
INSTRUCTIONS TO COMPLETING CHURCH FINANCIAL REPORT

Note: all amounts should be entered in whole dollars only!

ASSETS

1. CASH

A. Cash on hand

- Report currency on hand, which usually consists of petty cash.
- Generally, the Church should not hold large amounts of currency on hand and such amounts should be stored in a secured area.
- Cash on hand of less than \$100 need not be reported.

B. Unrestricted bank accounts

- Report the book (e.g., checkbook balance) of all bank accounts that are not restricted by the donor for a specific purpose or time period.
- All such accounts of the Church should be included, even if not included in internal Church reports, such as all committees, ECW, choir, altar guild, youth, men's and women's groups and discretionary funds.
- All bank accounts must be reconciled to the bank statement, with any adjustments made to the book balance as necessary as a result of the reconciliation process. The reconciled book balance should be reported here.
- Each individual account balance making up a pooled cash account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 1B, the restricted portion on line 1C, the endowment portion on line 1D, the portion held for others on line 1E).
- Money market mutual funds or brokerage cash type accounts appearing on brokerage statements with marketable securities may be included in line 2 (marketable securities) or on line 1.
- Bank accounts established by the Church for a specific purpose (i.e., not restricted by an outside donor) are, while designated, considered to be unrestricted and should be included on this line.

C. Church accounts that are restricted by a donor for specific purposes or time period

- Report the book (e.g., checkbook balance) of all bank accounts that are restricted by the donor for a specific purpose or time period.
- All such accounts of the Church should be included, even if not included in internal Church reports, such as all committees, ECW, choir, altar guild, youth, men's and women's groups and discretionary funds.
- All bank accounts must be reconciled to the bank statement, with any adjustments made to the book balance as necessary as a result of the reconciliation process. The reconciled book balance should be reported here.
- Each individual account balance making up a pooled cash account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 1B, the restricted portion on line 1C, the endowment portion on line 1D, the portion held for others on line 1E).
- Bank accounts established by the Church for a specific purpose (i.e., not restricted by an outside donor), if account income is generated from a donor-restricted gift and is unrestricted in use, are considered to be unrestricted and should be included on line 1B.

D. Bank accounts holding endowment gifts

- Report the balance of any bank accounts that comprise gifts from outside donors where the principal amount must be maintained in perpetuity
- Each individual account balance making up a pooled cash account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 1B, the restricted portion on line 1C, the endowment portion on line 1D, the portion held for others on line 1E).
- Usually endowment gifts are invested in marketable securities and reported on line 2(C).

1. **CASH (Continued)**

E. Cash held for others

- Report the balance of any bank accounts in which the Church is simply holding the monies for another party under a formal or informal custodial arrangement.
- All such accounts should be included, even if not included in internal Church reports.
- All bank accounts must be reconciled to the bank statement, with any adjustments made to the book balance as necessary as a result of the reconciliation process. The reconciled book balance should be reported here.
- Each individual account balance making up a pooled cash account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 1B, the restricted portion on line 1C, the endowment portion on line 1D, the portion held for others on line 1E).

2. **MARKETABLE SECURITIES (INVESTMENTS)**

A. Unrestricted

- Report the fair market value of investments that have no donor restrictions
- All such investments of the Church should be included, even if not included in internal Church reports, such as all committees, ECW, choir, altar guild, youth, men's and women's groups and discretionary funds.
- Each individual account balance making up a pooled investment account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 2A, the restricted portion on line 2B, the endowment portion on line 2C, the portion held for others on line 2D).
- This also includes unrestricted investments held by the Diocese on behalf of the Church.

B. Restricted by the donor for specific purposes or time period

- Report the fair market value of investments that represent gifts upon which **the donor** has placed purpose or time restrictions.
- All such investments of the Church should be included, even if not included in internal Church reports, such as all committees, ECW, choir, altar guild, youth, men's and women's groups and discretionary funds.
- Each individual account balance making up a pooled investment account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 2A, the restricted portion on line 2B, the endowment portion on line 2C, the portion held for others on line 2D).
- Do not include investments designated by the Church for a specific purpose or time period (i.e., not restricted by an outside donor). Investments designated by the Church are considered unrestricted and should be reported on line 2A.
- This also includes investments restricted by donors and held by the Diocese on behalf of the Church.

C. Restricted by the donor in perpetuity (endowment)

- Report the fair market value of investments that are comprised of gifts from **outside donors** where the principal amount must be maintained in perpetuity.
- Each individual account balance making up a pooled investment account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 2A, the restricted portion on line 2B, the endowment portion on line 2C, the portion held for others on line 2D).
- As Virginia has adopted the Uniform Prudent Management of Institutional Funds Act, only the original gift amount must be maintained in perpetuity. Only the original gift amount should be reported here, if known. Any appreciation over the original gift should be reported on line 2A if the endowment income is unrestricted and on line 2B if purpose or time restricted.
- This also includes endowment investments held by the Diocese on behalf of the Church.

