



QuickBooks Online for churches, synagogues, and other houses of worship

Barbara Starley, CPA

#QBConnect | WiFi: QBConnect

OWN
THE
FUTURE

Today's speaker

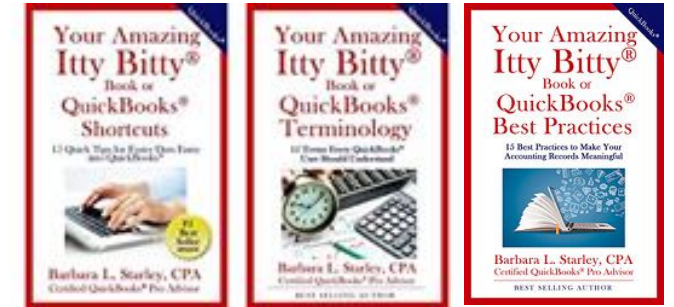


Barbara Starley, CPA

On-Call Controller™

Founder, Good Steward Church Academy®

@BizTools4You



CPE Process

In order to receive CPE credit

- Be sure to sign in or scan your badge for this session
- You must stay in the session for the duration of the training
- This session is eligible for **1 hour of CPE**
- CPE certificates are emailed directly to you within 4 weeks of the conference date to the same email address you used to register

Can we agree on terminology?

In the interest of time and efficiency of presentation, and, of course, meaning no disrespect.....

Church

- Synagogue
- Tabernacle
- Temple
- Mosque
- Parish
- Other Houses of Worship

Pastor

- Minister
- Priest
- Reverend
- Rabbi
- Person of the Cloth
- Clergy

This list is not all-inclusive.

Church Leadership

- Governing Board
- Elders
- Council
- Bishop
- Overseers
- Vestry
- Diocese/Synod



**Accounting for churches and non-profits
is a whole different ballgame than
commercial accounting!**

FreeChurchAccounting.com



Churches are a unique type of non-profit

Churches

Focus is “missions” & “ministry”

Funded primarily by Donations

Exempt from taxation via 501(c)3

Does not have to apply for tax exemption*

Form 990 not required

Other non-profit organizations

Focus is “programs” & “social causes”

Funded by Fund Raisers & Grants

Tax exemption code section may vary

Must apply for tax exemption

Form 990 required

* “There’s no question that it’s good for a church to get the 501(c)3 designation. It cleans up all the loose ends.” JohnH



Connect with your
neighbor:

How many churches
have you worked with?

#QBConnect | WiFi: QBConnect



Disclaimer:

What you are about to see may not be GAAP or GAAS - but it's understandable - which, in my opinion, is more important.

Note: All the information is available to easily convert to GAAP, if needed.



Foundational QuickBooks Online (QBO) differences – Church vs non-profits

This set-up is my philosophy based on what seems to work best for my church clients.

Churches

Donor are often individuals/family units

Separate Donor for non-deductible income

Classes used for locations (or church/school)

Ministry Depts set-up as header accounts

Program tracking through Dept. mini-P&Ls

Other non-profit organizations

Donors are often large organizations

Donors often have sub-donor agencies

Classes used to track Programs (Grants)

Functional areas set-up as header accounts

Project tracking through Projects

* Focus for this session is churches.

QBO + TechSoup = Price savings for 501(c)3s

Prices shown are accurate as of this writing, but subject to change.

QuickBooks Online Advanced, 1-year Subscription, 25 users

Yearly Admin Fee paid to TechSoup: \$150

QuickBooks Online Plus, 1-Year Subscription, 5 users

Yearly Admin Fee paid to TechSoup: \$50

Donor Partner: Intuit

ADVISOR TIP: Be sure to check organization's eligibility & software availability before suggesting to client.

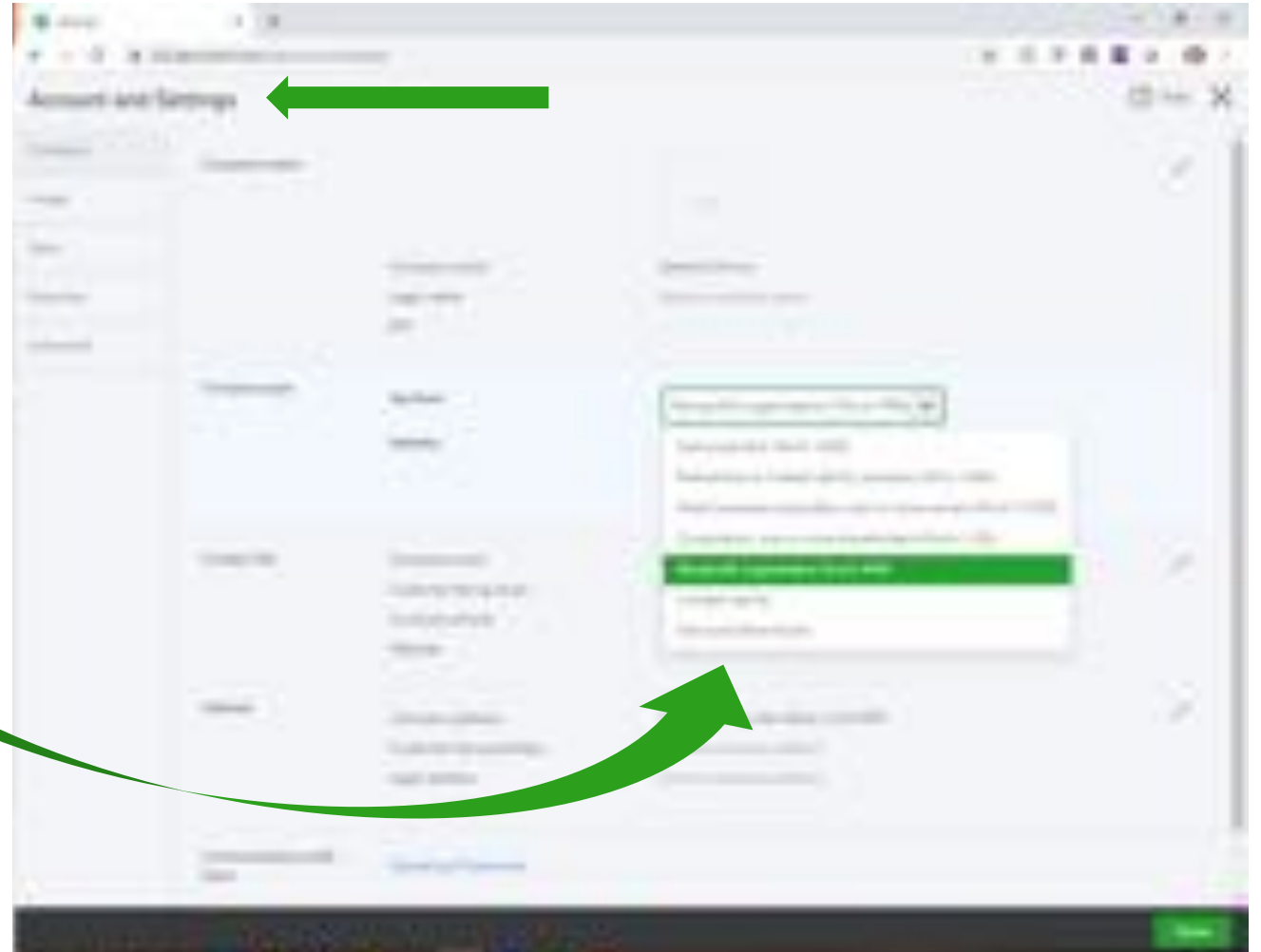
Account and settings

Company Tab

Change “Company type”

