

# Treasurer's Workshop



*"But all things should be done decently and in order." (1 Corinthians 14:40)*



# Introduction



Doug Ullmann, Executive Administrator – RMD

Kevin Grein, Vice President of Loans – LCEF

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Services



# Purpose



# Workshop Overview



- Treasurer Updates & Related Topics
- LCEF Introduction & Services
- Concordia Health Plans 2012





# Rocky Mountain District – updates



- Professional Workers Conference for Pastors and Commissioned Ministers is October 5-7, 2011.
- Rocky Mountain District Convention is June 7-9, 2012 – Hyatt Regency in Denver, CO.

*“But if anyone has the world’s goods and sees his brother in need, yet closes his heart against him, how does God’s love abide in him? Little children, let us not love in word or talk but in deed and in truth.” (1 John 3:17-18)*



# Spring Workshop Recap



## Treasurer Topics Covered...

- Role of a Treasurer
- Role of a Financial Secretary
- Types of Reporting
- Church Budgeting
- Savings & Investment
- Documentation
- Unrelated Business Income (again)
- Internal Controls (again)
- Financial Reviews



# Fall Workshop Topics



## Tonight's Treasurer Topics...

- Insurance
- Unrelated Business Income
- Internal Controls
- Anything else you would like to discuss/review...
- Best Practices of fellow Treasurers



# Test Your Knowledge



## A Test:

- What is the top reason in 2010 Churches were in court?  
**sexual misconduct w/ children**
- What are the top three major risk categories for churches?  
**1. sexual misconduct 2. property 3. employment**
- From 1998 to 2001, how much has scamming cost churches?  
**\$2 billion**



# Insurance



## Partial List of Exposures a Church May Face...

- Breach of Contract
- Tort Liability
- Law Suits
- Condition of Premises
- Activities of the Church
- Public Meetings and Events
- Socials, picnics, concerts, field trips
- Sexual Misconduct
- Sponsored athletic teams or events
- Property
- Crime, theft, disappearance
- Errors and omissions of directors, officers and trustees
- Volunteers and missionaries
- Employees and Employment Law





# Insurance Related to Treasurers



When you began your duties as a Treasurer, have you personally verified the insurance coverage that pertains to Treasurer duties?

## Crime Coverage

Crime coverage is provided for loss of money or securities due to a loss or theft occurring either inside or outside the premises while in the care, custody, control of the church or an employee.

- Theft, Disappearance and Destruction of Money and Securities
- Employee Dishonesty
- Depositors Forgery
- Credit Card Fraud



# Insurance Related to Treasurers



When you began your duties as a Treasurer, have you personally verified the insurance coverage that pertains to Treasurer duties?

## Crime Coverage

Bond Form A (Employee Dishonesty):

This coverage protects the organization against thefts of money by employees (volunteers). A blanket coverage versus a scheduled coverage is recommended since it would cover all employees and not just specific individuals such as treasurer, secretary, assistant treasurer, etc.



# Insurance Related to Treasurers



When you began your duties as a Treasurer, have you personally verified the insurance coverage that pertains to Treasurer duties?

## Crime Coverage

Bond Form B (Forgery and Alterations):

This coverage protects the organization against someone forging checks. This includes loss caused by any of the following:

- Checks or drafts made or drawn in your name, payable to a fictitious entity
- Checks or drafts, including payroll checks, executed through forged endorsements
- Alteration of the amount of a check or draft



# Insurance Related to Treasurers



When you began your duties as a Treasurer, have you personally verified the insurance coverage that pertains to Treasurer duties?

## Directors and Officers Liability

Directors and Officers Liability coverage is for claims (either actual or alleged) arising from church's officials' obligations to act diligently, loyally and obediently. Coverage is applicable to the church or organization and the directors, officers, trustees, clergy, and other elected or appointed members while acting within the scope of their duties.



# Insurance Related to Treasurers



When you began your duties as a Treasurer, have you personally verified the insurance coverage that pertains to Treasurer duties?

## Directors and Officers Liability

Related to Internal Controls, review your internal policies concerning double signers, mandatory vacations for Treasurers, is the checking account reconciler the same person as the check signer.



# Insurance Related to Treasurers



When you began your duties as a Treasurer, have you personally verified the insurance coverage that pertains to Treasurer duties?

## Directors and Officers Liability

This coverage is designed to protect the personal assets of directors and officers against claims alleging financial loss arising from mismanagement.

Coverage can also be designed to cover defense costs.

You may be personally liable if this type of coverage is NOT in place.



# Other Related Insurance Considerations



An increasingly related liability churches are having to monitor and protect against is cybercrime.