2. MARKETABLE SECURITIES (INVESTMENTS) *Continued*

D. Held for others

- Report the fair market value of investments in which the Church is simply holding the monies for another party under a formal or informal custodial arrangement (i.e., the Church is not entitled to the principal or investment income).
- All such investments should be included, even if not included in internal Church reports.
- Each individual account balance making up a pooled investment account should be reported as if it were a separate account (i.e., the unrestricted portion would be reported on line 2A, the restricted portion on line 2B, the endowment portion on line 2C, the portion held for others on line 2D)

3. RECEIVABLES

A. Pledges receivable - pledges still owed for the year

- Report the total amount of pledges made for the year ended December 31 that have not been collected as of December 31.
- Do not include pledges that are doubtful of collection. Only include amounts reasonably expected to be collected

B. Other receivables

- Report any other amounts that are receivable by the Church as of December 31 and describe the nature of those receivables
- Only include amounts which the Church reasonably expects to collect.
- Do not include amounts that depend on the Church doing something after December 31 in order to earn such amounts

4. MORTGAGES RECEIVABLE

- Sometimes Churches will enter into mortgages in connection with clergy housing.
- Report the principal balance outstanding of any mortgages receivable by the Church.

5. PROPERTY AND EQUIPMENT

- If detailed property records are not maintained, this section does not have to be completed. However, the Diocese recommends developing such records especially for insurance purposes.
- If detailed property records are maintained, indicate whether the amounts reported for each property are based on
 - historical costs
 - estimated value
 - appraised value
- If depreciation is calculated on property and equipment, enter the total accumulated depreciation on line 5E. If depreciation is not calculated by the Church, leave line 5E blank.

6. OTHER ASSETS

A. Vested interest in perpetual trusts

- A perpetual trust is a situation where a donor establishes a trust, typically with a community foundation or bank trust department, the income from which is regularly distributed to one or more beneficiaries.
- The value of the Church's interest in the trust can be determined by calculating the present value of estimated income to be retained in the future, or by multiplying the fair value of the underlying investments by the Church's share of the trust. This information can be obtained from the trustee.

6. OTHER ASSETS (Continued)

B. Vested interest in charitable annuity trusts

- A charitable annuity trust is a trust, typically held by a bank trust department, in which an individual or individuals are initial income beneficiaries and, when they die, the Church receives the remaining assets in the trust.
- These trusts should be reported by the Church at the present value of the expected trust payout. As this requires many assumptions including investment growth and life expectancy of the stated beneficiaries, it is recommended that the Church consult the trustee for this valuation. If the amounts involved in the trust are not expected to be significant, no value needs to be reported.

C. Other

- Describe any other Church assets not addressed above, and report the value on line 6C.

LIABILITIES

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A. Diocesan pledge payable

- Report here the amount of the Diocesan pledge that had not been paid to the Diocese by December 31.

B. Group insurance premiums payable to the Diocese

- Report amounts payable to the Diocese for group insurance coverage through December 31.

C. Property insurance premiums payable to vendor(s)

- Report amounts payable to vendor(s) for property insurance coverage through December 31.

D. Other accounts payable and accrued expenses

- Report the total of all amounts owed to others for goods received by the Church or services rendered to the Church on or before December 31 which were not paid until after December 31.
- The date on the invoice from the vendor is not relevant - what matters is when the vendor delivered the goods or services.
- If an invoice does not have a clean year end cut-off, report the prorated amount that applies to the period through December 31. For example, if there is an electricity bill for \$400 that covers the period from December 16, 20XX through January 15, 20XX, \$200 (i.e. one-half) would be included as an accounts payable.
- The easiest way to determine accounts payable is to review invoices supporting January cash disbursements, picking up as payables amounts the invoices show as pertaining to audit year.

8. ACCRUED PAYROLL

- Accrued payroll represents payroll for days worked through December 31 that were not paid to the employee until after the close of the audit year. For example, if an employee was paid (gross) \$500 for the period from December 27 through January 7, 5 of the 10 days, or one half, or \$250 would represent accrued payroll as of December 31.
- Accrued payroll is always measured using gross wages, not net pay.

9. PAYROLL TAXES PAYABLE/ACCRUED

- This amount consists of 2 items:
 - Payroll taxes and withholdings for payroll paid on or before December 31.
 - Employer's payroll taxes only on accrued payroll.
- In computing the employer's payroll taxes on accrued payroll, simply follow the same calculation as with accrued payroll described above. For example, if the employer payroll taxes for the payroll example for line 8 were \$38, the same one-half prorating would yield accrued payroll taxes of \$19.

10. DEFERRED CONTRIBUTIONS/REVENUE

- Report any contributions received prior to December 31 that relate to audit year or later years.
- Report any revenue received prior to December 31 that will not be earned until after December 31 of the audit year.

11. NOTES PAYABLE - NOT SECURED BY PROPERTY OR EQUIPMENT

- Report the principal balance of loans which are not secured by property and equipment.
- Loans secured by other items such as pledges receivable would be reported here.

12. NOTES PAYABLE - SECURED BY PROPERTY OR EQUIPMENT

- Report the principal balance of loans which are secured by property and equipment.
- Typically, this would include loans used to finance the acquisition of property such as real estate mortgages, vehicle loans, copier or telephone system loans.

13. FUNDS HELD FOR OTHERS

- Do not enter an amount on this line.
- The template will post the total of lines 1E and 2D on this line.

14. OTHER LIABILITIES

- Describe any other Church liabilities not addressed above, and report the value on line 14.

15. OTHER INFORMATION

- Enter total expenses reported on line G of the parochial report. This information is used to calculate the financial ratios.

NET ASSETS

Do not enter any amounts in this section. The template will make all necessary calculation based on the amounts inputted for assets and liabilities.

FINANCIAL RATIOS

Do not enter any amounts in this section. The template will make all necessary calculations based on the amounts inputted for assets, liabilities, and expenses.