Nonprofit organization (Form 990)

SAVE



Account and settings

Advanced Tab

“Other Preferences”

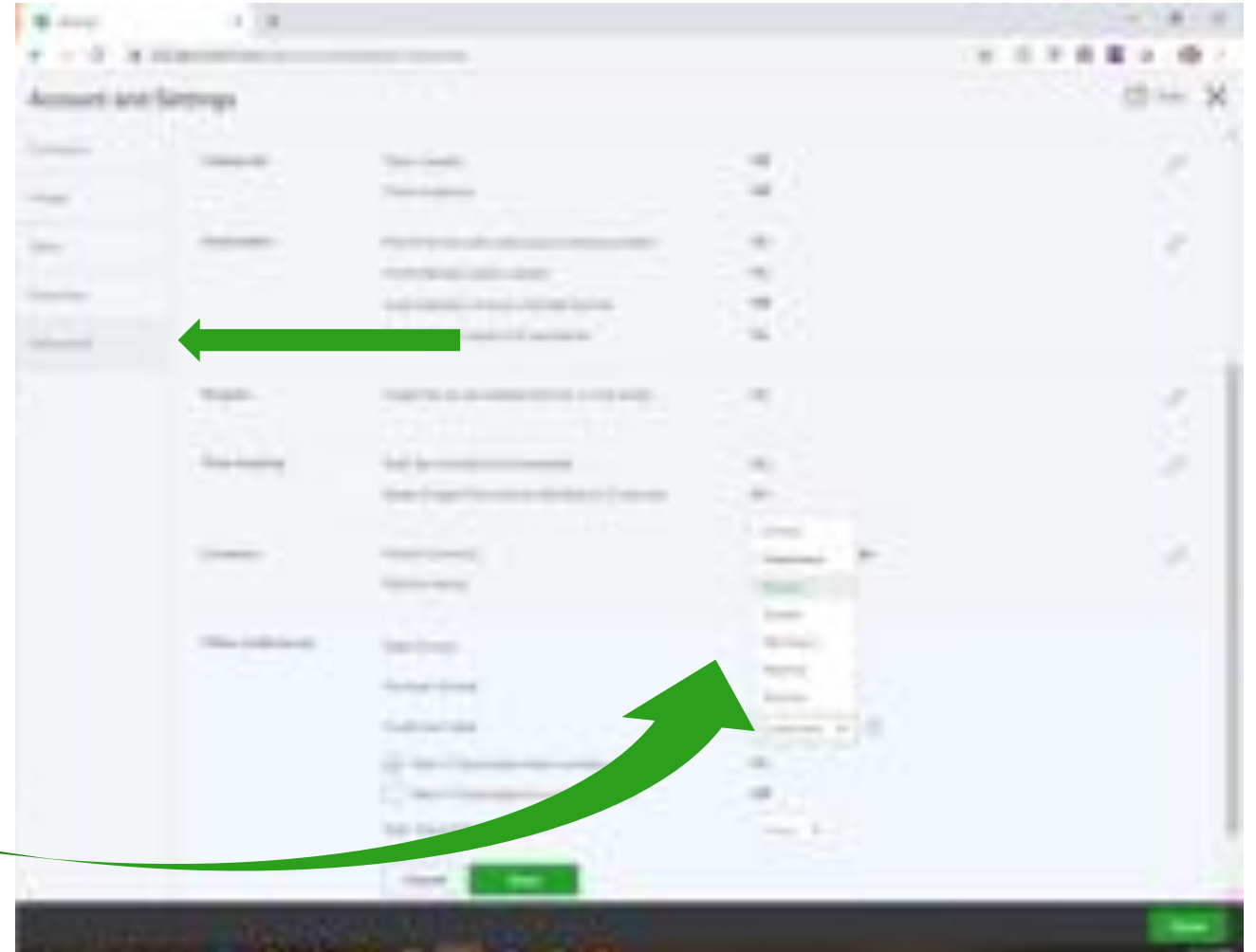
Customer Label

Change to “Donors”