- Spear Phishing

## Tips to Avoid Online Attacks:

1. Dual Controls
2. Dedicate a stand-alone computer
3. Limit Administrative Rights
4. Reconcile Daily
5. Change Passwords
6. Don't e-mail files



# What about other sources of income?

Fundraisers, cell phone towers, raffles, etc.



# UBIT



# Unrelated Business Income Tax



## TRUE or FALSE Test

If a church has unrelated business taxable income, it will pay the corporate income tax rate on that income, less any deductions and modifications.

**True**

A church generates \$900 of unrelated business income this year. It will have to pay the unrelated business income tax on this amount.

**False**

Form 990-T is the IRS form on which unrelated business income is reported to the IRS.

**True**



# Unrelated Business Income Tax



- From the Treasurer's Manual Page 11-2
- Three factors must exist for an activity to be defined as a source of "unrelated business income." They are:
  1. The activity must be engaged in as a trade or business,
  2. The trade or business must be regularly carried on, and
  3. The trade or business must be substantially unrelated to the organization's exempt purpose or function.

There definitions for each of these factors...



# Unrelated Business Income Tax



- From Treasurer's Manual Page 11-2
- Activities which **ARE** Unrelated:
  1. Soliciting, selling and publishing commercial advertising in an exempt organization periodical.
  2. Operating a commercial parking lot, even if one day each week.
  3. Operating a concession stand on a seasonal basis.
  4. Selling greeting cards on a regular basis that do not contribute importantly to achieving the organization's exempt purpose.
  5. Rental of member lists to commercial firms.
  6. Rental of real estate that is debt-financed.
  7. Raffles, bingo and other games of chance.
  8. Conducting travel tours similar to commercial ones.



# Unrelated Business Income Tax



- From the Treasurer's Manual Page 11-2
- Activities which **ARE NOT** Unrelated:
  1. Rental of member lists to other charitable and religious organizations.
  2. Selling Christian books on a regular basis, solely for the convenience of members where the product contributes to the organization's exempt purpose.
  3. Ticket sold to an annual soup supper, dance or musical endeavor.
  4. A thrift shop that consists of selling merchandise, substantially all of which has been received by the organization as gifts or contributions.



# Unrelated Business Income Tax



- Activities which **ARE NOT** Unrelated:
  5. Gain or loss on the sale of real property.
  6. Rental of real estate that is not debt-financed.
  7. A fellowship event at which attendance prizes are drawn and awarded.
  8. Travel tours substantially related to the organization's exempt purpose.



# Unrelated Business Income Tax



Other UBIT factors and considerations...

- UBI is taxed at the regular federal rates for corporations or trusts.
- Exempt organizations with more than \$1,000 of UBI in a taxable year must file IRS Form 990-T.
- UBIT can be vague; case-by-case determinations by IRS
  - Percentage of total revenue generated from activity
  - Percentage of time and expenditure devoted to activity
  - Extent revenues support exempt organization
  - IRS Publication 598



# Why Internal Controls?



"I gotta tell ya, these embezzlement convictions raise a red flag."



