

## HELPFUL REMINDERS - CONGREGATIONAL FINANCIAL ISSUES

This document provides some basic information on the following financial topics:

- Restrictions on transferring church property to other organizations
- The church is not a club – membership does NOT have its privileges
- Restrictions on transferring or borrowing from restricted funds
- Congregational investments
- Worker compensation - requirements and other considerations
- Employee gift regulations
- Registered Charity Information Return (T3010)
- Monthly Remittances to the Synod Office
- Pre-authorized remittance option (PAR) for congregational benevolence remittances
- Eastern Synod undesignated donations/bequest policy
- Summary of financial information posted on the Eastern Synod website
- Protecting congregational financial assets
- Assistance available to congregations receiving a bequest

### **Restrictions on transferring church property to other organizations**

A congregation is not permitted to transfer property (e.g. cash, food, clothing, etc.) to other organizations unless that organization is a Canadian registered charity and has purposes similar to those of the congregation (even if no income tax receipts are issued to the donor).

### **The church is not a club – membership does NOT have its privileges**

A member of the congregation may not receive special benefits that are not made available to non-members. As examples, the following must not discriminate against non-members: fees for weddings or funerals, free admittance to a dinner, the right to be buried in a cemetery owned by the church, financial hardship assistance, etc.

## **Restrictions on transferring or borrowing from restricted funds**

When a donor has designated that a donation be used for a specific purpose, not only must the fund be used for that purpose, but all income earned by that fund must also be used for that same purpose. Temporary loans made against that fund for a different purpose are not permitted unless agreed to by the donor in writing at the time the donation was made.

## **Congregational investments**

Congregations are permitted to invest in a wide variety of investment vehicles (e.g. stocks, bonds, mutual funds, GICs, etc.), provided that a “prudent investor” would make similar investment decisions. Provincial trustee acts require that eight mandatory criteria be considered when making investment decisions. If your congregation has assets in excess of \$25,000 you may wish to consider having these managed by The Evangelical Lutheran Foundation in Eastern Canada (ELFEC) – refer to [www.elfec.ca](http://www.elfec.ca) for further details.

## **Worker compensation - requirements and other considerations**

In Ontario (WSIB) and most provinces, enrolling employees in provincial worker compensation plans is optional for most religious organizations (and may duplicate existing coverage). Congregations currently enrolled in these types of plans may terminate their membership by contacting the appropriate organization in their province. Note that a “termination premium” may be charged when exiting the plan.

Regardless of whether a congregation is enrolled in a worker compensation plan or not, in Ontario and most other provinces regulations require a congregation to obtain a clearance certificate for all vendors they are contracting with prior to the start of any construction (e.g. building, new roof, siding, electrical work) activity . Failure to do so could result in significant fines and other penalties. Clearance certificates for non-construction tasks (e.g. custodial work, catering, furnace repairs, etc.), although not mandatory, are highly recommended to reduce potential financial liability.

## Employee gift regulations

CRA's policy is that all "cash gifts" (and "near-cash gifts" such as gift cards) made to employees (e.g. the pastor) are taxable benefits, even if no donation receipts are given to the donors and even if no money flows through the congregation's books.

For restrictions on "non-cash" gifts to employees, refer to the CRA's [Policy for non-cash gifts and awards](#).

## Registered Charity Information Return (T3010)

As a registered charity, your congregation is required to complete and file the Charity Information Return (form T3010). ***This return must be completed annually and received by CRA within six months of fiscal year end*** - for most congregations this means that the T3010 for 2015 must be filed no later than June 30<sup>th</sup>, 2016. Charities failing to file on time are at risk of being fined and/or losing their charitable status (and hence, their ability to issue tax receipts for donations).

In particular, please take note of the following tips for some sections that may be particularly confusing:

- **Section A1** – Box 1510 should be ticked off as "Yes". In the box immediately below, indicate "Eastern Synod of the ELCIC" and BN = "107273666RR0002".
- **Qualified Donee Worksheet** – When filling in the section pertaining to your congregation's remittances to the Eastern Synod (e.g. benevolence, CLWR, WLS, etc.), note that according to CRA's definition, the Eastern Synod and your congregation are not "Associated Charities". Hence the "Associated Charity box should be ticked off as "No".
- **Section C5 (and associated schedule 7)** - In 2012, new legislative measures were introduced requiring that registered charities provide more details about their political activities in their 2015 return. For more information refer to [CRA's Political Activities Self-Assessment Tool](#).

