party.

		Credit this account with the funds that are to be transferred to a third party. The software will do this automatically.
1-2000	Trade Debtors	Debit this account with any increase in the funds owed to the Church by trade debtors. The software will do this automatically. Credit this account with payments received from trade debtors. The software will do this automatically.
1-1300	**Investments**	This is a header account. No entries are made to this account number.
1-1310	Shares	Debit this account with the cash paid for the purchase of shares. Credit this account with the cash received from the sale of share. See later notes on handling a profit or loss on the sale of shares.
1-1320	Bonds	Debit this account with the purchase value of any bonds the Church purchases. Credit this account with the value of any bonds the church redeems.
1-1330	Fixed Interest Investments	Debit this account with any funds placed into a fixed interest investment. Credit this account with any funds withdrawn from a fixed interest investment.
1-3000	**Non Current Assets**	This is a header account. No entries are made to this account number.
1-3010	Land and Buildings	Debit this account with the amount paid for the purchase of land and buildings. Included in this will be the fees that must be paid as part of the purchase process, e.g. solicitor's fees, valuation fees. Credit this account with the sale of any land and buildings. The value to be used here is the initial purchase price (or revaluation value if the land and buildings have been officially valued and the adjusted value has been recorded in the accounts) of the land or buildings. See later notes on accounting for a profit or loss on the sale of the land and buildings.
1-3015	Accumulated Depreciation Land and Buildings	Debit this account at the time of the disposal of land and buildings. Debit it with the total amount of depreciation that has been written off the value of the asset. See the later notes on sale of assets. Credit this account with the increase in depreciation allocated to the land and buildings. See later notes on the depreciation of assets
1-3020	Plant & Equipment at cost	Debit this account with the purchase price of plant and equipment. Included in this any costs that were paid to get the plant and equipment into operational order, for example, costs of assembly and installing the plant and equipment on site. Credit this account at the time of sale or disposal of plant and equipment. The value to be used here is the original purchase price of the plant and equipment. See later notes on the sale or disposal of assets.

1-3025	Accumulated Depreciation Plant & Equipment	Debit this account at the time of the disposal of the particular item of plant and equipment. The value to be debited is the total depreciation value that has been written off this in the depreciation schedule. Credit this account with the increase in depreciation allocated to plant and equipment. See later notes on the depreciation of assets.
1-3030	Furniture & Fixtures at Cost	Debit this account with the purchase price of furniture and fixtures. Included in this any costs that were paid to get the furniture and fixtures into operational order, for example, costs of assembly and installing any fixtures. Credit this account at the time of sale or disposal of furniture and fixtures. The value to be used here is the original purchase price of the furniture and fixtures. See later notes on the sale or disposal of assets.
1-3035	Accumulated Depreciation Furniture & Fixtures	Debit this account at the time of the disposal of the particular item of furniture and fixtures. The value to be debited is the total depreciation value that has been written off this in the depreciation schedule. Credit this account with the increase in depreciation allocated furniture and fixtures. See later notes on the depreciation of assets.
1-3040	Vehicles	Debit this account with the purchase price of vehicles. Included in this are any costs that were paid to get the vehicles into operational order, for example, costs of sign writing. Credit this account at the time of sale or disposal of vehicles. The value to be used here is the original purchase price of the vehicles. See later notes on the sale or disposal of assets.
1-3045	Accumulated Depreciation of Vehicles	Debit this account at the time of the disposal of the vehicle. The value to be debited is the total depreciation value that has been written off this in the depreciation schedule. Credit this account with the increase in depreciation allocated vehicles. See later notes on the depreciation of assets.
2-0000	**Liabilities**	This is a header account. No entries are made to this account number.
2-1000	**Current Liabilities**	This is a header account. No entries are made to this account number.
2-1100	Credit Card	This account should be set up as a “bank” account so that it can be reconciled against the statements. Debit this account with any payments made off the credit card. Credit this account with any purchases that are made when using the credit card.
2-1200	Trade Creditors	Debit this account with the amounts paid to creditors. The software will do this automatically.

		Credit this account with amounts owed to trade creditors. The software will do this automatically.
2-1310	GST Collected	Debit this account with amounts paid to the ATO through the BAS. Credit this account with the Goods and Services Tax (GST) received from sales that include the GST. Only do this if the Church is registered for GST. The software will record this automatically. If one is uncertain as to what sales will contain GST consult an appropriately qualified registered person who can give advice on GST.
2-1330	GST Paid	Debit this account with the GST contained in purchases that contain GST. Only do this if the Church is registered for GST and the tax invoice received shows a separate value of GST or states “GST Included”. The software will do this automatically. Credit this account with the GST that is refunded to the Church by the ATO after the BAS is submitted to the ATO.
2-1380	ABN Withholdings Payable	Debit this account with the payments made to the ATO of the amounts withheld from a payment to a third party who does not have an Australian Business Number. Credit this account with the amount withheld from a payment to a third party if that third party does not have an Australian Business Number. Consult an appropriately qualified and registered professional person if one is unsure of when such amounts should be withheld.
2-1390	Luxury Car Tax Payable	Debit this account with the amount paid to the ATO for the luxury car tax payable on the purchase of a luxury car. Credit this account with the amount of the luxury Car tax in the purchase price of a luxury car. The software ill do this automatically.
2-1400	**Payroll Liabilities**	This is a header account. No entries are made to this account number.
2-1410	Payroll Accruals Payable	Debit this account with the amount of any payment made of money withheld from an employee’s pay. For example, if union fees are deducted from an employee’s pay, pay such fees from this account. Credit this account with any amounts withheld from an employee’s pay, such as the Union fees example above. This will be done automatically by the software when the deduction has been set up correctly in the payroll section of the software.
2-1420	PAYG Withholding Payable	Debit this account with the amount of tax that is being forwarded to the ATO on the BAS. The amount of this will be the tax that has been deducted from an employee’s pay as part of the payroll process. Credit this account with the tax that has been deducted from an employee’s pay. The software will do this automatically.
2-1430	Superannuation Payable	Debit this account with the superannuation that is paid to a superannuation fund on behalf of an employee. Credit this account with the value of the superannuation that is payable on an employee’s salary. The software will do this automatically.

2-1440	Fringe Benefits (Employee's name)	Debit this account with the amount paid to a third party that the employee has authorised. Credit this account with the Fringe Benefit component of an employee's pay. The software will do this automatically.
2-1450	Provision for Long Service Leave	Debit this account with any Long Service Leave paid to an employee. Credit this account with the funds being set aside for future Long Service Leave payment. See later notes on the calculation of what funds should be set aside.
2-2000	**Non-current Liabilities**	This is a header account. No entries are made to this account number.
2-2100	Mortgage Loans	Debit this account with the repayment of the principal of loans (do not include any interest payments on the loan in this account). Credit this account with the total of mortgage loans received.
2-2200	Bank Loans	Debit this account with the repayment of the principal of loans. Do not include any interest paid on the loans in this account. Credit this account with loans received by the church.
3-0000	**Equity**	This is a header account. No entries are made to this account number.
3-4000	**Department funds**	This is a header account. No entries are made to this account number.
3-4100	Ladies' Ministry	Debit this account with any amount paid out on behalf of Ladies' Ministry. The amounts shown here will not include GST if the Church is registered for GST. Credit this account with any funds received for Ladies Ministry. See the later notes on receipting income for how to do this.
3-4200	Mens' Ministry	Debit this account with any amount paid out on behalf of Mens' Ministry. The amounts shown here will not include GST if the Church is registered for GST. Credit this account with any funds received for Mens' Ministry. See the later notes on receipting income for how to do this.
3-4300	Childrens' ministry	Debit this account with any amount paid out on behalf of Childrens' Ministry. The amounts shown here will not include GST if the Church is registered for GST. Credit this account with any funds received for Childrens' Ministry. See the later notes on receipting income for how to do this.
3-4400	Youth Ministry	Debit this account with any amount paid out on behalf of Youth Ministry. The amounts shown here will not include GST if the Church is registered for GST. Credit this account with any funds received for Youth Ministry. See the later notes on receipting income for how to do this.
3-4500	Missions	Debit this account with any amount paid out on behalf of Missions. The amounts shown here will not include GST if the

		Church is registered for GST. Credit this account with any funds received for Missions. See the later notes on receipting income for how to do this.
3-4600	Building fund	Debit this account with any amount paid out for a Building Program. The amounts shown here will not include GST if the Church is registered for GST. See later notes on keeping the records for payments made from the Building Fund. Credit this account with any funds received for the Building Fund. See the later notes on receipting income for how to do this.
3-4700	Events	Debit this account with any amount paid out for Events. The amounts shown here will not include GST if the Church is registered for GST. Credit this account with any funds received for Events. See the later notes on receipting income for how to do this.
3-8000	Retained Earnings	Debits to this account will be done automatically by the software. Only do a manual entry to this account on the advice of an appropriately qualified, registered professional. If this account has a debit balance seek advice from an appropriately qualified, registered professional. It would indicate on a first glance that the Church is insolvent and possibly needs to be wound up under the requirements of the law under which the Church is established. Credits to this account will be done automatically by the software. Only do a manual entry to this account on the advice of an appropriately qualified, registered professional. A credit balance will be the total of all operating profits made by the Church.
3-9000	Current Year Surplus/Deficit	Debits to this account will be done automatically by the software. Only do a manual entry to this account on the advice of an appropriately qualified, registered professional. A debit to this account will be the value of an operating loss of the Church. Credits to this account will be done automatically by the software. Only do a manual entry to this account on the advice of an appropriately qualified, registered professional. A credit to this account will be the value of the operating profit of the Church.
3-9999	Historical Balancing	Debits to this account will be done automatically by the software. Only do a manual entry to this account on the advice of an appropriately qualified, registered professional. Credits to this account will be done automatically by the software. Only do a manual entry to this account on the advice of an appropriately qualified, registered professional.
4-0000	**Income**	This is a header account. No entries are made to this account number.
4-1000	Tithes	Debit this account with any refund of tithes and offerings or if an amount has been recorded here as income but should have been recorded under a different income heading.

