NJ Local Church Treasury Tips: Church Budget Basics

Part 1: Local fund basics

Hello Local Church Treasurers,

Something we get a lot of questions about this time of year is budgeting and how to spend the church’s money in the most effective way throughout the year. Over the next few weeks, we will be sending some helpful tips regarding understanding your local funds and setting up a budget for your church. If you have similar questions, this topic is for you!

Church finance usually starts simple. A new Mission Group usually starts out with two local funds: Church Budget and Building Fund, with all bills being paid from Church Budget. Eventually though, the church grows enough to need more detail in their local accounts. They need to make sure they have enough to budget for the rent and the utilities. And donors want to give to certain projects, not just to Church Budget. So local funds begin to appear.

Local funds serve two very important purposes.

1) They keep track of what we have already spent so we can budget for regular expenses, like insurance and Sabbath School quarterlies.

2. They keep track of donations to various projects and ministries, so we don't accidentally spend them for something else.

The goal is to have enough detail in your Financial Summary to achieve clarity, but not have so much detail that clarity is obscured.

If you want to learn all the details of how to understand your local fund list in Jewel, watch this video from the Georgia Cumberland Conference <https://vimeo.com/493876940> with your Financial Summary in hand, focusing on how Local Funds are used in your church and how they are funded.

Here’s a few questions to ask yourself when deciding how to set up your church budget.

* In your church local fund list, do you have any "buckets" that are used to pay bills that are never funded (filled back up)?
* Is your church saving for the annual Property and Liability Insurance payment? If you don't own a building, it might not be a big deal, but if you do, it can be a major expense.
* Is your church lumping many types of payments under one or two Local Funds, like Church Budget or Church Expense?
* How long would it take you to find the answer to the question: "How much was spent on Utilities last year?"

Next time, we will go over the basics of “Trust Funds” on the local account list.

If you need help with Jewel, contact us:

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Part 2: Trust Funds

Hello Local Church Treasurers

This week, as we continue talking about local funds, our topic is trust funds. What they are, why they can't be spent, how to identify them and what to do when they are dead or abandoned. How we handle our trust funds can add to/ subtract from the clarity of our church financial reports.

Take a few minutes to watch this video and you will have a good foundation for this topic. <https://vimeo.com/493877421>

If I was to open your database and ask "What is that fund for?" about any of your Local Funds, would you know? Some churches have a handful of local funds, others have hundreds. But it is important to know what each is used for, why it was created and when it has run its course.

Guarding Trust Funds: Trust funds are moneys which have been donated to the church for specific
projects or purposes. It is the responsibility of the church board to guard all trust funds. It is against
denominational policy for trust funds to be either borrowed or redirected to a different
purpose. Even the church in business session only has the authority to re-direct funds under very
special circumstances. The conference auditor should be consulted before funds are moved or used
for another purpose.

* You can't transfer them to another, unrelated fund to be spent for something else.
* You can't zero them out into Church Budget or Reserves as part of your year-end closing.
* You can't vote to move them just because you need them elsewhere.

Issues can also arise if trust funds are never spent. Some churches have a Sabbath School expense local fund, AND a Sabbath School offerings local fund. Offerings pile up in the "offering" fund, and the "expense" fund goes deeper and deeper in the negative as Sabbath School supplies are purchased from it. It is like having 2 checking accounts. You deposit your paycheck into one account and you pay your bills from the other. It doesn't work!

When funds are collected for a project, a person, or a purchase, make sure that you actually use those same funds when you write the check for that project, person or purchase. This way, the funds get used as intended and they don’t sit there forever.

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Sometimes I see local funds that have been accumulating money for a project or a disaster for years, but the donations have never been sent to the project or the disaster. Look at your accounts. Is the money being used for its intended purpose or is it just sitting there? Would your donors be happy with the way their donation is being used/not used?

You may have an account that was created in error. It should have been a Conference account, but the "type" was set accidentally to "Local." So, it sits there on your local financial summary when it should go out with the next remittance. Knowing what is going on with your account list will make you a much more effective treasurer.

So, what do you do if you have trust funds that your church is not going to use? This is a topic that may need to be discussed with your pastor, your board, your church business meeting, and a conference treasury staff member.

Abandoned Church Projects: When the church has abandoned a project for which they have received
designated donations, it is important for the church to contact all who have made specific donations to
the project. Following are some guidelines from Richard Hammar’s 2015 Church & Clergy Tax
Guide relating to this situation.

“If donors can be identified, they should be asked if they want their contributions to be returned orretained by the church and used for some other purpose. Ideally, donors should communicate theirdecision in writing to avoid any misunderstandings. Churches must provide donors with this optionin order to avoid violating their legal duty to use “trust funds” only for the purposes specified.“A church should send a letter to donors who request a refund of a prior designated contribution,informing them thata. There may be tax consequences;b. They may want to consider filing an amended tax return to remove any deductionclaimed during any of the three previous years as a result of their designated contribution;andc. They should discuss the options with their tax advisor.”

NOTE: It is never appropriate to send a donor a 1099 for refunded donations

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Part 3: Budget Allocations

Hello Local Church Treasurers!

This week we are going over how to set up budget allocations. This is an optional feature in Jewel that few people utilize, and it’s possible it could save you a little time each month. This email topic is very detailed and you may need to come back to review again, so you can save the attachment labeled “Church Budget Basics” to have a tutorial you can refer to.