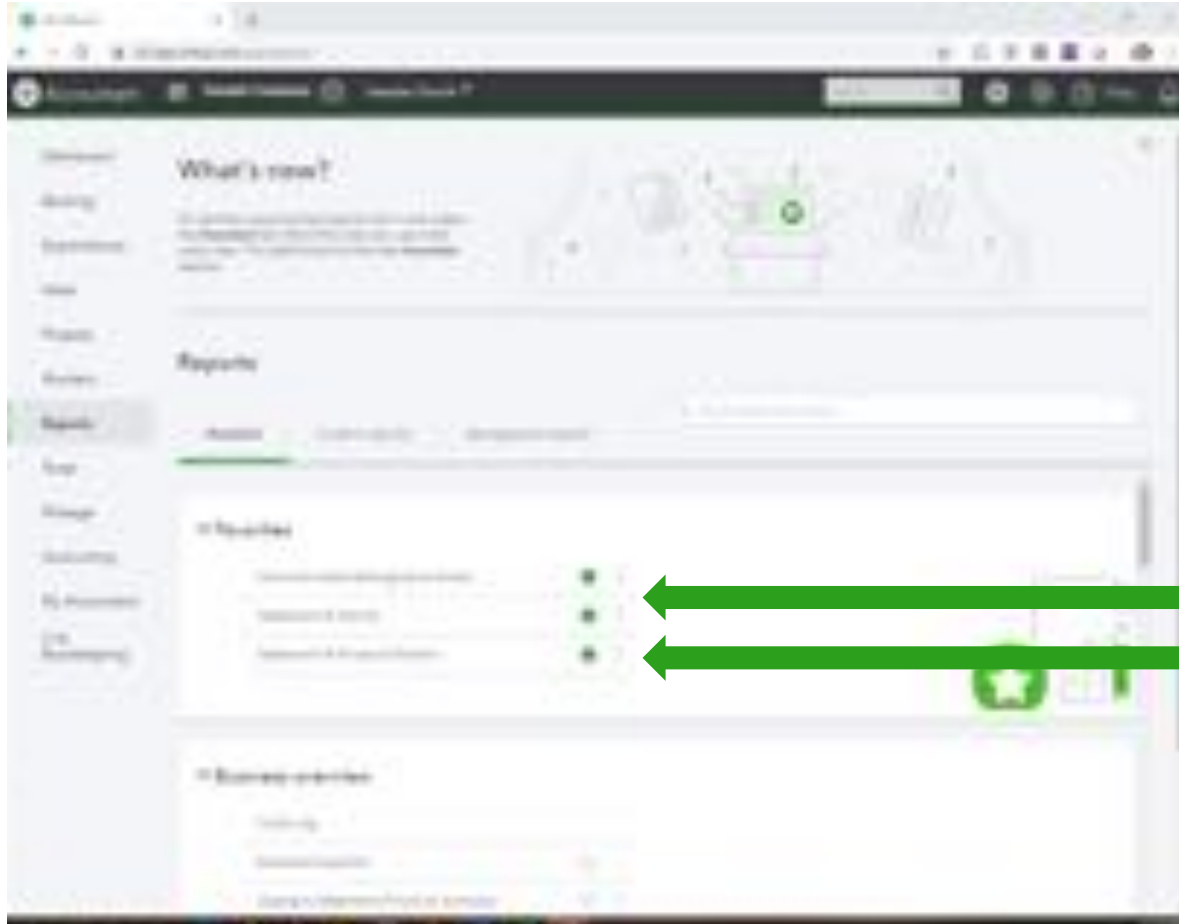
SAVE

and

DONE



Report titles change automatically!



Profit & Loss becomes

Statement of Activity

Balance Sheet becomes

**Statement of Financial
Position**

Agenda

Income “buckets”

Reporting & budgeting

Personnel

- Staff, other than Pastors
- Pastors
- Volunteers & independent contractors

Communication – The numbers & beyond



Income “buckets”

Three types of funds collected.

General fund

Not Designated/Restricted
Tithes, Offerings, Donations
Subject to Sales Tax?
Subject to UBIT*?

General

Designated funds

Camp Registrations
Missions Trips
Special Collections
Benevolence

Designated

Restricted funds

Building Funds
Memorial Funds

Restricted



ADVISOR TIP: Separate Donor-Restricted vs Board-Restricted Funds

Breakout Session @ 2:30: Understanding UBIT Taxes & New Laws

Handling general (un-restricted) funds

REPORTS – Statement of Activity



A blurred screenshot of a QuickBooks Statement of Activity report. The title at the top is "Sample Church Statement of Activity". The report is organized into columns for "Account", "Debit", and "Credit". The "Account" column lists various categories such as "Revenue", "Expenses", "Transfer Out", and "Transfer In". The "Debit" and "Credit" columns show corresponding monetary values. A large green arrow points from the "Revenue" section of the report towards the "REVENUE = Unrestricted" box on the right.

REVENUE = Unrestricted

General Offerings

Loose Offerings

Tithes & Offerings

ADVISOR TIP:

COGS for a church?

Synod Support

Merchant Fees

Handling designated (temporarily restricted) funds

Beware! Not all designated & restricted funds are tax deductible.



How will you record funds?

- Is it INCOME?
- Is it OTHER INCOME?
- Is it a LIABILITY?
- Is it a CASH sub-account?
- Is it an EQUITY Adjustment?

Income “buckets”

Are there too many buckets?

General fund

- Personnel
- Mortgage/Rent
- Facilities
- Repairs & Upkeep
- Missions
- Ministries



Designated funds

- Camp Registrations
- Missions Trips
- Special Collections
- Benevolence
- VBS
- Women’s Ministry
- Grief Recovery
- Hurricane Relief



Restricted funds

- Building Funds
- Memorial Funds
- Endowment Funds



ADVISOR TIP: Possible communication and/or trust issues.

Handling designated (temporarily restricted) funds

REPORTS – Statement of Financial Position

Category	Sub-category	Value
Investment	Investment in equity	100.00
	Investment in debt	100.00
	Investment in real estate	100.00
	Investment in other	100.00
Operating	Operating income	100.00
	Operating expense	100.00
	Operating loss	100.00
	Operating profit	100.00
Financial	Financial income	100.00
	Financial expense	100.00
	Financial loss	100.00
	Financial profit	100.00
Tax	Tax income	100.00
	Tax expense	100.00
	Tax loss	100.00
	Tax profit	100.00



Current Liabilities

Outreach – General

Seniors Rock



Fellowship

World Hunger



ADVISOR TIP for Carryover Balances

P/Y Balance

+Collected

-Expended

=Ending Balance



ADVISOR TIP: Common in “congregational” churches.

Handling designated (temporarily restricted) funds

REPORTS – Statement of Financial Position, Current Year vs Previous Year



The image shows a blurred screenshot of a financial statement. Four green arrows point from the right side of the page towards specific rows in the table, likely indicating the 'P/Y Balance' line mentioned in the tip.

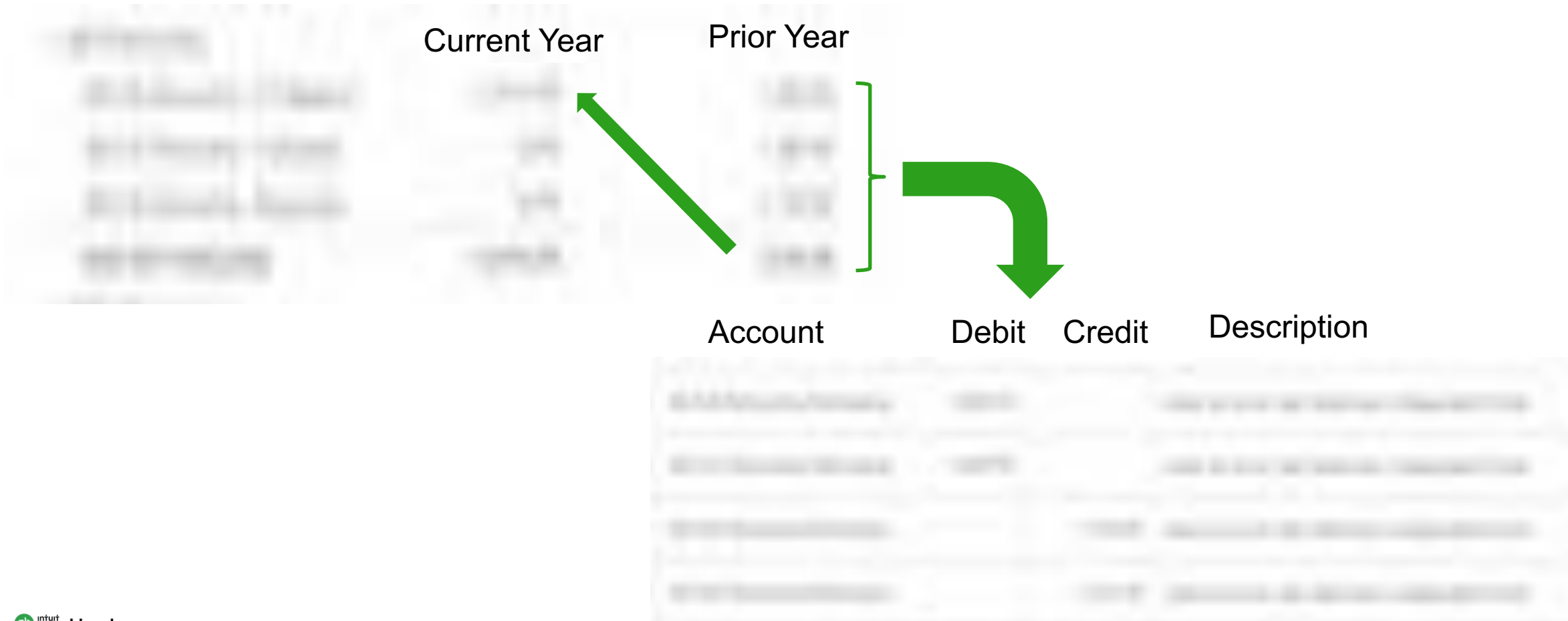


The image shows a screenshot of a 'Statement of Financial Position Report' form. A green arrow points from the text 'P/Y Balance' in the tip box to a specific field in the form, likely the 'P/Y Balance' line.