		Credit this account with tithes and offerings received. The software will do this automatically when using the “Receive Money” module. The Credit balance of this account will be transferred automatically by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit.
4-1100	Donations	Debit this account with any refund of donations or if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with donations received that are not tithes and offerings. The software will do this automatically when using the “Receive Money” module. The Credit balance of this account will be transferred automatically by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit.
4-1200	Interest income	Debit this account if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with interest received from investments. The software will do this automatically when using the “Receive Money” module. The Credit balance of this account will be transferred automatically by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit.
4-1300	CD / Sales of products	Debit this account with any refund of sales of CDs or DVDs if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with the sale value of CDs and DVDs. Note that the sale of such products may contain GST that needs to be forwarded to the ATO on the next BAS. This account will show the amount net of GST. The GST component will be stored in account”2-1310 GST Collected”. Consult an appropriately qualified, registered professional if one is unsure of the GST status of products being sold. The software will do this automatically when using the “Receive Money” module. The Credit balance of this account will be transferred automatically by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit.
4-1400	Sales, Drinks etc	Debit this account with any refund of sales of drinks or other products if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with the sale value of drinks or other products. Note that the sale of such products may contain GST that needs to be forwarded to the ATO on the next BAS. This account will show the amount net of GST. The GST component will be stored in account”2-1310 GST Collected”. Consult an appropriately qualified, registered professional if one is unsure of the GST status of products being sold. The software will do this automatically when using the “Receive Money” module.

		The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
4-1500	Miscellaneous Income	Debit this account with any refund of miscellaneous income or if an amount has been recorded here as income, but should have been recorded under a different income heading. Credit this account with miscellaneous income received. Note: this account should be used sparingly. If it is being used regularly then it may be appropriate to create a separate income account for income that is of a like nature, but which is not appropriate to record in any of the above accounts. The software will do this automatically when using the "Receive Money" module. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
4-4000	**Departmental income**	This is a header account. No entries are made to this account number.
4-4100	Ladies Ministry	Debit this account with any refund of Ladies' Ministry income or if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with funds received that are designated for Ladies' Ministries. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
4-4200	Men's Ministry income	Debit this account with any refund of Mens' Ministry income or if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with funds received that are designated for Mens' Ministries. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
4-4300	Children's ministry	Debit this account with any refund of Childrens' Ministry income or if an amount has been recorded here as income, but should have been recorded under a different income heading. Credit this account with funds received that are designated for Childrens' Ministries. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
4-4400	Youth Income	Debit this account with any refund of Youth income or if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with funds received that are designated for Youth Ministries. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.

4-4500	Missions' income	Debit this account with any refund of Missions' income or if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with funds received that are designated for Missions. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
4-4600	Building Fund Income	Debit this account with any refund of Building Fund income or if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with funds received that are designated for a Building Fund. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
4-4700	Events	Debit this account with any refund of Events' income or if an amount has been recorded here as income but should have been recorded under a different income heading. Credit this account with funds received that are designated for Events. The Credit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.
6-0000	**Expenses**	This is a header account. No entries are made to this account number.
6-1000	Accountancy fees	Debit this account with the cost of accountancy amount paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1010	Advertising	Debit this account with the cost of advertising paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.

6-1020	Bank Fees	Debit this account with the cost of bank fees paid. Note: Bank fees normally don't contain GST, but if they do, the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account. This account is also used to record the balancing figure of a BAS payment or BAS refund. The BAS return only works with whole dollars, and the balancing cents on this return can be allocated to this account.
6-1030	Camps	Debit this account with the cost of camp fees paid. Note: The GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1040	Children's Ministry	Debit this account with the Church's desire to support the Children's Ministry. For example, if the Church has a policy position to support the Children's ministry with a payment of $100 per month, then process each month a General Journal that debits this account and credits 3-4300 Children's Ministry. There will not be any GST in such a transfer of funds. The Debit balance of this account will be transferred automatically by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money from 3-4300 Children's Ministry.
6-1050	Church Supplies	Debit this account with the cost of church supplies paid. Note: the GST component in the fees paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1060	Computer software	Debit this account with the cost of computer software. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year

		started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1070	Conferences	Debit this account with the cost of conference fees paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1080	Copyright fees	Debit this account with the cost of copyright fees paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1090	Depreciation, Furniture and Fixtures	Debit this account with the cost of depreciation as calculated in the Depreciation Schedule. There will be no GST in this entry. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit entries to this account are extremely rare. Contact an appropriately qualified, registered professional person if one sees a need to credit this account.
6-1100	Depreciation, Land and Buildings	Debit this account with the cost of depreciation as calculated in the Depreciation Schedule. There will be no GST in this entry. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit entries to this account are extremely rare. Contact an appropriately qualified, registered professional person if one sees a need to credit this account.
6-1110	Depreciation, Plant and Equipment	Debit this account with the cost of depreciation as calculated in the Depreciation Schedule. There will be no GST in this entry. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit entries to this account are extremely rare. Contact an appropriately qualified, registered professional person if one sees a need to credit this account.

6-1120	Depreciation, Vehicles	Debit this account with the cost of depreciation as calculated in the Depreciation Schedule. There will be no GST in this entry. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit entries to this account are extremely rare. Contact an appropriately qualified, registered professional person if one sees a need to credit this account.
6-1130	Donations	Debit this account with the cost of donations and gifts paid. Note: if there is a GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1140	Dues, State and National headquarters	Debit this account with the cost of State and National dues paid to the denominational headquarters. Note: if there is a GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1150	Electricity	Debit this account with the cost of electricity expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1160	Entertainment	Debit this account with the cost of entertainment expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.

6-1170	Equipment costing less than $500	Debit this account with the cost of equipment costing less than $500. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1180	Fuel	Debit this account with the cost of fuel expenses. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1190	Gas	Debit this account with the cost of gas expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1200	Guest Ministry	Debit this account with the cost of guest ministry. Note: The ATO may view a guest ministry as being an employee of the Church. Before this payment is made seek advice about this from either an appropriately qualified, registered professional, or from the legal department of the denomination to which the church belongs. Note: if there is a GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1210	Hospitality	Debit this account with the cost of hospitality expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred

		automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1220	Insurance	<u>Debit</u> this account with the cost of insurance expenses. Note: In an insurance tax invoice there may be a component (such as stamp duty) that doesn’t attract GST. Always check to see if this is the case, so that the correct GST is recorded. Note: The GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1230	Internet	<u>Debit</u> this account with the cost of internet expenses paid. Note: the GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1240	Interest Expense	<u>Debit</u> this account with the cost of interest expenses paid. Note: there is normally no GST in an interest payment. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1250	Legal fees	<u>Debit</u> this account with the cost of legal fees paid. Note: the GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1260	Maintenance	<u>Debit</u> this account with the cost of maintenance expenses paid. Note: the GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this

		automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1270	Music and Creative Arts	<u>Debit</u> this account with the cost of music and creative arts expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1280	Miscellaneous Expenses	<u>Debit</u> this account with the cost of miscellaneous expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. This account should be used sparingly. If there are several expenses of a similar nature, then an expense account for those payments should be set up. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1290	Office Supplies	<u>Debit</u> this account with the cost of office supply expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. <u>Credit</u> this account with any refund of money that was paid out of this account.
6-1300	Postage	<u>Debit</u> this account with the cost of postage expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.

		Credit this account with any refund of money that was paid out of this account.
6-1310	Printing and photocopying	Debit this account with the cost of printing and photocopying expenses paid. Note: the GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1320	Professional Services	Debit this account with the cost of professional services fees paid. Note: the GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1330	Rates	Debit this account with the cost of rates fees paid. Note: The GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1340	Rent	Debit this account with the cost of rental expenses paid. Whether or not there is GST in a rental payment depends on the GST status of the landlord. Check the tax invoice carefully to see if there is GST in the payment. Note: if there is a GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically. The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1350	Telephone	Debit this account with the cost of telephone expenses paid. Note: the GST component in the amount paid will be recorded in account “2-1330 GST Paid”. The software will do this automatically.

		The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1360	Training	Debit this account with the cost of training expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1370	Travel & Entertainment	Debit this account with the cost of travel and entertainment expenses paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1380	Vehicles & Maintenance	Debit this account with the cost of accountancy fees paid. Note: the GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1390	Water	Debit this account with the cost of water expenses paid. Note: if there is a GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-1400	Working with Children check	Debit this account with the cost of "Working with Children Check" expenses paid. Note: if there is a GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically.

		The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any refund of money that was paid out of this account.
6-4000	**Transfers - Departments**	This is a header account. No entries are made to this account number.
6-4100	Transfer Ladies' Ministry	Debit this account with the money received for Ladies' Ministries. This transfer is to take the income that was received in account 4-4100 and quarantine the money for the exclusive use of the Ladies' Ministries in account 3-4100. There is no GST in this transfer The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credits to this account will be very rare, usually only to correct a recording error.
6-4200	Transfer to Men's Ministry	Debit this account with the money received for Men's Ministries. This transfer is to take the income that was received in account 4-4200 and quarantine the money for the exclusive use of the Men's Ministries in account 3-4200. There is no GST in this transfer The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credits to this account will be very rare, usually only to correct a recording error.
6-4300	Transfer to Children's Ministry	Debit this account with the money received for Children's Ministries. This transfer is to take the income that was received in account 4-4300 and quarantine the money for the exclusive use of the Children's Ministries in account 3-4300. There is no GST in this transfer. **The Debit balance** of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credits to this account will be very rare, usually only to correct a recording error.
6-4400	Transfer to Youth Ministry	Debit this account with the money received for Youth Ministries. This transfer is to take the income that was received in account 4-4400 and quarantine the money for the exclusive use of the Youth Ministries in account 3-4400. There is no GST in this transfer. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit.