There are many ways to allocation funds in Jewel to cover your churches needs, and I will explain a few options here. If you are having trouble deciding how to do it, you can always contact me and we can think of something together!

Whatever method you choose, make sure you discuss it with your church board first. The board is the only one with the authority to decide what the budget will be for the year.

**1) First, we have to decide which local funds should be included in the budget allocations.**

a) Start by listing all of your local accounts that are used for monthly expenses – especially the local Funds that don’t typically receive donations. Utilities accounts, accounts for various kinds of supplies, lawncare, custodial and phone, and mortgage or loan payment funds if you have any. Include School Subsidy and SS Expense – funds that usually do receive at least some donations.

b) It’s a good idea to allocate for your annual Insurance payment and any other large annual payments you might have. It is usually sizable and is only paid once a year, so it is good financial management to put aside money for it every month.

c) If you have any active local ministries like VBS or Pathfinders that have an annual budget set by the board, you can allocate to that/them as well. If they are only used once or twice a year, you don’t need to include them.

That leaves out a lot of funds. But it is not necessary, or good management, to allocate to a rarely used Local Fund. You end up with a lot of Church Budget money just sitting there in unused accounts, and then it takes time to transfer it back to Church Budget later if you don’t end up using it.

**2) Once you have chosen your funds, we must figure out how much to allocate to each account**

Some churches give their ministries their annual budget all up front and they spend it down all year, but not all churches can afford to do it that way. If you plan to use this option, a simple transfer in Jewel will take care of it.

Allocating monthly instead is a way to make sure your departments get the budget the board voted on, but it’s important to keep track of the departmental spending and of the church budget funds being allocated to make sure you don’t go into the negative.

If you would like to use the monthly budget allocation feature in Jewel, there are two ways you can enter them.

To allocate a monthly dollar amount, you will need to do some calculations.

Pick an expense – let’s say electricity. Choose a recent 12 month period. Total up how much you spent on that expense during that period. If you are not sure where to find this information, review the attachment that explains how to use your “Account Journal” feature in Jewel.

Divide that total by 12 and round up to a whole dollar amount for simplicity.

Example: $4478 total for 12 months. Divided by 12 = #373.1666666666.

Drop the extra numbers, then round up. Electricity, up to $400 since it goes up every year.

Do the same for each of the other Local Funds that you have chosen. Calculate the yearly, divide by 12, round up a bit. Allocations will look cleaner with whole dollar amounts rather than cents.

Next you need to figure out how much is coming in through direct donations. If an account has plenty of money coming in from donations, you do not need to fund it at all in the budget. If it has some money coming in, like SS expense, School Subsidy, or a loan account often does, you can allocate less to it than if it was totally budget funded.

Example: SS Expense

$1200 average annual expenses

$480 average annual SS offerings

$720 needed annually from allocations

Divided by 12 = $60 is monthly allocation

If you have any active local ministries that have been given an annual budget, you can just take that budget and divide it by 12 and allocate that much.

Another way to use the budget allocations feature is to allocate by %.

Your board can choose what percentage of your church budget contributions will go to which ministries, and then your monthly budget allocations can be set up accordingly. This ensures that every department in the budget will get something, no matter how much money comes in. This method is a little bit trickier to set up, so if you want to use this option, please contact me for help.

**3) When you have your list and your numbers or %’s, you can set them up in Jewel.**

In Jewel, go to Home Page -> Maintenance -> Edit Budget Allocations.

If your church has never set up allocations before, in the “From” Account you would enter Church Budget (or local church budget, or combined budget, whatever your church calls your main unrestricted fund)

In the “To Account” box, begin entering the Local Funds that you want to have allocated. When you finish with one line, hit “enter” and a new line will be available. Or you can use the insert button to the right. Continue until you are done with the list you made up.

Don’t worry about what order you enter them. Jewel will end up reordering them numerically.

Jewel will ask for your “Total Annual Budget.” If you don’t know what that is, just enter an amount that is at least 12 times the monthly allocation total and you will be fine.

NOTE: The beauty of using Jewel Allocations is that they are very easy to edit. If, after a few months, it is obvious that a particular fund is being over or under budgeted, the board can vote it and you can change it in seconds. Just go to Maintenance/Edit Budget Allocations and change what is in the “amount” box and then click the green OK to save it leave.

Some expenses are seasonal and will fluctuate, but don’t let accounts build up thousands when you only need hundreds per year, and don’t let accounts go thousands of dollars in the negative without addressing the situation.

Also, if you have overfunded, you can, with board authorization, make a transfer to reverse part of the excess Church Budget allocation. Use the “Transfer Funds” button on Jewel’s home page and make sure the memo clearly indicates the purpose of the transfer.

As long as the funds originally came from Church budget, you can safely transfer them back into Church Budget.

So there you have it.

* Know what the needs are by knowing how much is being spent
* Know how much is coming in through offerings
* Budget accordingly, based on those two factors
* Adjust the budget for unexpected expenses
* Adjust the budget when the income changes
* Over and over throughout the year

And it is all dependent on accurate, consistent recordkeeping. Post to the correct accounts. Every time

* Keep a close eye on Financial Summary and its ending balances
* Do not make transfers without board approval – you don’t have that authority

That is all for our series on Church Budget Basics, I hope you learned something that will help make your ministry in the local church treasury easier and more effective.

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