- **Section C9 (and associated Schedule 3)** – The compensation amount for each employee includes not only salary, but also the housing benefit (if applicable) as well as all employer contributions for CPP, EI, the ELCIC Pension Plan, the ELCIC Benefit Plan, Workers Compensation, etc.

### **Monthly remittances to the synod office**

Congregational treasurers are strongly encouraged to make regular monthly contributions to the synod during the year.

Please note the following with respect to the remittance form:

- Be sure to use the remittance form and quote your four digit congregational number for every remittance to ensure proper credit.
- Several years ago the Global Hunger and Development Appeal (GHDA) was amalgamated into Canadian Lutheran World Relief (CLWR) and no longer exists as a separate appeal. You should use the “CLWR Unspecified” line (account 2630-3000) when recording donations that would have been credited to GHDA in previous years.
- In the case of designated offerings intended for a specific campus/student ministry location, record your donation under “Campus Ministry and specify the location (e.g. Atlantic, Toronto, London, Waterloo, etc.). If no designation is specified, these offerings will be allocated to general ministries on campuses and/or with students.

Many members are using their congregational offering system as a means of donating to special projects of the church at large. Therefore it is important that these gifts be forwarded as soon as they are received. A list of church related gifts that should be forwarded through the synod office is included in *The Treasurer’s Information Booklet*. ***Please direct any other special offerings that are received through your congregation (i.e. non-synodical or non-ELCIC causes that are not included on the remittance form or indicated in the Treasurer’s Booklet) directly to the organization involved, rather than channeling them through the synod office.***

## **Pre-authorized remittance option (PAR) for congregational benevolence remittances**

Your congregation may be using the PAR (Pre-Authorized Remittance) program to provide a convenient means for your members to make their regular offerings to your congregation. This same convenience is available to congregations. PAR, a program administered in cooperation with the Department of Stewardship Services of the United Church of Canada, provides a reliable method for you to remit benevolence offerings to the Eastern Synod by electronic transfer from your congregational bank account.

The cost of the program is covered by the synod. Withdrawals are made on congregation's bank account on the 20<sup>th</sup> of each month, or the following business day if the 20<sup>th</sup> falls on the weekend. The Eastern Synod's accounts are credited on the same day.

Information about the [PAR program](#) is posted on the Eastern Synod website. For further information or to participate in this program, please contact Sue Heimpel ([sheimpel@elcic.ca](mailto:sheimpel@elcic.ca)) and request an enrolment form.

## **Eastern Synod undesignated donations/bequest policy**

In 2013 Synod Council established the following policy related to undesignated gifts and bequests:

10% of all external undesignated gifts and bequests in excess of \$5,000 will be designated to the ELCIC or other national / international expression of the church.

This policy of tithing a portion of undesignated gifts aligns with a similar policy established by our national church whereby the ELCIC allocates 10% of the undesignated gifts that it receives to Lutheran World Federation.

The Eastern Synod Council encourages your congregation to consider modelling these policies by sharing a portion of the unrestricted gifts you receive to support the ministries of the synod and/or other expressions of the wider church.

## Summary of financial information posted on the Eastern Synod website

Congregational treasurers and others involved in congregational financial matters are encouraged to periodically browse through the resources available in The “Treasurer and Financial Information” section (click on the orange button in the centre of the home page) of the Eastern Synod website ([www.easeternsynod.org](http://www.easeternsynod.org)). Information that you may find useful includes:

- **News Updates** – This section includes a monthly report from the Eastern Synod Treasurer on benevolence offerings received from congregations and various financial and/or regulatory updates of interest to congregations
- **Forms** – This section includes both a printable and a fillable PDF version of the congregational benevolence remittance form
- **Eastern Synod Budget and Audited Financial Statements**
- **Other Financial References**

## Protecting congregational financial assets

Information reminding congregations of the importance of strong financial controls and practices is posted on the synod’s web site (see “[Protecting the Congregation’s Finances](#)”).

## Assistance available to congregations receiving a bequest

Synod Council requests congregations to notify the Director of Lutheran Planned Giving if they receive notification that they are to share in the distribution of an estate along with the Eastern Synod or another church-wide agency (e.g. CLWR, Waterloo Lutheran Seminary, one of the church camps, etc.). By taking this additional step, not only will the congregation benefit from additional expertise, but this will also facilitate a coordinated response to the executor of the estate prior to signing a release. The Director of Lutheran Planned Giving, Jeff Pym, can be contacted by email ([jpym@elfec.ca](mailto:jpym@elfec.ca)) or by toll-free phone (1-888-308-9461).