		Credits to this account will be very rare, usually only to correct a recording error.
6-4500	Transfer to Missions	Debit this account with the money received for Missions. This transfer is to take the income that was received in account 4-4500 and quarantine the money for the exclusive use of the Missions in account 3-4500. There is no GST in this transfer. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credits to this account will be very rare, usually only to correct a recording error.
6-4600	Transfer to Building Fund	Debit this account with the money received for a Building Fund. This transfer is to take the income that was received in account 4-4600 and quarantine the money for the exclusive use of the Building Fund in account 3-4600. There is no GST in this transfer. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credits to this account will be very rare, usually only to correct a recording error.
6-4700	Transfer to Events	Debit this account with the money received for Events. This transfer is to take the income that was received in account 4-4700 and quarantine the money for the exclusive use of the Events in account 3-4700. There is no GST in this transfer. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credits to this account will be very rare, usually only to correct a recording error.
6-5000	**Employment Expenses**	This is a header account. No entries are made to this account number.
6-5100	Wages and Salaries	Debit this account with the gross wages paid to employees. There is no GST in this payment. The payroll package of the software will record this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any reversal of wages. The payroll package in the software will record this automatically when a recorded pay is reversed.
6-5200	Superannuation	Debit this account with the employer contributions to superannuation. There is no GST in this payment. The payroll package in the software will record this automatically.

		The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any reversal of wages. The payroll package in the software will record this automatically when a recorded pay is reversed.
6-5300	WorkCover	Debit this account with the payments for WorkCover. There is no GST in this payment. One can either have the payroll package in the software record this automatically or do it manually after completing the paperwork from the WorkCover provider. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any reversal of wages. The payroll package in the software will record this automatically when a recorded pay is reversed.
6-5400	Long Service Leave Allocation	Debit this account with the amount to be set aside each year for the possible payment of Long Service Leave to an employee. See later notes on Long Service Leave. There is no GST in this payment. The payroll package in the software will record this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any reversal of wages. The payroll package in the software will record this automatically when a recorded pay is reversed.
6-5500	Holiday Leave Provision	Debit this account with the provision to be set aside for Holiday Leave. This is to cover the additional wages that a Church pays if an employee is replaced whilst on annual leave. There is no GST in this payment. The payroll package in the software will record this automatically. The Debit balance of this account will be transferred automatically to "3-8000 Retained Earnings" by the software when the accounts are "Rolled over" (or a new Financial Year started) after an audit. Credit this account with any reversal of wages. The payroll package in the software will record this automatically when a recorded pay is reversed.
6-5600	Staff Amenities	Debit this account with the cost of any amenities provided to employees. Look at the tax invoices for the amenities purchased to see if there is GST in this payment. The payroll package in the software will record this automatically. Note: if there is a GST component in the amount paid will be recorded in account "2-1330 GST Paid". The software will do this automatically.

		The Debit balance of this account will be transferred automatically to “3-8000 Retained Earnings” by the software when the accounts are “Rolled over” (or a new Financial Year started) after an audit. Credit this account with any reversal of wages. The payroll package in the software will record this automatically when a recorded pay is reversed.
8-0000	**Other Income**	This is a header account. No entries are made to this account number.
8-1000	Sundry Income	Debit this account with reallocation of income received as a credit to this account. Credit this account with any income that is an abnormal income, i.e. is not part of the core function of the Church. For example, funds the church receives for, say, a Family Day Care in the home project and these funds are to be passed on in full to the Family Day Carer.
9-0000	**Other Expenses**	This is a header account. No entries are made to this account number.
9-1000	Sundry Expense	Debit this account with any expense that is abnormal, i.e. not part of the core function of the Church. For example, payment of funds received for the Family Day Care project referred to in account 8-100 above being paid out to the Family Day Carer. Credit this account with any reallocation of an expense to another expense account.
9-4000	Suspense account	At the end of the financial year for the Church this account must have a balance of $0, i.e. the total of the debits equals the total of the credits. It is an account to be used when one is not certain of the correct destination of an income or expense item, but wants to record the transaction into the computerised records. Debit this account with any expense where the destination amongst the “6-0000” series above is unclear. Also debit this account when one is transferring an entry that has been placed on the credit side of this account to another account number. Credit this account with any income where the destination amongst the “4-0000” series above is unclear. Also credit this account when one is transferring an entry that has been placed on the debit side of this account to another account.

Appendix B

Instructions on how to enter data into the Long Service Leave Provision spreadsheet

Two spreadsheets are provided with this material. They both do identical calculations. The difference between them is that one will handle up to seven employees and will print out on one A4 page. The other will do the same, but for twenty one employees and will be printed out over two A4 pages.

The following page gives an over-view of the spreadsheet for seven employees.

Note that certain cells have a red triangle in the upper right hand corner. As the cursor hovers over these cells a comment will be given of the material that is to be entered into this cell.

The user of this spreadsheet can only enter data into the cells with a white background. The spreadsheet is protected against entering data into the coloured cells – these cells contain algorithms to complete the necessary calculations.

	A	B	C	D	E	F	G	H	I	J	K
1	Put your Church's name here										
2	Long Service Leave Liability Calculator										
3	Number of years to work before being eligible for LSL					10	Long Service Leave calculated to				30/06/2010
4	Number of weeks of LSL available after working 10 years					13	Full time hours of work per week				38
5	Name of employee	Employment from (date)	Employment to (date)	Time Fraction Worked	LSL Hours accrued	Total Long Service Leave hours	Total LSL weeks due (if 10+ years)	Current Gross Weekly wage	[illegible]	Current Full time equivalent Weekly Wage	Current Long Service Leave Liability
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
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25											
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											
39											
40											
41	Total							$0.00			$0.00
42	Last year's provision for Long Service Leave as shown on the audited Balance Sheet										
43	This year's provisions for Long Service Leave										$0.00
44	The "General Journal" entry required to adjust the Long Service Leave Provision										
45										Debit	Credit
46	Debit the liability account "Provision for Long Service Leave"									$0.00	
47	Credit an income account such as "Long Service Leave Recovered"										$0.00
48											

In row 1 enter your Church's name.

In cell F3 enter the number of years an employee has to work before being eligible for Long Service Leave.

In cell F4 enter the number of weeks of Long Service Leave an employee may take once becoming eligible for Long Service Leave.

In cell K3 enter the date to which the Long Service Leave is being calculated.

In cell K4 enter the number of hours of work in a normal working week.

In the white cells in Column A enter the names of the employees who are employed on a permanent basis. Do not enter the names of any employee who is employed on a casual or Labour Hire basis. These people receive their Long Service Leave entitlement in the loading that is paid to them each pay day.

In the cells in Column B enter the date on which an employee started working according to a particular time fraction. Only enter a date on another of these lines in Column B if the employee's time fraction changes. If this happens, enter the date on which the time fraction changed.

In the cells in Column C enter either the date that is in cell K3 or the date on which the time fraction was changed, whichever is the earlier date.

In Column D enter the time fraction the employee works. This is calculated by taking the number of hours the employee works in the week and dividing this by the total number of hours in a working week as shown in cell K4. This data will be a decimal number, for example 17 / 38 = 0.447.

Column E will show the number of hours the employee has accumulated under the time fraction shown in Column D.

Column F totals all the hours that are shown in Column E

Column G changes the figure in Column F to an equivalent number of weeks of Long Service Leave that are owing to the employee.

In Column H enter the employee's Gross weekly wage. This would include the cash component before tax is deducted, plus the weekly amount of Fringe Benefits that may be paid to the employee.

Column I is just for information. It shows the average time fraction worked if the employee has worked changing time fractions. This is not used in any other calculation.

Column J shows the full-time weekly salary that the employee will be paid if they are paid for 38 hours per week. For full time employees this will be the same as that shown in column H. For an employee who is employed on a part-time basis this is the figure that the employee would be paid should their time fraction be increased to 1 (or full time).

Column K shows the Long Service Leave entitlement that is owing to the employee. The data in this column is shown in cell K41.

In cell K42 enter the provision that was recorded in last year's liability as a Provision for Long Service leave.

Rows 44 to 47 give the current General Journal entry to record the change in the Provision for Long Service Leave in the accounting software.

Appendix C

Instructions on how to enter data into the Asset Register and Depreciation Schedule

Asset Register

The Asset Register and Depreciation Schedule as supplied with this book are linked together. For an item to appear in the Depreciation Schedule the details of this must first be entered into the Asset Register.

The following screen-shot of the Asset Register shows only part of the headings that are available in the Asset Register. The headings that are not shown here are self-explanatory, for example Vendor's address, Contact details of Vendor, Details of Warranty etc.

The data that is shown below is essential for the Depreciation Schedule to work as each of these pieces of information is copied directly into the Depreciation Schedule. Leave these out, and the calculations in the Depreciation Schedule won't work as intended.

This spreadsheet does not use any form of data locking. The user has full access to change headings, alter the visual presentation, etc. The only thing that should not be altered is the position of the first four columns. The Depreciation Schedule uses this data, and looks for the data, as shown, to be in these cells.

Insert the name of your church here					
Asset Description	**Serial number and / or identification code**	**Date acquired**	**Original Cost**	**Source of funds for the purchase**	**Vendor**
Walkie Talkies	aa1	1/07/2005	$780.00		
Sound system	aa2	1/07/2006	$3,000.00		
Stage for Church	aa3	1/07/2007	$6,552.00		
Car	aa4	1/07/2006	$30,000.00		
Drum Kit	aa5	1/07/2007	$2,655.00		
Coffee Machine	aa6	1/07/2007	$1,482.00		
Buildings	aa7	1/01/1960	$300,000.00		
Refridgerator	aa8	1/04/2010	$1,700.00		
Stage lighting	aa9	13/09/2013	$784.00		

Asset Description

Put a sufficient but brief description of the asset into this cell. The amount of details should be enough to allow anyone completing a stock-take of the assets to know what they are looking for.

The Depreciation Schedule requires data to be added to this column for the Depreciation Schedule to work.