ADVISOR TIP for Carryover Balances
Close out prior year balances
and move prior year ending balance
to current year “P/Y Balance” line

Journal entry to roll-up prior year balance(s)

Journal Entry is made January 1 of Current Year



Release temporary restrictions

When event is complete move activity figures to statement of financial activities, using a Journal Entry.



SAMPLE VERBIAGE

“This church is a qualified 501(c)(3) organization. All tithes, offerings, or donations of any kind are deductible under IRC section 170(c)(2). Unless otherwise noted and in accordance with IRS regulation, you agree to relinquish control of the donated funds to the discretion of this church.”

ADVISOR TIP: If using liability option, watch for “negative” balances = overspending = expense.

Handling restricted funds

Beware! Not all designated & restricted funds are tax deductible.



How will you record funds?

- Is it INCOME?
- Is it OTHER INCOME?
- Is it a LIABILITY?
- Is it a CASH sub-account?
- Is it an EQUITY Adjustment?

Restricted funds

Assets should be set aside to accomplish the intention of the donor.



Liabilities (generally long-term, but not necessarily)



ADVISOR TIP: Use sub-accounts to identify donor-restricted vs board-restricted.

Agenda

Income “buckets”

Reporting & budgeting

Personnel

- Staff, other than Pastors
- Pastors
- Volunteers & independent contractors

Communication – The numbers & beyond



Statement of financial position

aka “Balance Sheet”

ADVISORY CONVERSATION

Is there a need for a compilation, review or audit*?

Why?

Are restricted funds physically separated from operating funds?

Are fixed assets (& depreciation) shown on Stmt. of Fin'l Position?

Are there negative balances showing for designated funds?

ASSETS	
Current Assets	
Bank Accounts	
Petty Cash	0.00
Cash in Bank	
Wells Fargo Market Rate Svgs	158,106.52
Wells Fargo Operating	20,515.08
Wells Fargo Bldg Fund	197,500.66
Savings	0.00
Total 10000 Cash in Bank	<u>\$ 376,122.26</u>
10180 Paypal	0.00
10190 SecureGive	0.00
Total Bank Accounts	<u>\$ 376,122.26</u>
Other Current Assets	
12000 Undeposited Funds	472.00
Disputed CC Charge	0.00
Employee Advance	34.05
Prepaid Expenses	0.00
Total Other Current Assets	<u>\$ 506.05</u>
Total Current Assets	<u>\$ 376,628.31</u>
Fixed Assets	
15000 Furniture and Equipment	24,677.27
Audio-Visual Equipment	31,612.89
Chairs	3,513.31
Portable Cabinets	15,285.98
Sound System	4,828.16
Stage Curtains	3,862.11
Total 15000 Furniture and Equipment	<u>\$ 83,779.72</u>
Total Fixed Assets	<u>\$ 83,779.72</u>
Other Assets	
18700 Security Deposits Asset	0.00
Total Other Assets	<u>\$ 0.00</u>
TOTAL ASSETS	<u>\$ 460,408.03</u>

*Power Panel@ 4pm: Best Practices for Handling Non-Profit Audits

Statement of activity

aka “Profit & Loss”

Ministry departments

Adult

Men

Women

Young Adult

High School

Jr. High School

Children

Nursery



Typical sub-accounts

Typical sub-accounts

Curriculum

Supplies

Meals & meetings

Event

- Event – Collected
- Event – Expended
- Net Event Income/Loss

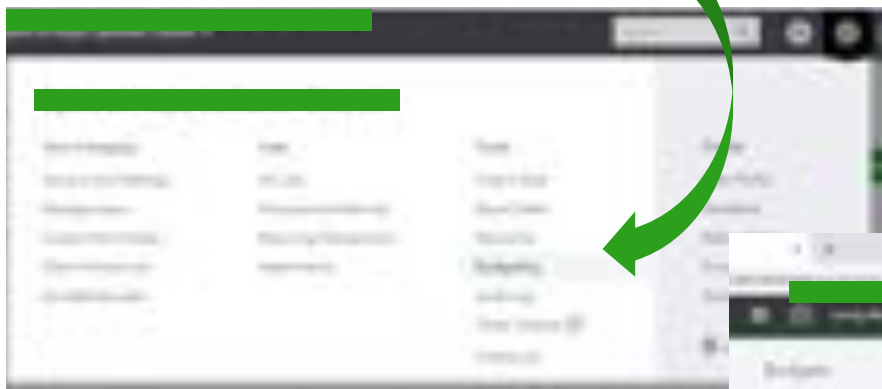


Mini “P&L”

ADVISOR TIP: Person responsible for the department should be part of the budget process.

Budgeting – Easy as 1-2-3!

GEAR – Tools - Budgeting



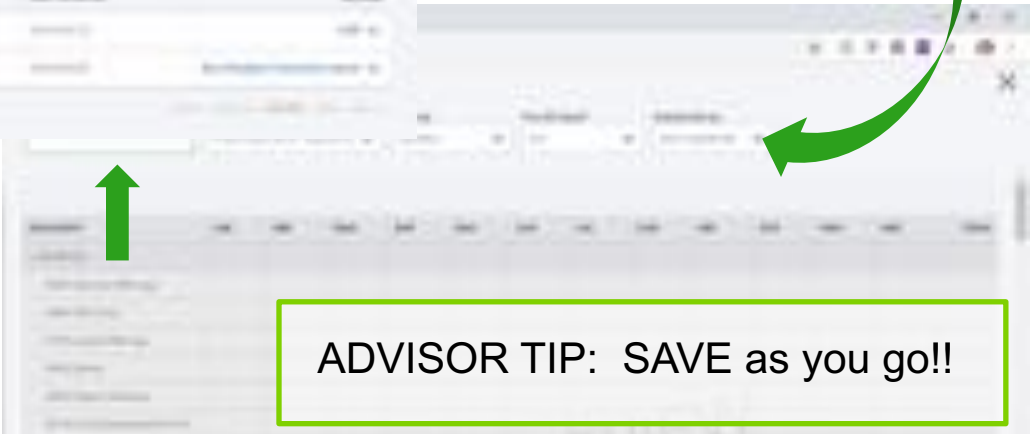
Add budget



Subdivide by class

Location

Church vs School



ADVISOR TIP: SAVE as you go!!

