

June 2022 from Your Congregational President

Declaring & Teaching - Jesus is Lord!

Ephesians 3:16-19

“That He (Our Lord) would grant you, according to the riches of His glory, to be strengthened with power through His Spirit in the inner self, so that Christ may dwell in your hearts through faith; and that you, being rooted and grounded in love, may be able to comprehend with all the saints what is the width and length and height and depth, and to know the love of Christ which surpasses knowledge, that you may be filled to all the fullness of God.”

Season Update

It is official, Covid is over, because now people at St. Paul want to talk about money again. Let's jump right in and talk about money. Where to start, how about **Restricted Funds** and **Board Designated Funds**. For those who may be unfamiliar St Paul generally follows the guidelines outlined in the LCMS Congregational Treasurers Manual, this can be found online for anyone interested. At the May council meeting, council unanimously approved a resolution to release certain board restricted funds consistent with its responsibility to the voters to effectively manage the business affairs of the church.

Why did council vote to do this? Council has been advised that we have excessive liabilities for the amount of cash we have “on-hand” to cover our liabilities. To correct the situation we needed to increase our available cash or decrease our liabilities.

Does council have the authority to act in this manner? Board Designated Funds yes, Donor Restricted Funds no.

Did the council consider Donor Restrictions when acting to release the Board Restricted Funds?

The motion on the May council agenda read as follows:

- “Below is a list of Funds that are believed to be Board Designated, The Financial Secretary will be asked to verify that there are no Donor Restrictions on these funds and User Groups (Boards) and Council will make a final determination to release some portion or all of these funds.”

The answers is yes and no. Using the best information available at the time, the council approved release of \$50,605.78 contingent on approval of the Boards of Education and Children Youth and Family.

Why did the Council feel a need to act without receiving input from all of the stake holders?

Council had received an email from a former Treasurer of the congregation indicating he believes the church is in violation of the law by not maintaining a positive cash balance and that he was considering contacting the IRS and the Oregon State Attorney General regarding this matter. In order to be compliant with this, we acted in our church's best interest.

Where do we go from here? There are some who want to revisit the action of the council for some of the funds that may have been given with donor restriction. Great! Let's get started.

Section 23.740 on page 245 of the **LCMS Congregational Treasurers Manual** recommends the following:

34000 Temporarily Restricted Funds — Net Assets with Donor Restrictions (temporary):

- Temporarily restricted support, revenue, and gains are items of income that have been directly or indirectly restricted by the donor. Internal designations by management or the Church Council are not restrictions and are not to be reflected as temporary restrictions.
- Direct or express restrictions by a donor include notations on the face of a check, an accompanying letter or note, a donation for a campaign with specific purpose, etc.
- Indirect, or implied restrictions by a donor are not stated and do not restrict the use of a gift to a specific purpose.

INTERNAL CONTROL CONSIDERATIONS (as listed on pgs. 245-246):

1. All material temporarily restricted gifts should be supported by documentation from the donor.
2. Separate records should be maintained for each temporarily restricted gift to provide assurance that the gifts are utilized for the intended purpose.
3. When qualifying expenditures are incurred, the temporarily restricted item must be released in equal value or entirely.
4. Unexpended temporarily restricted net assets must be held as such until qualifying expenses have occurred.
5. If a temporarily restricted gift is received after the start of a fiscal year, previous qualifying expenses for that same fiscal year may be utilized to offset the gift.
6. Items 6 and 7 are not material to our discussion.
8. If financial statements are presented in conformance with GAAP, all expenses of the congregation should be recorded as unrestricted per SFAS 117. Additionally, any unrestricted expenses that meet the restrictions of any temporarily restricted net asset accounts will cause those temporarily restricted net assets to be reclassified to unrestricted revenue-net assets released from restriction. The business manager or other individual with a good understanding of both the expenditures and temporarily restricted net assets **should review both each month and release the temporarily restricted net assets accordingly.** Underline and bold added for emphasis.
9. A congregation may not "borrow" from temporarily restricted net assets. That is, for all temporarily restricted net assets the congregation must have cash or liquid investments to meet those restrictions. The business manager should regularly review temporarily restricted net assets and determine whether adequate cash and cash equivalents exist to fulfill those restrictions.

How does St Paul manage its Board and Donor Restricted Funds? Item 8 indicates that "The business manager or other individual with a good understanding of both the expenditures and temporarily restricted net assets should review **both each month** and **release** the temporarily restricted net assets accordingly."

Managing Funds

Traditionally, this role has been performed by our Treasurer. How have we been doing? Our Financial Secretary does a great job of seeing that donations are classified correctly and sends a spreadsheet on a monthly basis to our bookkeeper with the codes for any designated funds that have been received that month.

Releasing of Temporarily Restricted Funds? We continue to add funds but rarely do we release the funds. The LCMS Treasurer's manual indicates this is to be done on a monthly basis. Since becoming President in January of 2019, I'm aware of only one update or release of the temporarily restricted funds that was documented in the October Council Meeting minutes in a file attached to the minutes titled, "St Paul Update on restricted funds balances as of June 30 2021." These adjustments were made on our accounting ledger with an effective date of December 31, 2021. So we have had one update in three and a half years.

What is a good example of a fund that has not been maintained?

Acct. # 2575 Senior Saints - January 1, 2019. Our official church records currently show the last transfer out of this account as October 31, 2019. There are two journal entries putting money into this account dated December 31, 2021, that is not when the funds were received, just when the treasurer posted it.

Research will need to be done to identify what the purpose of these funds are and if there are any "unrestricted expenses that meet the restrictions" of these funds as noted in Item 8 above.

Transaction Report - January 1, 2019 - May 26, 2022				
Acct. # 2575 Senior Saints				
Date	Transaction Type	Memo/Description	Amount	Balance
Beginning Balance 1/1/2019				2,918.32
07/01/2019	Journal Entry	transfer to restricted liability	-3,548.93	-630.61
07/01/2019	Journal Entry	transfer to restricted liability	9,350.78	8,720.17
10/31/2019	Journal Entry	Release of Senior Saints Restricted Income	-5,493.02	3,227.15
03/09/2020	Check	Cleaning for Carla Hannaford	-120.00	3,107.15
12/31/2021	Journal Entry	Senior Saints	1,403.65	4,510.80
12/31/2021	Journal Entry	Senior Saints	1,364.65	5,875.45

How do we proceed from here? A committee will be created to discern the details and/or need to re-establish the balances of any restricted funds. The President will appoint the chairperson of the committee who will also serve as the business manager identified in item 8 above. The resolution by council will stand as approved and will be implemented.

Blessings,
Tim Grace