Serial number and / or identification code

Each asset should have some form of individual identification. This could be a serial number if the asset has one, or if not, an identification code that's put onto a permanent sticker and placed appropriately on the asset (e.g. onto the back of a photocopier). On some assets it may be appropriate to have an identification code as well as a serial number, if the serial number is in a place that is difficult to reach.

An identification code can be constructed so that parts of the code can identify where the asset is located, e.g. "C" if it is in the Church, "O" if it is in the office, "K" if it is in the kitchen, etc.

The Depreciation Schedule requires data to be added to this column for the Depreciation Schedule to work.

Date acquired

Record here the date that the asset becomes functional for normal use. If the asset is delivered on one day, takes a week to install and be checked, the date would be a date at the end of the checking and hand-over by the vendor to the Church.

The Depreciation Schedule requires data to be added to this column for the Depreciation Schedule to work.

Original Cost

This is the price paid for the asset, not including GST.

If the asset was supplied at one cost but then requires additional cost to have the asset become functional, include this additional cost. For example, say an item costs $2,000 to be delivered, but then there is an additional $300 required to be spent to have the asset installed before it can be used, the cost would be the total of these, i.e. $2,300.

The Depreciation Schedule requires data to be added to this column for the Depreciation Schedule to work.

Source of funds for the purchase

Briefly indicate here how the asset purchase was funded, e.g. cash from the cheque account, loan from the bank, etc.

Vendor

Include here the name of the vendor. Other columns in the asset register given include other details of the vendor, (address, contact details of phone, email, etc).

Depreciation Schedule

Asset Description	Account numbers		Serial # or identification code	Date acquired	Original Cost	Anticipated disposal date	Anticipated disposal Value	Depreciation method	Opening WDV from other Sources	Depreciation % rate
	Expense acct #	Asset acct #								
Walkie Talkies	61110	13035	aa1	1/07/2005	$780.00	30/06/2009	$50	Straight Line		23.40%
Sound system	61110	13035	aa2	1/07/2006	$3,000.00	30/06/2010	$100	Diminishing Bal		36.25%
Stage for Church	61090	13015	aa3	1/07/2007	$6,552.00	30/06/2012	$1,000	Straight Line		16.94%
Car	61120	13045	aa4	1/07/2006	$30,000.00	30/06/2011	$5,000	Straight Line		16.67%
Drum Kit	61110	13035	aa5	1/07/2007	$2,655.00	30/06/2014	$500	Diminishing Bal		17.39%
Coffee Machine	61110	13035	aa6	1/07/2007	$1,482.00	30/06/2015	$0	Diminishing Bal		18.74%
Buildings	61100	13025	aa7	1/01/1960	$300,000.00	1/01/2060	$0	Straight Line		1.00%
Refridgerator	61110	13035	aa8	1/04/2010	$1,700.00	1/10/2020	$0	Straight Line		9.52%
Stage lighting	61110	13035	aa9	13/09/2013	$784.00	13/04/2017	$0	Diminishing Bal		41.86%
Total					$346,953					
Grand Total					$346,953					

Dep'n Furniture and Fixtures	61090	13015	Diminishing Bal
Dep'n Land and Buildings	61100	13025	Straight Line
Dep'n Plant and Equipment	61110	13035	
Dep'n Vehicles	61120	13045	

When the Depreciation Schedule is opened up one will find that the screen-shot given above fits side-by side the next screen shot given below – they respond in unity with each other.

The user can only enter data into the cells with a white background.

The details of the following come from the data entered into the Asset Register – see notes on this above. If this data is not entered into the Asset Register it won't appear in the Depreciation Schedule and the Depreciation Schedule's calculations won't work as designed.

- Asset Description
- Serial number or identification code
- Date acquired
- Original Cost

Data required to be entered into the Depreciation Schedule:-

Background Depreciation Data

At the bottom of the screen shot one can see space for "Depreciation Furniture and Fixtures", etc. Enter into the spreadsheet the account names that are used in the expense (accounts starting with a "6" in the sample Chart of Accounts shown) for depreciation. A maximum of eight such accounts is possible in the spreadsheet supplied.

In the column next to the name of the Depreciation Expense, put the account number associated with that account name. This data is used in a drop-down menu when entering data into column B (Expense account #).

In the third column put the corresponding account number that comes from the asset part of the Chart of Accounts. The account numbers to be used here are the accounts where the accumulated depreciation is to be recorded, not the account numbers where the original purchase of the asset is recorded. This data in used in the "Asset Account #" in column C of the Schedule.

Account numbers – Expense account number

The only values that can be entered into these cells are those that are allocated to the second column of the Depreciation data given at the bottom of the spreadsheet. Either type in the data as it appears at the bottom of the spreadsheet or click onto the icon that appears to the right of the cell. This will give the choices available. Click on one of these choices and that data will appear into the cell.

Account numbers – Asset Account number

The numbers will be automatically added to these cells. The numbers added are selected from those that are put into the Depreciation data at the bottom of the spreadsheet. These numbers are the accounts where the accumulated depreciation of the assets is recorded.

Serial number or identification code

The data for these cells is automatically recorded from that which was entered into the Asset Register.

Date acquired

The data for these cells is automatically recorded from that which was entered into the Asset Register.

Original Cost

The data for these cells is automatically recorded from that which was entered into the Asset Register.

Anticipated disposal date

The date to be entered here is a guess. As discussed earlier, the calculation of depreciation requires two guesses to be made at the time of the purchase of the asset, i.e. that of the anticipated disposal date and that of the disposal value.

Enter the anticipated disposal date into this column.

Anticipated disposal value

The date to be entered here is a guess. As discussed earlier, the calculation of depreciation requires two guesses to be made at the time of the purchase of the asset, i.e. that of the anticipated disposal date and that of the disposal value.

Enter the anticipated disposal value into this column. Choosing $0 is a valid entry here.

Depreciation Method

Only two methods of depreciation are available in this spreadsheet, i.e. that of the Straight Line method and the Diminishing Value method. Within the world of accountancy other methods may be used, but these are the two major methods used by Churches. See earlier notes on the differences between these two methods.

When one clicks on this column an icon appears to the right of the cell. Click on this icon and select one of the two options available. The selection made affects later calculations.

For a particular asset ***do not ever, ever, ever change the depreciation method*** after the financial records have been sent for audit in the year in which the asset was purchased. Changing the depreciation method after the financial records have been sent off for audit will cause problems in the audit process – guaranteed!

Opening WDV from other sources

"WDV" stands for "Written Down Value" – it can also be called the "Book Value" of the asset. The Book Value or "WDV" is calculated by subtracting the accumulated depreciation of an asset from the original purchase price of the asset.

The data that is entered here overrides calculations that are made in other parts of this spreadsheet.

Where a Church already has some form of a depreciation schedule, and wishes to use the one supplied, the WDV from that schedule should be entered here. This is to ensure consistency between one form of recording data to this one.

Other comments about the Depreciation Schedule

This Depreciation Schedule (and Asset Register) has capacity to report on 400 rows of assets. This may be expanded to over 60,000 rows, but if this is needed the user will have to contact the author (details given at the start of this book) to have the number of rows expanded.

The screen-shot given shows only 25 rows, but if the user looks to the left of the "Asset Description" column one will see the row numbers. In the format that this spreadsheet is supplied, one will see that the row numbers jump from 19 to 40, then to 60 etc. To see the rows between 19 and 40 on the screen:-

- Click on the "19" and then drags the cursor to the "40" the rows will be highlighted.
- While holding down the "Alt" key, and then press the letters O, R and U in that order, the hidden rows will be visible and usable.
- By highlighting other rows and using the Alt key sequence, other rows will also become visible.

In the same manner, when an asset has been disposed of (see details of how this is done at a later point) the row on which that asset has been recorded can be hidden by:-

- Clicking on the row number of the asset on the left hand side of the screen
- While holding down the "Alt" key, press the letters O, R and H (in that order) the row will become hidden. The details of the asset will still be there, but not seen on the screen.

Insert your Church's name here

Depreciation Schedule from			01-Jul-11	to	30-Jun-12		Average Inflation Rate			3.00%	
Opening	Disposal		Profit / (Loss)	Acquisitions this year		Depreciation			Closing	Insurance	
WDV	Date	Value	on disposal	Date	Value	Rate DV	Rate SL	Amount	WDV	Value	Proof
	1/01/2010	$80.00	$80.00				23.40%				0.00
$315.88						36.25%		$114	$202	$3,540	0.00
$2,112.36							16.94%	$357	$1,755	$7,535	0.00
$4,998.42							16.67%	$833	$4,165	$35,402	0.00
$1,235.90						17.39%		$214	$1,022	$3,053	0.00
$645.86						18.74%		$121	$525	$1,704	0.00
$145,511.29							1.00%	$1,455	$144,056	$772,783	0.00
$1,497.95							9.52%		$1,498	$1,814	0.00
											0.00
											0.00
											0.00
											0.00
											0.00
											0.00
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											0.00
											0.00
											0.00
											0.00
$156,318		**$80**	**$80**		**$0**			**$3,094**	**$153,224**	**$825,831**	**0.00**
$156,318		**$80**	**$80**		**$0**			**$3,094**	**$153,224**	**$825,831**	**0.00**

General Journal entry to record depreciation for the year.

	Debit	$	Credit	$
Dep'n Furniture and Fixtures	61090	$357	13015	$357
Dep'n Land and Buildings	61100	$1,455	13025	$1,455
Dep'n Plant and Equipment	61110	$449	13035	$449
Dep'n Vehicles	61120	$833	13045	$833
	Totals	$3,094		$3,094

General Journal Number

The screen shot given above sits side-by-side with the earlier screen shot, and uses data from it in the various calculations made.

Date

Enter the date on which this Depreciation Schedule starts. The choices given in the drop-down menu are to either start on the 1st January of a year, or on the 1st July of a year. All the dates in the rest of the document are dependent on the value entered here and are entered automatically.

