THE
Episcopal
CHURCH

Manual of Business Methods
in Church Affairs

In accordance with Title I, Canon 7, "Of Business Methods in Church Affairs", and Resolution D-147 (1979 GC): "Accounting Principles and Practices for Dioceses, Parishes, and Other Congregations"

(Updated periodically as indicated at the end of each Chapter)

The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA
To the members of the Episcopal Church:

The Canons of the Episcopal Church set forth the general responsibility and accountability for the stewardship of the Church’s money and property. Title I, Canon 7 (pages i2 – i3 in this Manual) specifically addresses the business methods prescribed for every diocese, parish, mission, and institution subject to the authority of the Episcopal Church.

This Manual identifies requirements and seeks to provide helpful advice on sound, practical internal controls, accounting guidelines and business practices. We believe that it can be a tool that will support your efforts to perform the duties and responsibilities of your office. Sections of the Manual are updated regularly. The date of the latest update appears at the final page of each chapter.

As always, we welcome your comments, which help us with any future updates. Thank you for the opportunity to serve you and our Church.

Faithfully,

N. Kurt Barnes, Treasurer

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MANUAL OF BUSINESS METHODS IN CHURCH AFFAIRS

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Introduction: General Information The format and design of this manual should assist you in fulfilling the responsibilities for the financial oversight of a diocese or congregation. The accounting principles and practices described in this manual should be understandable to most readers. The concepts and terminology have been kept simple yet consistent with the demands of professional accounting principles.

Chapter I: Financial Management Budgeting is the allocation of the church’s resources, in accordance with a plan, for the achievement of its objectives and goals. The church budget is one of the most effective tools available for the proper stewardship of the church’s assets.

Chapter II: Internal Controls What type of bookkeeping system should we use? How many bank accounts do we need? Who should be able to sign checks? Who should deposit the weekly receipts in the bank, and how? These are just some of the questions to be answered when setting up an accounting system for a congregation. Such questions should be periodically reviewed.

Chapter III: Bookkeeping The accounting year for all Episcopal congregations and dioceses is January 1 through December 31, according to the Canons of the Episcopal Church, Title I, Canon 7, Section 1(i), which are included in the Introduction of this manual.

Chapter IV: Taxes and the Episcopal Church Timely and accurate compliance with all applicable Federal and State tax laws is an essential element of sound management of church finances. Federal and State governments have placed increased pressure on all governmental units to increase revenues through intensified application of existing tax laws to all types of organizations, including churches.

Chapter V: Clergy Discretionary Funds The Episcopal Church has developed these guidelines for the benefit of clergy, dioceses, congregations, institutions, and others with authority over funds of the Church. The purpose of these guidelines is to provide information and guidance in the structure and use of a class of temporarily restricted or designated funds generally known as clergy discretionary funds.

Chapter VI: Audit Guidelines for Congregations These audit guidelines were developed to assist auditors in performing the annual audit of the books of account of the congregations of the Episcopal Church. Annual audits are required by the Canons of the Episcopal Church for all parishes, missions, and other institutions. The primary purpose of an audit is to assure that financial statements are fairly stated. Any person handling the monies or investments of the church needs an audit to protect the church assets and him/her against suspicion of mishandling those assets. Similarly, rectors, vestries, vicars, bishop’s committees, treasurers and other persons in positions of responsibility may be liable for any losses which would have been discovered by an ordinary audit but were not discovered because they failed to have an audit conducted.

Chapter VII: Insurance Responsible stewardship demands protection of the Church’s people and property from certain risks. Title I, Canon 7 (6), states – “All buildings and their contents shall be kept adequately insured”, and Title I, Canon 7 (3), states – “Treasurers and custodians, other than banking institutions, shall be adequately bonded; except treasurers of funds that do not exceed $500 at any one time during the fiscal year.”
Chapter VIII: Parochial Reports Since the first General Convention of the Episcopal Church, congregations have provided a report of membership, baptisms, communicants, services and finances. In 1804 the Committee on the State of the Church was established to review this information and prepare a summary report to General Convention. The authority for the Parochial Report is described in the Constitution and Canons of the Episcopal Church, Canons I.6, I.7, and I.17. The text of these canons is included as an appendix to these instructions.

Chapter IX: Records Management This chapter offers guidelines on practical issues that treasurers and administrators of congregations will encounter with business records. The chapter includes a general retention schedule that can be modified and adopted for a congregation's use.

Appendix

Appendix A: Forms This appendix lists many forms commonly used by treasurers of congregations, and provides instructions for obtaining copies of them. Samples of some generic forms appear on the pages immediately following this Appendix.