But wait! What about balance sheet items?

Consider using contra accounts “Below-the-Line”



Budget CASH Inflows & Outlays
Use “Customize Reports” to
Show only “Revenue & Expenditures”
Exclude “Other”

JOURNAL ENTRY to record:

Major purchases -> Fixed Assets

Principal Portion Only -> Reduces Debt

ADVISOR TIP: SAVE Customized Reports.

Agenda

Income “buckets”

Reporting & budgeting

Personnel

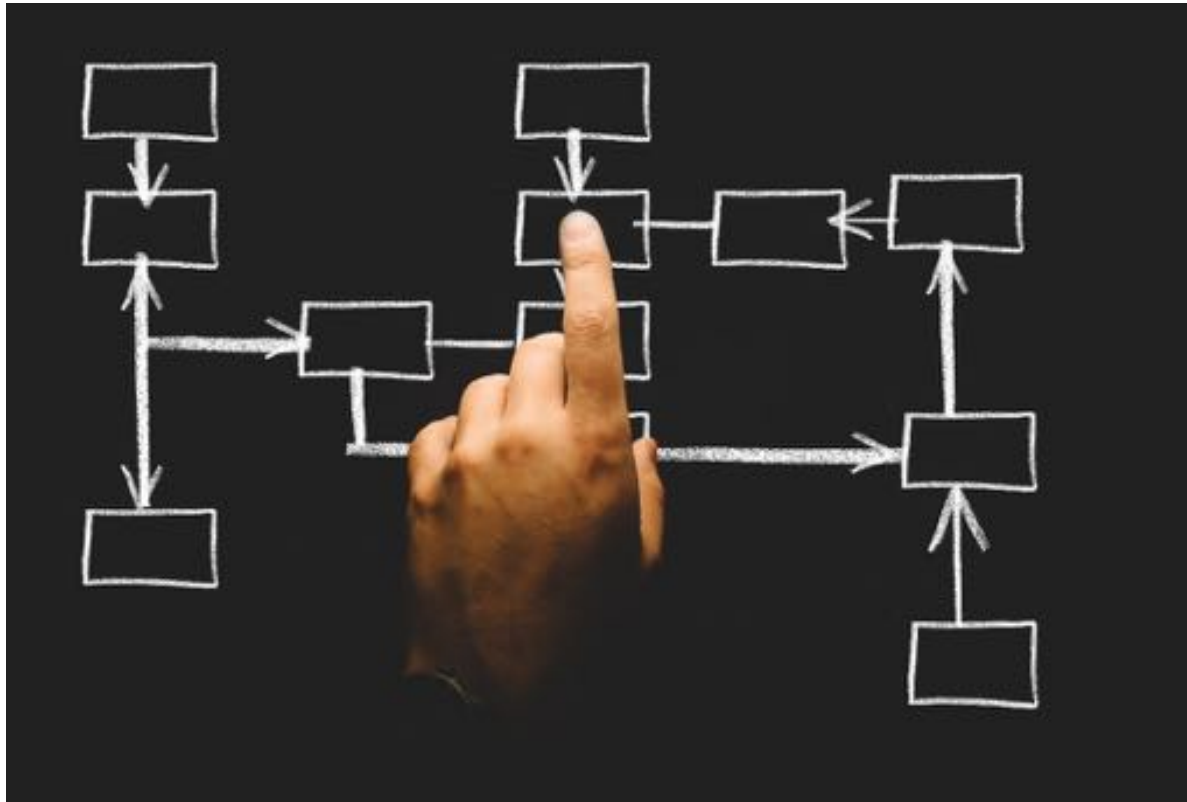
- Staff, other than Pastors
- Pastors
- Volunteers & independent contractors

Communication – The numbers & beyond



Staff, other than clergy (Pastor)

Churches are held to the same employment laws as any other employer.



What rules apply to churches?

- Employee selection/discrimination
- Immigration
- Worker Compensation
- Wage & Hour Laws
- Fair Labor Standards
- Typical Tax Withholding

ADVISOR TIP:

Churches are not generally subject to unemployment taxes. Check with state.

Add to Employee Handbook.

Set-up employees with timesheet only access

GEAR – Your Company – Manage Users

The process involves the following steps:

- Step 1:** Access the 'Manage Users' page via the GEAR icon, then 'Your Company', and 'Manage Users'.
- Step 2:** Click the 'Add user' button.
- Step 3:** In the 'Add new user' form, enter the employee's details. The required fields are:
 - First Name
 - Last Name
 - Email (User ID)
- Step 4:** Under 'Select user type', choose 'Time tracking only'.

Independent contractors

If it looks like a duck...



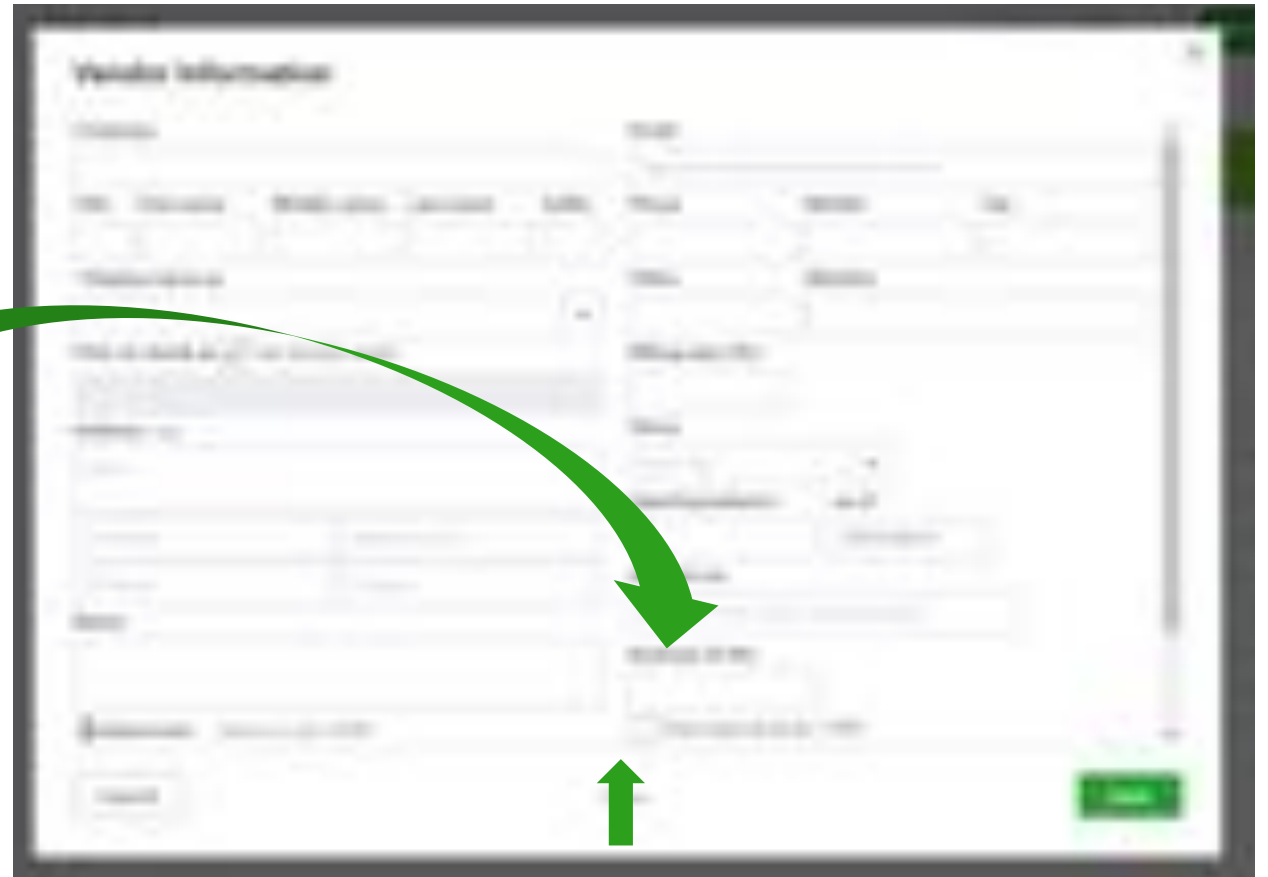
Relevant factors:

- Control over how work is done
- Control over equipment provided
- Control over pay/pay schedule
- Contractor is “in business”
- Opportunity for profit or loss
- Permanency of relationship
- Relationship believed to be created

ADVISOR TIP: IRS guidelines pertain to churches.

Independent contractors = vendors

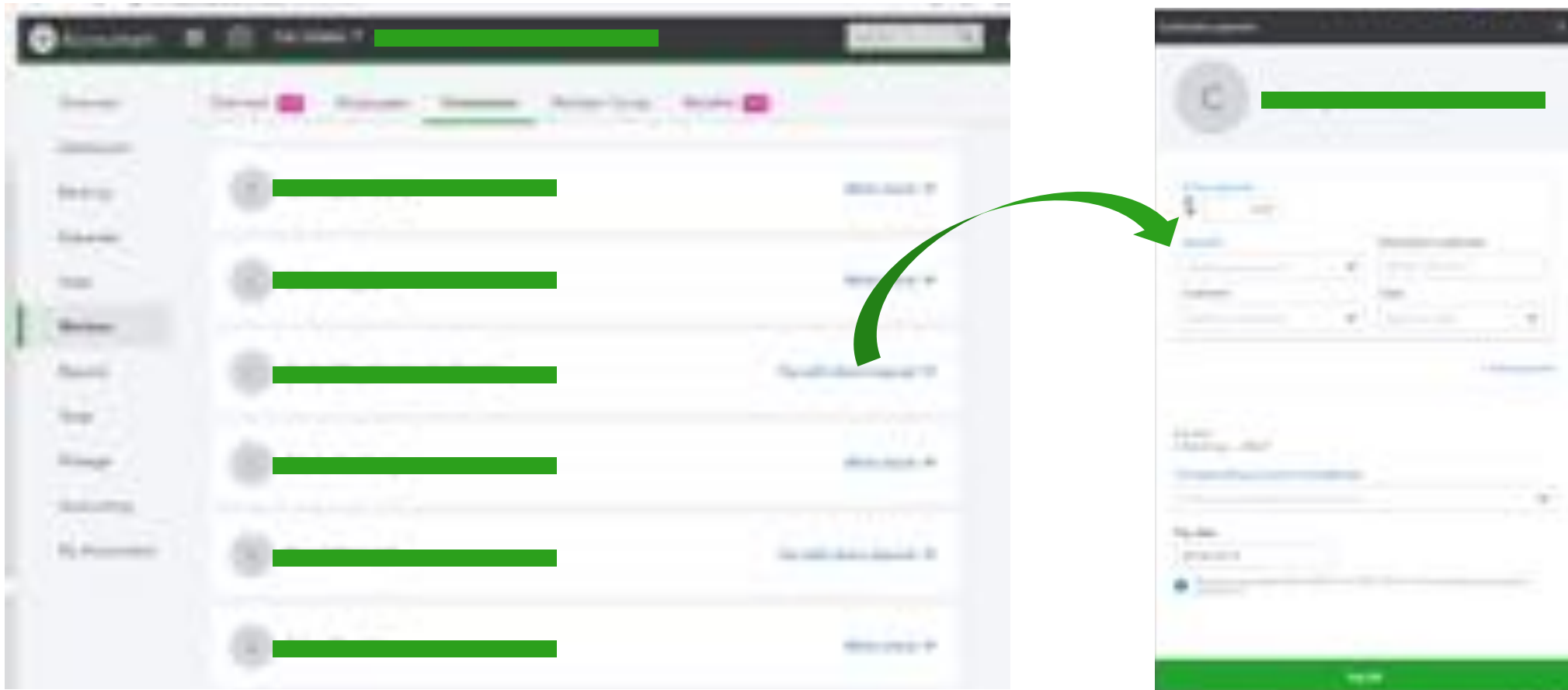
Obtain W9 and fill in Vendor Information BEFORE issuing first payment.



ADVISOR TIP: Attach W9 to Vendor Record.

Pay independent contractors with direct deposit!

Workers – Contractors – Pay with direct deposit....fill in the blanks



Pastor compensation

Pastors are “dual status employees.” Employees for income taxes; self-employed for SS & Medicare

Name & Address of Church

Name & Address of Pastor

W-2

YEAR

Compensation, NOT including housing allowance.

Social Security & Medicare are always \$0 for Pastors

Housing allowance.

ADVISOR TIP: Pastors CAN have the church withhold Federal & State taxes to cover income & SECA taxes.

Typical set-up for Pastor

Think of pastor compensation as two pieces of the same pie.



Pastor compensation:

Base salary

Clergy housing (cash)

Note: Clergy Housing (In-Kind) = Church Provided

ADVISOR TIP:

Watch out for unreported compensation:

- FICA reimbursement
- Non-group insurance
- Unqualified retirement contributions

Pastor housing

Housing allowance in excess of actual expenses is subject to Federal & State taxes.



Photo credit: pdffiller.com

The LEAST of three methods:

- Actual amount to be spent for housing
- Amount (or percentage) officially designated (in advance)
- Fair rental value of house, furnishings, & utilities

ADVISOR TIP:

Housing allowances are always proactive (never retroactive)
Housing Allowances must be “reasonable”

Form 4361

This form creates an IRREVOCABLE election between the Pastor & the IRS. Covers only church income.