Church name

Enter the name of the Church into cell A1. This will be copied into cells

Opening WDV

If an entry is made into the “Opening WDV from other sources” in the previous column (and discussed above) that value will be shown here. If an entry is not made in the previous column the algorithm in this column will display the written down value (WDV) of what would have been recorded here if this spreadsheet was used from the date of the purchase of the asset.

The calculation that is made here is based on:-

- The original cost of the asset
- The method of depreciation chosen
- The purchase date
- The anticipated disposal date
- The anticipated disposal value

The value shown as the total of this column must be the same as the net value of the assets of the Church in the last audited Balance Sheet.

A very important point about this column – do not ignore this

If a church has used a different method of recording assets and depreciation in the past the Church will already have a total book value of the assets. This will be shown in the Balance sheet of the Church.

<u>It is most important that the total of this column equals the total of the original cost of the assets less the accumulated depreciation of the assets (the net value of the assets).</u> If this is ignored, the connection between one year and the next in the audit process won’t work.

Should the user of this spreadsheet find that the total of this column is not equal to the net value of the assets put a line into the Asset Register called “Miscellaneous Assets” and give this a value to force the total to be the same as the previous Balance Sheet.

Disposal Date

This is the point when the anticipated disposal date (that was given as a guess when the asset was purchased) is adjusted. Enter the date on which the asset was actually disposed.

Disposal Value

This is the point where the estimated disposal value (that was given at the time of the purchase of the asset) is adjusted. Enter the disposal value of the asset - which could be the cash received if the asset was sold, the value given as a trade-in, or $0 if the asset was sent to the tip.

Profit / Loss on Disposal

The computer will calculate a profit or loss on disposal of the asset. Use this figure in the General Journal entry that was discussed earlier under “Disposal of Assets”.

Acquisitions this year – Date

If any asset is purchased within the dates given at the top of the Depreciation Schedule, the date will be given here. This date is the date that was entered into the Asset Register.

Acquisitions this year – Value

If any asset is purchased within the dates given at the top of the Depreciation Schedule, the value will be given here. This value is the value that was entered into the Asset Register.

Depreciation - Rate DV

DV = Diminishing Value. The spreadsheet will calculate the rate to be used here. It is calculated automatically.

Depreciation – Rate SL

SL = Straight Line. The spreadsheet will calculate the rate to be used here. It is calculated automatically.

Depreciation – Amount

The calculation that is made here is based on:-

- The method of depreciation chosen (DV or SL)
- The purchase date
- The anticipated disposal date
- The anticipated disposal value

Closing WDV

This is calculated as the Opening WDV less the depreciation allocated to an asset during the year. It is then the Opening WDV for the following year.

Average Inflation Rate

This data is included so that the Church has a way of coordinating the insurance cover it has on the assets of the Church. Enter an approximation of the rate of inflation that has occurred within the general economy for the past year.

Insurance Value

This value is calculated to give a guide to the Church on the insurance cover required for its assets. This value is calculated by taking the original purchase price and then adjusting this by the inflation rate each year.

Proof

This column should always have a value of $0. If there is a number other than that an error has occurred somewhere, and should be both found and corrected.

General Journal Entry to record the Depreciation for the year

The data given in these cells is the data that needs to be entered into the software to record the depreciation for the year. Copy the data given here into a General Journal.

General Journal Number

Enter the General Journal number that has recorded the depreciation for the year. This is to give a connection between the Depreciation Schedule and the software used to record the accounting data.

Printing out the Depreciation Schedule for a particular year

To print out a Depreciation Schedule for a particular year, click on the Church's name at the top of that year and then drag down to the end of the data shown for the General Journal Entry. Set this as the print area to be printed. The spreadsheet has been set up so that the information in column A will be added to this highlighted data when the information is printed out. The data will be printed out in 'portrait' format, with the headings repeated on each page, if there is too much data for one page.

Appendix D

Instructions on how to enter data into the Wages Calculator

The spreadsheet that accompanies this book to assist in the calculation of total wages for the Church contains the following questions and completes a variety of calculations based on what is entered. The following questions or calculations are shown.

This spreadsheet has some cells that have a coloured background, whilst others have a white background. The spreadsheet will only accept data into the cells with the white background. If data is entered into a cell that has changed colour that data will be ignored in the various calculations the spreadsheet makes.

The first part that needs to be addressed is the data in columns AA to AF of the Spreadsheet.

Enter the number of hours in a normal working week into cell AA3.

Enter the fringe benefit tax rate that the employer will have to pay if an employee receives a Fringe Benefit on which the employer has to pay tax into cell AA7. Enter this as a percentage figure.

Enter the year into cell AE2

In cells AE4 to AE 21 enter up to eighteen different salary scale levels that are recommended by an external source, or the salary scales that the Church wishes to use.

In the cells from AC26 to AD 31 enter the marginal tax rates that are current at the time. These are available from the ATO website.

Hours in working wee	Recommended Salary Rates for			2010
38.0	Level	38 Hr week	Per week	Per annum
Fringe Benefit Tax rate payable by employer	1	$23.02	$874.93	$45,496.54
	2	$23.64	$898.30	$46,711.58
	3	$24.29	$922.96	$47,994.12
48.50%	4	$25.18	$956.72	$49,749.19
	5	$26.13	$993.06	$51,639.25
	6	$26.99	$1,025.52	$53,326.80
	7	$27.91	$1,060.57	$55,149.38
	8	$28.80	$1,094.32	$56,904.42
	9	$30.16	$1,146.24	$59,604.52
	10	$31.29	$1,189.08	$61,832.09
	11	$32.59	$1,238.41	$64,397.19
	12	$34.26	$1,302.02	$67,704.80
	13	$35.83	$1,361.73	$70,809.91
	14	$37.37	$1,420.14	$73,847.51
	15	$38.57	$1,465.58	$76,210.08
	16	$39.66	$1,507.12	$78,370.15
	17	$40.79	$1,549.96	$80,597.74
	18	$41.81	$1,588.90	$82,622.80

Marginal tax rates

Taxable income from	Taxable income to	Tax rate %	Tax
$0	$6,000.00	0%	$0
$6,001	$34,000.00	15%	$4,200
$34,001	$80,000.00	30%	$18,000
$80,001	$180,000.00	40%	$58,000
$180,001		45%	

Once the background data has been set up, proceed to answer each of the questions below for each employee. The employees' names are entered into cells C3 to W3. There is provision for 21 employees in this spreadsheet.

Calculator to analyse the cost of employing people

nly fill in cells with a white background) **Employee's name**

When the employee is eligible for Long Service Leave, how many weeks may be taken?
How many years need to be served before Long Service Leave may be taken?
How many working days of Annual Leave does the employee get per year?
How many days of Personal Leave per year are allowed?
Is Fringe Benefits Tax payable for this employee? (Y/N)
Is this employee claiming part of the Salary as "Non-Reportable Fringe Benefits"? (Y/N)
Is the tax-free threshhold being claimed by this employee? (Y/N)
Is Superannuation paid on the Grossed up fully taxed salary? (Y/N)
Superannuation rate payable by employer
Is this employee replaced during Holiday Leave? (Y/N)
Does the employee get Annual Leave Loading (Y/N)
Annual Leave Loading rate %
Workcover premium %
Percentage of annual gross salary allocated to Fringe Benefits %
Additional Taxable Allowances (eg Car Allowance) not included in annual gross salary
Additional Non-taxable allowances
Annual Gross Salary (if a figure is entered here, don't use the hourly rates on the next 9 lines)
Use this section is for those employees who are employed according to the pay scale shown in column AE
Salary Scale level (enter the Salary Scale number from column AB)
Hours employed per week
Hourly pay rate (in Dollars)
Number of weeks per year employed
Use this section is for those employees who are employed on an hourly rate basis other than the pay scale shown in column AE
Hours employed per week
Hourly pay rate (in Dollars)
Number of weeks per year employed
Gross Salary
Fringe benefit component
Taxable component of Salary
Taxation to be deducted from taxable Component
Tax on Fringe Benefits
Net Cash component
Total of Fringe Benefits and net cash component
Grossed up fully taxed equivalent salary
Hours of wages per week reimbursed from other sources
Annual reimbursement to be received
Hourly charge out rate to other sources (to cover wages plus on-costs)
Long Service Leave Provision for this year
Annual Leave Replacement
Annual Leave Loading
Sick Leave Provision
Superannuation payable by employer
Workcover premium

Annual cost of employee to employer

Net Total annual wages cost to Employer (after reimburseme

When the employee is eligible for Long Service Leave, how many weeks may be taken?

Enter the number of weeks of Long Service Leave that an employee may take if the employee serves sufficient to time to be able to take Long Service Leave

Leave this cell blank for casual employees.

How many years need to be served before Long Service Leave may be taken?

Enter the number of years that an employee has to serve before they are entitled to take Long Service Leave. Note: this is not the same as the number of years an employee may serve to get a pro-rata payment for Long Service Leave if they resign prior to the number that must be served for those employees who continue in their employment with the Church.

Leave this cell blank for casual employees.

How many working days of Annual Leave does the employee get per year?

Enter the number of days an employee may take in their Annual Leave in one year.

Leave this cell blank for casual employees.

How many days of Personal Leave per year are allowed?

Enter the number of days the employee may take for Personal Leave in the year.

Leave this cell blank for casual employees.

Is Fringe Benefits Tax payable for this employee? (Y/N)

The only responses that will be accepted here is either “Y” or “N”.

Enter “Y” here if the Church is required to complete a Fringe Benefit return and submit it to the ATO for any Fringe Benefits paid to this employee. The spreadsheet will calculate an approximation of the amount of fringe benefits tax the Church will have to pay on behalf of this employee.

Is this employee claiming part of the Salary as "Non-Reportable Fringe Benefits"? (Y/N)

The only responses that will be accepted here is either “Y” or “N”.

Enter “Y” here if the employee is entitled to receive Fringe Benefits as “Non-Reportable Fringe Benefits.

Is Superannuation paid on the Grossed up fully taxed salary? (Y/N)

The only responses that will be accepted here is either “Y” or “N”.