# To avoid this...



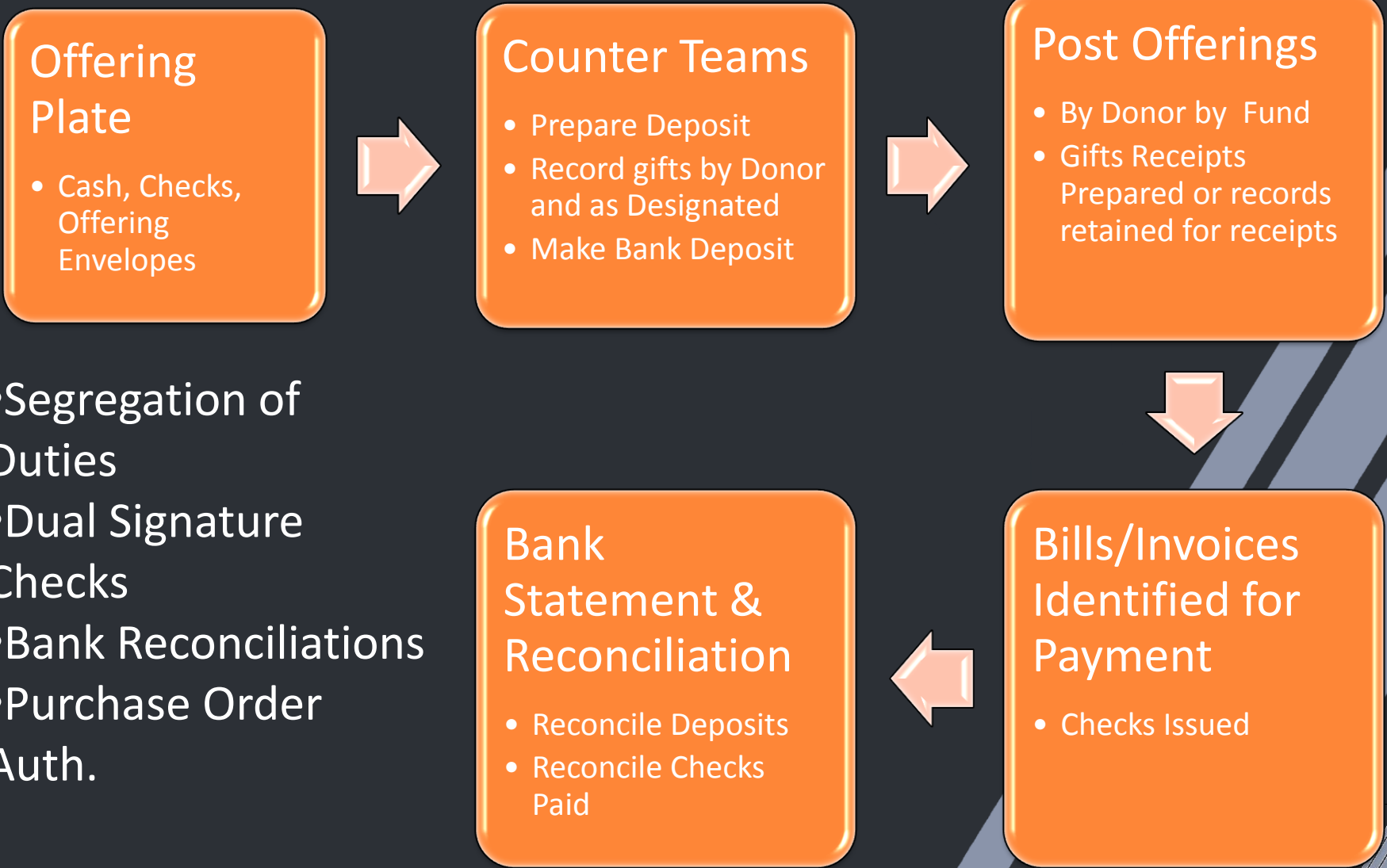
# What is Internal Control?



- From the Treasurer's Manual Page 20-4:
  1. Check accuracy of financial reports.
  2. Ensure dependability of records and reports.
  3. Discourage error or fraud.
  4. Safeguard the assets.
  5. Encourage efficiencies through adherence to rules, regulations, and policies as established by the governing church body.
  6. Maintain and defend the integrity of members who deal with the finances of the church.



# What internal controls should be here?



- Segregation of Duties
- Dual Signature Checks
- Bank Reconciliations
- Purchase Order Auth.



# What Controls Do You Have Set Up At Your Church?

*...and what controls do you  
have missing*



# Internal Control Plan



- Handout of internal control plan from manual 20-4
- List of 18 recommended items an internal control plan comprises



# District Treasurer Resource Page



## www.rm.lcms.org

http://www.ignitingchurchandcultureforchrist.org/

Rocky Mountain District  
Lutheran Church--Missouri Synod

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For Treasurers

**Igniting Church and Culture for Christ!**  
RMD launches a \$2 million campaign to advance the cause of the Gospel.  
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Come join President Goller on a journey in the footsteps of the Apostle Paul.

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# Additional Questions?



# About LCEF

- LCEF is the Lutheran Church Extension Fund and is a ministry that provides low-cost loans and services to the LCMS.
- LCEF is able to make those loans and services available because of the congregations, men, and women who invest in the ministry of church extension.
- LCEF investors receive a competitive rate of interest on their investments.



# About LCEF

- **Investments** for individuals and congregations
  - Health Savings Accounts
- **Loans**
- **Financial Services**
  - Joyful Response
  - Financial Education Seminars
  - Capital Funding Services



# Health Savings Accounts (HSA)

- Many employers, including Concordia Plan Services, offer an HDHP as a health-care coverage option. An HSA allows you to use funds invested to pay for qualified medical expenses. Contributions are tax-deductible, earnings grow tax-free, and redemptions are tax-free for qualified medical expenses.
  - Tiered interest rate grows with balance.
  - Easy access checks; optional debit card.
  - Minimum investment \$1.00 to open account.



# Joyful Response

- Is a **FREE** stewardship service for congregations and schools providing an easy and convenient method to electronically deposit offerings, tuition payments, and donations.
- Members offerings are automatically transferred from their checking account to the congregation's StewardAccount on the specified date.
- Financial secretary (or other appropriate person) can view transactions and amounts donated to various funds online.





# Concordia Plan Services

Ralph Simon – Benefits Consultant



# Closing



- Please complete the survey we provide for future evaluation of Treasurer Workshops.
- Please use all of us as a resource for your ministry – don't make it a struggle.