The image shows the top portion of Form 4361. The title is "4361 Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners". It includes a "OMB No. 1545-0047" and a "Rev. 10-2018" date. The form is divided into several sections with numbered lines for information entry. Section 1 asks for the taxpayer's name and address. Section 2 asks for the taxpayer's occupation and the name of the religious organization. Section 3 asks for the taxpayer's date of birth and the date of the election. Section 4 asks for the taxpayer's signature and the date. Section 5 asks for the signature of the religious organization's leader. Section 6 asks for the taxpayer's signature and the date. Section 7 asks for the taxpayer's signature and the date. Section 8 asks for the taxpayer's signature and the date. Section 9 asks for the taxpayer's signature and the date. Section 10 asks for the taxpayer's signature and the date. 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Conscientiously opposed to:

- Social Security (OASDI)
- Medicare / Medicaid
- TANF / Temporary Assistance for Needy Families
- SNAP / Food stamps
- WIC / Women, infants & child welfare

What is taxable employment income?

Churches tend to be very generous. Make sure all income is reported properly!



Compensation includes:

- Salary
- Bonuses
- Housing (subject to SECA)
- Excess Housing (Fed & State)
- FICA “reimbursement”
- Cash/Gift Cards
- Honorariums
- Pastor Appreciation
- Love Gifts
- Pers. health insurance premiums
- Unaccountable Allowances

ADVISOR TIP: Watch for “carryover” & non-qualified benefits.

Agenda

Income “buckets”

Reporting & budgeting

Personnel

- Staff, other than Pastors
- Pastors
- Volunteers & independent contractors

**Communication – The numbers
& beyond**



Who needs to know? What do they need to know?

Communication is a key component of a successful church.



Communicate with:

- Congregation/Donors
- Board/Council
- Denomination/Synod
- Department Chairpersons
- Employees
- Bank
- CPA/Auditor
- ECFA/GSCA
- Volunteers*

What they want to know:

- Budget, Spending, Tax Deduction
- Timely, accurate, concise, graphs
- Percentage to “mother church”
- Actual vs Budget – their department
- Payroll, benefits – and purpose
- Covenants met
- Internal controls in place
- Standards met for seal of approval
- Appreciated & needed

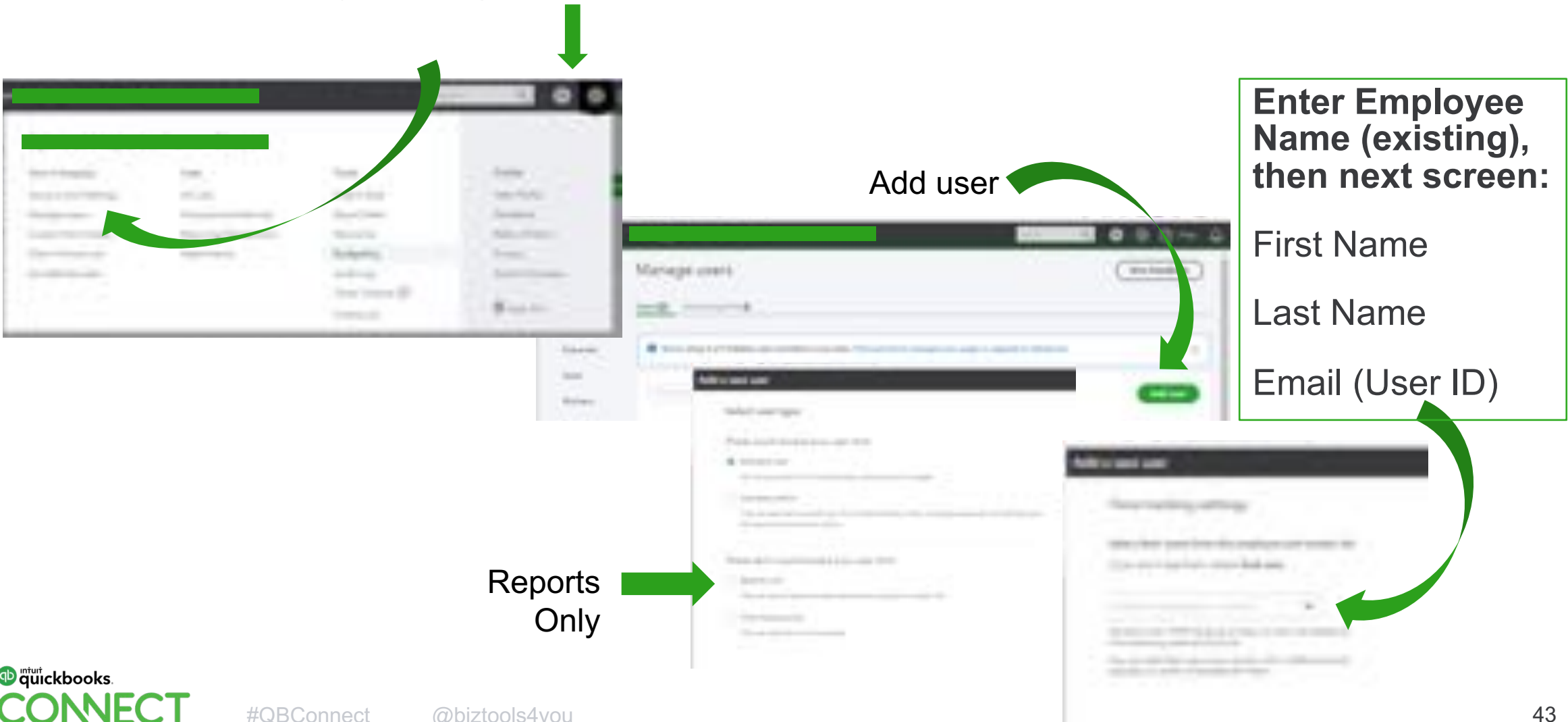
ADVISOR TIP:

Communication needs to be timely, accurate, sincere, and personal.

*Meetup Thursday @ 8am: Relationship Marketing & the Power of Human Connection

Set-up governing board with read-only access

GEAR – Your Company – Manage Users



What we covered:

Income “buckets”

Reporting & budgeting

Personnel

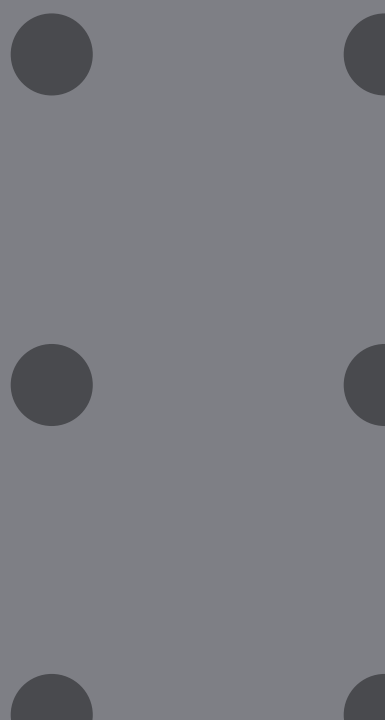
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Communication – The numbers & beyond