Row 37 calculates a “Grossed Up” salary for employees. For those employees who receive part of their salary as “Non-Reportable Fringe Benefits” Row 37 calculates the fully taxed salary the employee would have to receive in a secular environment to receive the same cash component that is available to this employee in the Church environment.

If “Y” is entered here the superannuation is calculated on this Grossed Up figure.

Superannuation rate payable by employer

Enter the superannuation rate that the employer is required to pay on behalf of an employee into this cell. Enter this as a percentage.

Is this employee replaced during Holiday Leave? (Y/N)

The only responses that will be accepted here is either "Y" or "N".

Enter a "Y" for those employees who are replaced during the employee's annual leave. For such employees the employer has to pay two salaries while the employee is on Annual Leave, one to the employee and one to the replacement employee.

Enter an "N" for those employees who are not replaced during their time of Annual Leave.

Does the employee get Annual Leave Loading (Y/N)

The only responses that will be accepted here is either "Y" or "N".

If an employee is entitled to receive an Annual Leave Loading whilst on Annual Leave, enter "Y" into this cell, otherwise enter "N".

Annual Leave loading rate %

If "Y" has been entered for the previous question this cell will change its background colour to white. Enter a number into this cell as a percentage of the annual leave loading rate, e.g. 17.5%.

WorkCover premium %

Enter the percentage of the gross wages that the Church has to pay in its WorkCover premium.

Percentage of annual gross salary allocated to Fringe Benefits %

For those employees who receive part or all of their wages as a Fringe Benefit (either the Reportable Fringe Benefits or the Non-Reportable Fringe Benefits) enter the percentage of their wages that will be allocated to their Fringe Benefits.

Additional Taxable Allowances (e.g. Car Allowance) not included in annual gross salary

If the employee receives a taxable allowance that is in addition to their salary, enter the total number of dollars the employee receives into this cell.

Additional Non-taxable allowances

If the employee receives any additional allowances that are not taxed, enter the dollar amount for these into this cell.

Annual Gross Salary (if a figure is entered here, don't use the hourly rates on the next 9 lines)

Where an employee receives their salary which is expressed as an annual gross salary, enter that annual gross salary into this cell.

Note: if a figure is entered into this cell, the cells below it get a coloured background. Do not enter any data into those cells. Should any data be entered into those cells you can see it because the figures will be written in a brown colour. Such figures will be ignored in the calculation of the total cost of employment to the Church, so should be removed.

Use this section is for those employees who are employed according to the pay scale shown in column AE

This is a "Header" row. Do not enter any data into this row.

Salary Scale level (enter the Salary Scale number from column AB)

If the employee is paid according to the salary scales shown in cells AE4 to AE21, then enter the appropriate number from cells AB4 to AB21 into this cell.

The cells below the number that have their backgrounds changed to white MUST have data entered into them for the relevant algorithms to work correctly. Should these cells be left blank the cells that rely on them for calculations will show an error such as "VALUE" or "DIV/0".

When a number is entered into this row cells below the number will change colour. Do not enter any data into those cells. Should data be entered into those cells you can see it because the figures will be written in a brown colour. Such figures will be ignored in the calculation of the total cost of employment to the Church, so should be removed.

Hours employed per week

Enter the number of hours the employee is employed per week into this cell.

Note: if an employee changes the number of hours per week they are employed during the year, enter the number of weeks spent at the old number of hours into this cell, and then complete another column of employee data further into the spreadsheet with the number of weeks the employee will be paid at the new number of hours per week.

Hourly pay rate (in Dollars)

This cell is filled automatically based on a calculation from the data in cells AE4 to AE 21.

Number of weeks per year employed

Enter the number of weeks per year that the employee is expected to work.

Note: if an employee changes the hourly rate of pay during the year, enter the number of weeks spent at the old pay rate into this cell, and then complete another column of employee data further into the spreadsheet with the number of weeks the employee will be paid at the new pay rate.

Use this section for employees who are employed on an hourly rate basis, rather than the pay scale shown in column AE

This is a "Header" row. Do not enter any data into this row.

Hours employed per week

Enter the number of hours the employee will be employed per week into this cell.

Note: if an employee changes the number of hours per week they are employed during the year, enter the number of weeks spent at the old number of hours into this cell, and then complete another column of employee data further into the spreadsheet, with the number of weeks the employee will be paid at the new number of hours per week.

Hourly pay rate (in Dollars)

Enter the hourly pay rate that is to be paid to the employee into this cell.

Note: if an employee changes the hourly rate of pay during the year, enter the number of weeks spent at the old pay rate into this cell, and then complete another column of employee data further into the spreadsheet with the number of weeks the employee will be paid at the new pay rate.

Number of weeks per year employed

Enter the number of weeks per year that the employee is expected to work.

Note: if an employee changes the hourly rate of pay during the year, enter the number of weeks spent at the old pay rate into this cell, and then complete another column of employee data further into the spreadsheet with the number of weeks the employee will be paid at the new pay rate.

Gross Salary

This is an automatic calculation. It shows the gross annual salary that will be paid to this employee.

Fringe benefit component

This is an automatic calculation. It shows then number of dollars per year that will be allocated to the employee's Fringe Benefit account,

Taxable component of Salary

This is an automatic calculation. It shows the salary on which tax will be levied.

Taxation to be deducted from taxable Component

This is an automatic calculation. It shows an approximation of the amount of tax that will be deducted from the employee's salary over the year.

Tax on Fringe Benefits

This is an automatic calculation. It shows an approximation of the tax the Church will have to pay on behalf of its employees where "Y" was entered for the question "Is Fringe Benefits Tax payable for this employee", earlier.

Net Cash component

This is an automatic calculation. It shows the net cash the employee will receive as either cash or Fringe Benefits for the year.

Total of Fringe Benefits and net cash component

This is an automatic calculation. It shows the total cash component of the employee's wage plus the value the employee receives from the Fringe Benefit component of their wage. It is the figure on which the Grossed up fully taxed equivalent salary is calculated.

Grossed up fully taxed equivalent salary

Note: Because of the limitations of the spreadsheet, and the complications of the underlying algorithm to make this calculation, the grossed up salary that is shown here will only be accurate for salaries up to that entered into cell AC29 in the initial set up of this spreadsheet.

This cell calculates the gross salary that an employee would have to receive as a fully taxed salary, to have the same cash component as the employee receives from the combination of fringe benefits and cash.

Hours of wages per week reimbursed from other sources

If an employee's wages are subsidised from a source other than the general tithes and offerings of the Church, enter the number of hours per week that are so subsidised into this cell.

Annual reimbursement to be received

This is an automatic calculation. This cell calculates the total reimbursement that the Church should receive in one year for the external reimbursement of the employee's salary.

Hourly charge out rate to other sources (to cover wages plus on-costs)

This is an automatic calculation. This shows the hourly rate at which the employee's salary should be charged out. The amount charged out will cover an amount to pay the employee, as well as pay the superannuation and other on-costs.

Long Service Leave Provision for this year

This is an automatic calculation. This calculates an approximation of the amount of additional money that should be set aside during the year to cover the potential Long Service Leave liability of the church. The more accurate calculation should be taken from the specific calculator that is demonstrated in appendix B.

Annual Leave Replacement

This is an automatic calculation. This calculates the additional wages that need to be paid for an employee who is replaced during their time off on Annual Leave.

Annual Leave Loading

This is an automatic calculation. This calculates the additional Annual Leave Loading that will be paid to an employee while the employee is on Annual Leave.

Sick Leave Provision

This is an automatic calculation. This calculates the additional Personal Leave pay that will be paid if the employee is replaced during their time off on Personal Leave.

Superannuation payable by employer

This is an automatic calculation. This calculates the superannuation that is payable by the employer to the employee's superannuation fund.

WorkCover premium

This is an automatic calculation. This calculates an approximation of total WorkCover premium, which will be paid during the year.

Annual cost of employee to employer

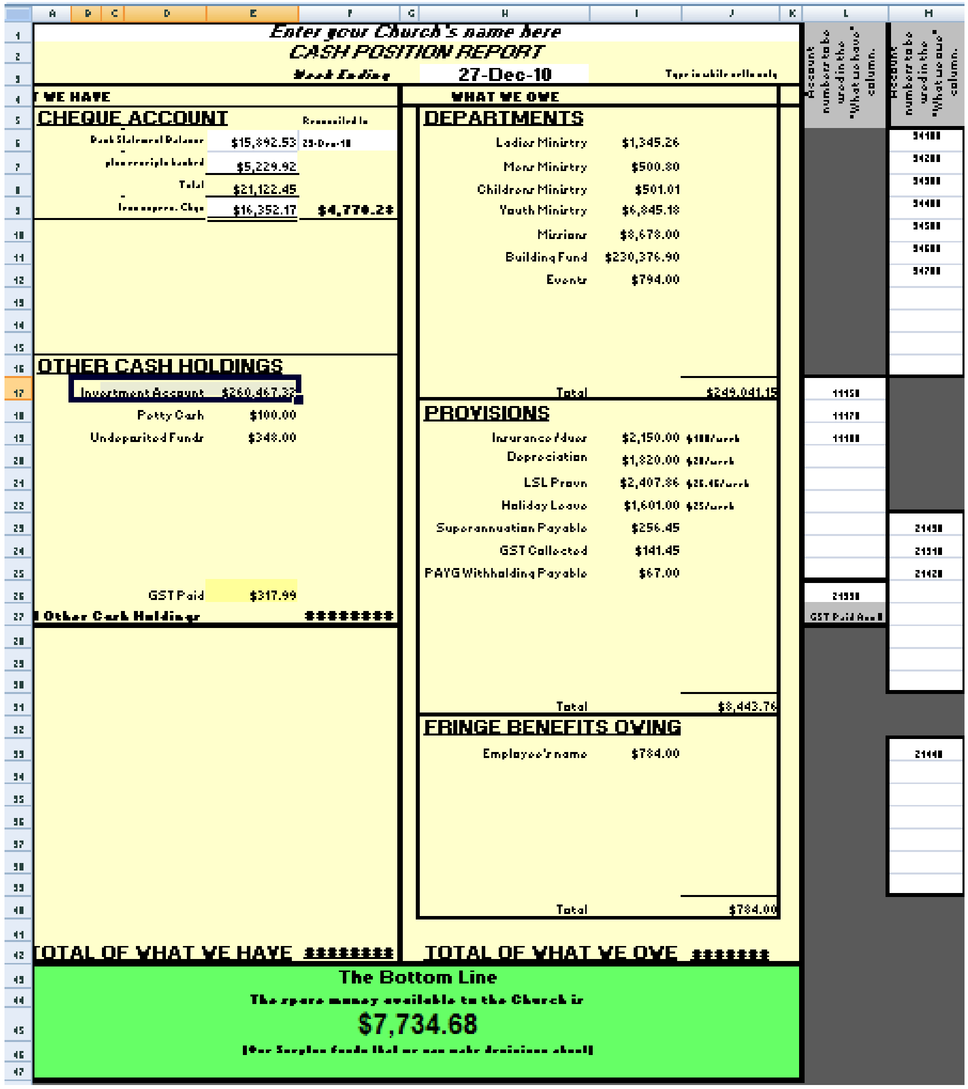
This is an automatic calculation. This shows the total annual employment cost of employing each employee.