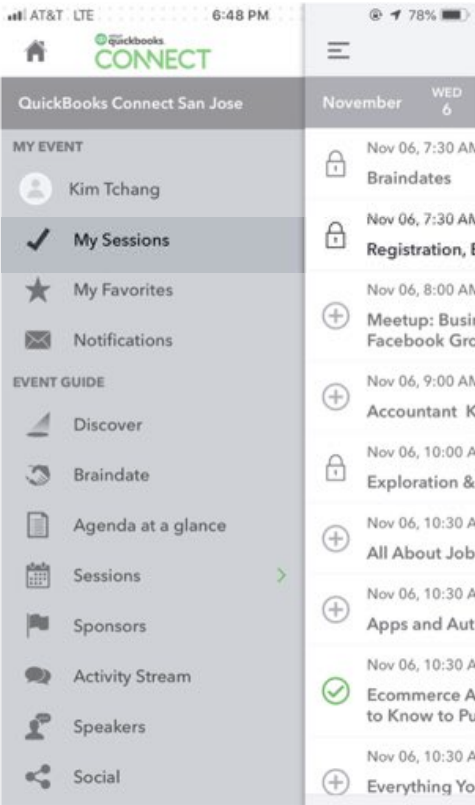
Next Steps:

1. Rate this session on the app
 2. Visit my website for FREE downloads
www.GoodStewardChurchAcademy.com
 3. Check out my IttyBitty books on Amazon
 4. Attend the Non-Profit Power Panel at 4pm
- 

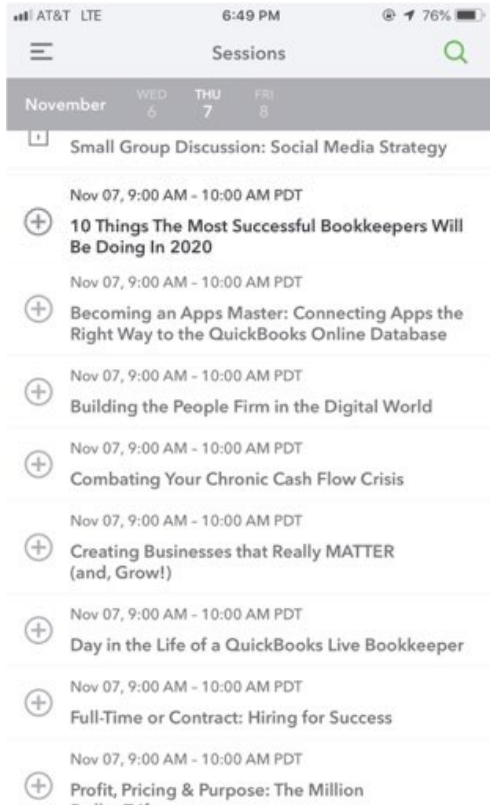
Rate this Session on the QuickBooks Connect Mobile App

Provide feedback to help us design content for future events

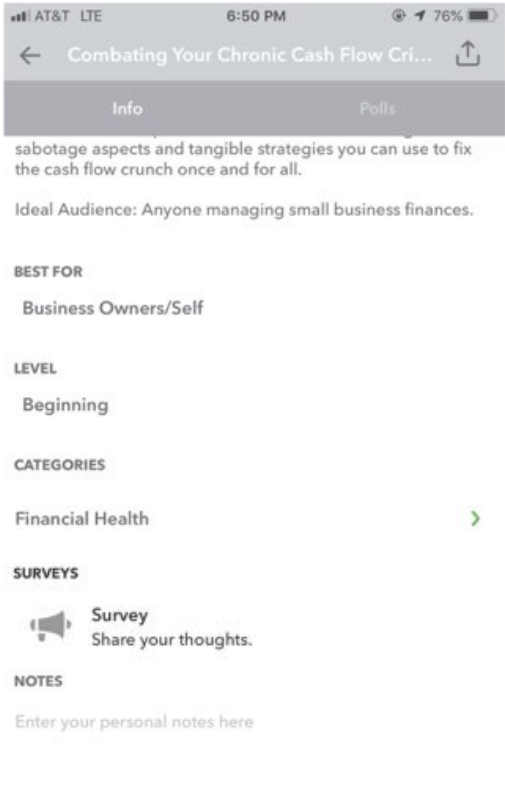
1. Select Sessions



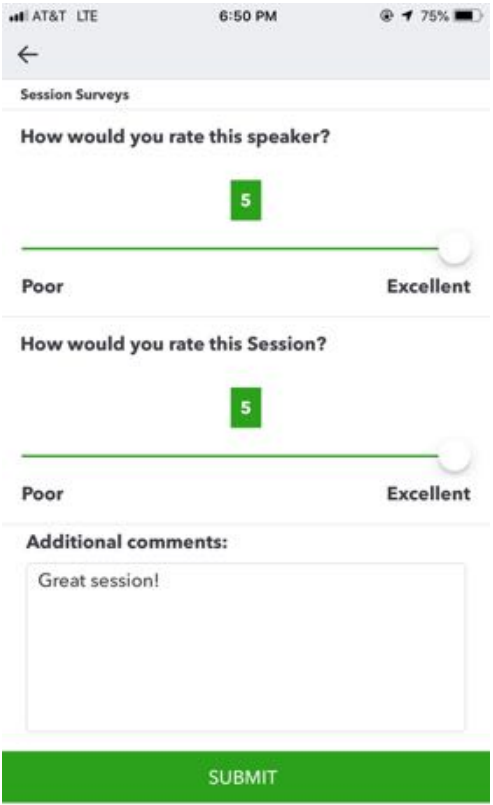
2. Select Session Title



3. Select Survey



4. Add Ratings



Material Download

1. Find the session on the agenda
2. Select + for more information
3. Download PDF of slides and/or supplemental material

<https://quickbooksconnect.com/agenda/>

The screenshot shows the QuickBooks Connect agenda page for November 7. The header includes the QuickBooks Connect logo, navigation links (Why Attend, Agenda, Speakers, Pricing, Sponsors, Travel, FAQ), and a 'Register now' button. The agenda is organized by date, with November 7 selected. A search bar and filter tabs (Business Growth, Life & Business Skills, Organizational Culture, Technology Training, Advisory, Financial Health) are present. The agenda items for November 7 are:

- 7:30-7:00 am: Registration, Breakfast & Exploration
- 7:30-10:30 am: Braindates (New this year, you can use Braindates to book time with fellow attendees, expert consultants and the QuickBooks support team. [Learn more](#)). Best for: All Audiences. CPE Hours: not eligible.
- 8:00-8:30 am: Yoga
- 8:00-8:45 am: Breakout Sessions
 - Small Business Meetup: Relationship Marketing and the Power of Human Connection
 - Small Group Discussion: Social Media Strategy
 - Small Group Discussion: Showing up - Why What You Wear Matters
 - Small Group Discussion: Build Your Dream Bookkeeping firm



OWN
THE
FUTURE