Net Total annual wages cost to Employer (after reimbursements)

This is an automatic calculation. This calculates the net cost of employing all the employees for the year. To this figure one has to add any wages that have been charged out to other sources to get a figure for the total actual cost. This latter figure is shown in cell X47.

Appendix E

Instructions on how to set up a Cash Position Report



A blank template to produce a Cash Position Report is included with this book. When opened it looks like the above, but without the figures. These cells in the spreadsheet operate as an integrated whole with the cells shown in the following diagram.

Before one starts to enter data into the above, enter data into the cells in the following diagram. For the purposes of demonstration, dummy data has been left in this example.

10000	Assets	$654,475.30
11000	Current Assets	$293,685.60
11100	Cash On Hand	$293,685.60
11110	Cheque Account	$4,770.28
11120	Payroll Cheque Account	$0.00
11150	Investment Account	$260,467.32
11160	Building fund investment acct	$28,000.00
11170	Petty Cash	$100.00
11180	Undeposited Funds	$348.00
11190	Electronic Clearing Account	$0.00
11300	Investments	$0.00
11310	Shares	$0.00
11320	Bonds	$0.00
11330	Fixed Interest Investments	$0.00
13000	Non Current Assets	$360,789.70
13010	Land and Buildings	$301,818.18
13015	Acc Depn Land and Buildings	$600.00
13020	Plant and Equipment at cost	$41,842.00
13025	Acc Depn Plant & Equipment	($323.48)
13030	Fixtures and Fittings at Cost	$16,179.00
13035	Acc Depn Fixtures and Fittings	$674.00
13040	Vehicles	$0.00
13045	Acc Depn Vehicles	$0.00
19000	Unused accounts	$0.00
19100	Deposits Paid	$0.00
19200	Pledges Receivable	$0.00
19960	Voluntary Withholding Credits	$0.00
19970	ABN Withholding Credits	$0.00
20000	Liabilities	$70,843.91
21000	Current Liabilities	$2,843.91
21100	Credit Card	$0.00
21200	Trade Creditors	$168.00
21300	GST Liabilities	($176.54)
21310	GST Collected	$141.45
21330	GST Paid	($317.99)
21380	ABN Withholdings Payable	$0.00
21400	Payroll Liabilities	$2,852.45
21410	Payroll Accruals Payable	$0.00
21420	PAYG Withholding Payable	$67.00
21430	Superannuation Payable	$256.45
21440	Employee's name	$784.00
21450	Provn for Long Service Leave	$1,745.00
22000	Long-Term Liabilities	$68,000.00
22100	Mortgage Loans	$68,000.00
22200	Bank Loans	$0.00
29000	Unused accounts	$0.00
29350	Sales Tax Payable	$0.00
29360	Import Duty Payable	$0.00

	Insurance /dues			Depreciation			LSL Provn			Holiday Leave		
Week Ending	Cash Accumulated	Adjustment	Weekly Increase	Cash Accumulated	Adjustment	Weekly Increase	Cash Accumulated	Adjustment	Weekly Increase	Cash Accumulated	Adjustment	Weekly Increase
6-Apr-09	100		100	20		20	26.46		26.46	25		25
13-Apr-09	200		100	40		20	52.92		26.46	50		25
20-Apr-09	300		100	60		20	79.38		26.46	75		25
27-Apr-09	400		100	80		20	105.84		26.46	100		25
4-May-09	500		100	100		20	132.3		26.46	125		25
11-May-09	450	-150	100	120		20	158.76		26.46	150		25
18-May-09	550		100	140		20	185.22		26.46	175		25
25-May-09	650		100	160		20	211.68		26.46	200		25
1-Jun-09	750		100	180		20	238.14		26.46	225		25
8-Jun-09	850		100	200		20	264.6		26.46	250		25
15-Jun-09	950		100	220		20	291.06		26.46	275		25
22-Jun-09	1050		100	240		20	317.52		26.46	300		25
29-Jun-09	1150		100	260		20	343.98		26.46	325		25
6-Jul-09	1250		100	280		20	370.44		26.46	350		25
13-Jul-09	1350		100	300		20	396.9		26.46	375		25
20-Jul-09	1450		100	320		20	423.36		26.46	400		25
27-Jul-09	1550		100	340		20	449.82		26.46	425		25
3-Aug-09	1650		100	360		20	476.28		26.46	450		25
10-Aug-09	1750		100	380		20	502.74		26.46	475		25
17-Aug-09	1850		100	400		20	529.2		26.46	500		25
24-Aug-09	1950		100	420		20	555.66		26.46	525		25
31-Aug-09	2050		100	440		20	582.12		26.46	550		25
7-Sep-09	2150		100	460		20	608.58		26.46	575		25
14-Sep-09	2250		100	480		20	635.04		26.46	600		25
21-Sep-09	2350		100	500		20	661.5		26.46	625		25
28-Sep-09	2450		100	520		20	687.96		26.46	650		25
5-Oct-09	2550		100	540		20	714.42		26.46	675		25
12-Oct-09	2650		100	560		20	740.88		26.46	26	-674	25
19-Oct-09	2750		100	580		20	767.34		26.46	51		25
26-Oct-09	2850		100	600		20	793.8		26.46	76		25
2-Nov-09	2950		100	620		20	820.26		26.46	101		25
9-Nov-09	3050		100	640		20	846.72		26.46	126		25
16-Nov-09	3150		100	660		20	873.18		26.46	151		25
23-Nov-09	3250		100	680		20	899.64		26.46	176		25
30-Nov-09	3350		100	700		20	926.1		26.46	201		25
7-Dec-09	3450		100	720		20	952.56		26.46	226		25
14-Dec-09	3550		100	740		20	979.02		26.46	251		25
21-Dec-09	3650		100	760		20	1005.48		26.46	276		25
28-Dec-09	3750		100	780		20	1031.94		26.46	301		25
4-Jan-10	3850		100	800		20	1058.4		26.46	326		25
11-Jan-10	3950		100	820		20	1084.86		26.46	351		25
18-Jan-10	4050		100	840		20	1111.32		26.46	376		25
25-Jan-10	4150		100	860		20	1137.78		26.46	401		25
1-Feb-10	4250		100	880		20	1164.24		26.46	426		25
8-Feb-10	4350		100	900		20	1190.7		26.46	451		25
15-Feb-10	4450		100	920		20	1217.16		26.46	476		25

To enter data into the above spreadsheet complete the tasks in the following order:-

Background set-up of the spreadsheet

1) Enter your Church's name into cell A1

2) Enter the date on which this is to start into cell T3. This cell will be the end of the first week when this report is to be used.

3) If necessary, replace the headings "Insurance/dues", "Depreciation", etc with other headings as appropriate for the Church's circumstances. However, it is recommended that the first three headings are kept.

4) The inclusion of these four sets of data into this spreadsheet is highly recommended, and one of the major benefits of using it.

   a) When the Church regularly sets funds aside for large once-off payments and the funds have been accumulated through this process, these payments can be made without affecting other day-to-day operations of the Church. For example:-

      i) If insurances and dues are paid annually, and the funds have not been set aside to pay them, the Church can be financially paralysed for a season whilst these funds are accumulated.

      ii) If Depreciation is not cashed up on a weekly basis, then funds for the replacement of high cost assets can cause enormous strain on a church. To replace such assets without having cashed up depreciation would mean that the Church has to borrow the money to pay for it, or put out a special appeal to the Church for donations.

iii) If a cash provision is not set aside on a weekly basis for Long Service Leave the church can be placed in a difficult position when an employee takes Long Service Leave and an interim employee has to be found as a replacement. For a season the Church is paying double wages, and without having accumulated funds to draw on, the Church may be placed under financial stress.

5) <u>Some specific notes on Insurance and dues</u>

a) "Insurance / dues" is the method of setting funds aside on a weekly basis for large annual bills that tend to fall in one particular month. If, say, the annual insurance bill was $12,000 and the dues that go to the State and National head office are 2% of tithes and offerings (which, if the total for the year was $300,000 would amount to $6,000). The total of these two is $18,000, or ($18,000 / 52 =) $346 per week. Enter "$346" into cell W3.

b) The cells below W3 will automatically fill with the same figure. The column W has embedded formulae in it which can be over-written. Once over-written the formulae has been erased, but can be restored by clicking on the cell above and dragging down so that the formula from the cell above is copied into the cell below.

c) If the figure of "$346" is seen at a later time to be an inappropriate figure, it can be increased or decreased by typing a new figure into column W on the row which has the appropriate date for the change.

d) As one changes the date in cell H3 a plethora of embedded look-up tables will find the data in cell H3 and then copy data from the row in which this date appears in column T.

e) In the week in which either the insurance or dues account is paid, place the value of that payment into Column V next to the date in column T when the payment was made. Enter this as a negative figure to subtract it from the accumulating total in column U.

f) Repeat the processes above for "Insurances / Dues" into the columns for "Depreciation", "Long Service Leave Provision" and "Holiday Leave".

6) <u>Some specific notes on Depreciation.</u>

a) As discussed in an earlier chapter, Depreciation is the method of spreading the cost of ownership of assets across the life of the assets. Assets wear out, and from time to time need to be replaced. Using these columns is one method of setting funds aside for the replacement of assets.

b) From the Depreciation schedule see what the depreciation expense for the Church will be in one year. Divide this figure by 52 (weeks) and use that as the weekly figure to put into column Z.

i) This figure may be adjusted up if the Church has a considerable figure for Accumulated Depreciation in the Balance Sheet. If this is the case (say it is $20,000) and the Church wishes to cash this up over a 10 year period the additional weekly amount to be set aside = $20,000/10/52 = $38.46.

c) Also adjust the weekly amount set aside for Depreciation when a new asset is purchased. Say a sound desk is purchased for $26,000 and it is expected to last for 5 years. The additional amount to be set aside on a weekly basis would be:-

$26,000 / 5 / 52 = $100.

This would give the Church an amount of $26,000 in 5 years to replace the sound desk.

7) Some specific notes on Long Service Leave

a) To calculate the amount to be set aside on a weekly basis for potential Long Service Leave payments, in the future start with the weekly gross salary of all permanent employees – say this is $3690. (Note: Casual employees get their money for long service leave, personal leave, etc through the loading they get on their weekly wages). If the employees are entitled to 13 weeks Long Service leave after 10 years service, the weekly wage needs to be multiplied by:

13/10 = 1.3

The cash to be set aside on a weekly basis would be:-

$3690 x 1.3 / 52 (weeks) = $92.25.

b) If the Church has a Provision for Long Service Leave on its Balance Sheet that is not represented by cash, then it would be appropriate for the Church to start to build up more cash on a weekly basis to cover this potential future payment.

i) Say there is a Provision for Long Service Leave on the Balance Sheet of $15,260, which is not reflected in cash to support this liability. The Church may choose to fund this over (say) 7 years. This would be equal to:-

$15260 / 7 / 52 = $41.92 per week.

8) Save the document as, for example "**Cash Position Report 101204**" in a designated folder for this report. The number at the end is a representation of the date. If this representation is used the latest report will be at the end of the list.

a) The representation of the date is made up of (YYMMDD), so the above date of "101204" represents:-

i) The year in the first two numbers, i.e. 2010

ii) The month in the second two numbers, i.e. December

iii) The day of the month in the third two numbers, i.e. 4th

iv) Therefore "101204" would be read as 4th December, 2010.

Using the Cash Position Report on a regular basis

1) If, as is suggested above, the last Cash Position Report was saved with a representation of the date in the file name, open the last file in the folder where these reports are kept.

2) Immediately save the file with a new date at the end. This will keep the integrity of the file that was opened – if this doesn't happen the file that was opened will be over-written with new data and thus the integrity of the file changed.

3) Enter the date of the report into cell H3. As one clicks onto cell H3, an icon for a drop-down menu appears to the right of this cell. Click onto this icon and select the appropriate date.

a) Note: The permissible dates that can be entered into H3 come from the list of dates in column T. These dates are pre-determined by the date that was entered into cell T3

4) Fill in the details of the latest bank statement reconciliation and credit card reconciliation into the relevant cells in columns E and F

5) Transferring data from the accounting software to the Cash Position Report

   a) In the Accounting Software select a report that will give the following three things:-

      i) The account number

      ii) The account name

      iii) The account balance.

      iv) Note: the production of this report may require some manipulation of a report that initially gives more than this, but from the softwares' capacity to format or design the report this data can be obtained.

   b) Export the report into a spreadsheet

   c) Open the spreadsheet that was produced in point b) above

      i) Ensure that any extraneous data in the account number column is removed. For example, if the account numbers are in the format of "1-1160" the "-" can be removed by:-

         (1) Highlighting all the account numbers – this can be done by clicking on the letter at the top of the column that holds the account numbers, usually column A

         (2) Use the "Find and Replace" function of the spreadsheet to find the "-" and replace with nothing – this will remove the "-"

            (a) The "Find and Replace" function may possibly be found by pressing the "Control" key, and then while holding this down, press "H"

      ii) Ensure that the figures in the account balance column are formatted as numbers. When first exported from the spreadsheet what appears on the screen looks like numbers, but may actually be formatted as text – i.e. the spreadsheet will handle them as it would with letters and punctuation rather than as numerals.

         (1) To format the account balances as numbers, the following may work (this is dependent on the spreadsheet being used)

            (a) Highlight the cells containing the account balances by clicking on the first balance and dragging to the last

            (b) Right-click the computer mouse

            (c) Select "Format cells" from the drop-down menu

            (d) Select "Number" and "Currency"

      iii) Ensure that there are no blank rows within the spreadsheet. Do this by:-

         (1) Clicking on the first (or last) account number, and drag the mouse to the last (or first) account balance. This should highlight all the data that was exported from the accounting software

(2) Sort the data into “A to Z” order – this will put all the blank cells at the bottom of the list of data

iv) Press “Control C” to copy the data

d) Go back to the Cash Position Report

i) Click on cell P1

ii) Press “Control V” to copy the data into columns P, Q and R of the Cash Position Report

6) Setting up the data in columns L and M – note this should only need to be done on the first use of this spreadsheet, or when one wishes to alter the data that is given in the report

a) Into the white cells in column L enter the account numbers of those accounts that represent cash to the church, e.g.

i) Investment accounts

ii) Petty Cash

iii) Undeposited funds

iv) Etc

b) Into cell L26 put the account number of the “GST Paid” account (shown as 21330 in the example above) this cell is very specific, as it requires particular treatment in the spreadsheet.

c) Into the white cells in column M enter the account numbers of those accounts that represent the cash that the church will have to pay out at some future date

i) In Cells M6 to M16 put the account numbers of those accounts where part or all of the balance may have to be paid out at very short notice – the departmental balances are the normal accounts to be entered here.

ii) Into cells M23 to M30 put the account numbers of those amounts that will be paid out at some future point, but there is normally a delay in the payment of these amounts. The type of account number that would be entered here are accounts such as

(1) Superannuation that is to be paid on employees’ wages

(2) Tax that has been deducted from employees’ wages and which will be forwarded to the ATO with the next BAS return

(3) Any GST that has been collected, and which will be forwarded to the ATO with the next BAS return

iii) Into cells M33 to M39 put the account numbers of the fringe benefit accounts for employees who receive fringe benefits as part of their employment packages. The amounts that appear in the Cash Position Report represent the fringe benefits that have been processed for an employee, but which have not been paid out – this is the employee’s money, but in the Church’s bank account.

Appendix F

Abbreviations and Trademarks

ATO = Australian Taxation Office

BAS = Business Activity Statement

FBTAA = Fringe Benefit Tax (Assessment) Act

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Appendix G

Reporting Departmental Data for the Annual General Meeting

The Departmental Report for an Annual General Meeting might look like the following:-

Enter your Church's name here

Departmental Report for year ending **Enter the end of year date here**

	Ladies Dept	Mens' Dept	Children's Dept	Youth Dept	Missions Dept	Building Fund				
Opening Balance	$300.00	$150.00	$545.00	$2,316.00	$594.00	$76,342.00	$0.00			
Income										
Transfers from Church or other departments			$600.00		$500.00					
Cash receipts	$1,527.90	$30.00	$322.95	$19.40	$4,218.00	$4,981.48				
Total Income	$1,527.90	$30.00	$922.95	$19.40	$4,718.00	$4,981.48	$0.00	$0.00	$0.00	$0.00
Expenses										
Transfers to Church or other departments				$500.00						
Cash Payments	$256.00	$0.00	$1,245.00	$183.85	$4,110.00	$1,578.02				
Total Expenses	$256.00	$0.00	$1,245.00	$683.85	$4,110.00	$1,578.02	$0.00	$0.00	$0.00	$0.00
Closing balance	$1,571.90	$180.00	$222.95	$2,151.55	$1,202.00	$79,745.46	$0.00	$0.00	$0.00	$0.00

A template for up to 10 departments as above is included with this book, as well as a template for up to 20 departments.

To complete the data for this report, enter the following data:-

- Enter the Church's name into row 1
- Enter the date of the report into the cell in row 2
- Enter the names of the departments into row 3
- Enter the opening balances of each department into row 4
    - This will be the same as the closing balances from the previous year
- Enter any transfers from either the Church to a Department or from another department into row 7
    - The funds transferred from the Church to a Department will be the end-of-year value given in accounts such as 6-1040 Childrens' Ministry. This account is the amount that the Church has transferred from Church funds, which are separate and distinct from the funds that the department has raised by itself, which will be shown in accounts such as 6-4300 Transfer to Children's Department
    - The funds transferred to a department from another are (most likely) going to be either a regular monthly transfer (such as Youth to Missions), or once-off

transfers to sponsor a particular purpose. These transfers will need to be found by investigating the credit entries in relevant "3" account for each department.

- Enter the cash received by a department from all other external sources into row 8
    - The cash received by a department will be represented by the amount that is recorded in the relevant "4" account for the department, then uses the appropriate "6" account to transfer the funds to the department's "3" account. See earlier notes in the text on this process of how to quarantine funds that the departments raise for their own use.
- Enter the cash paid out to another department or back to the Church into row 12
    - The funds transferred from one department to another are (most likely) going to be either a regular monthly transfer (such as Youth to Missions) or once-off transfers to sponsor a particular purpose. These transfers will need to be found by investigating the debits to the relevant "3" account for each department.
- Enter the cash paid out to third parties into row 13
    - This will be the total amount debited to the relevant "3" account less the amounts transferred to another department or back to the Church.

Index