



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

Barbara Starley, CPA

#QBConnect | WiFi: QBConnect



# Today's speaker

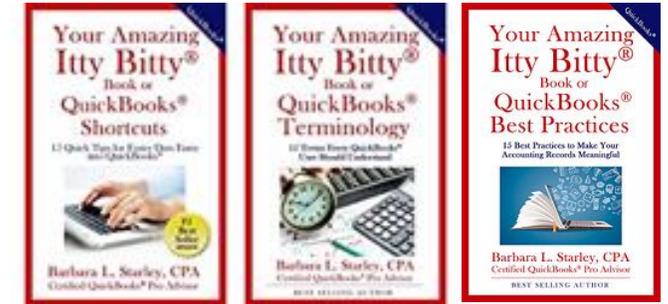


Barbara Starley, CPA

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.

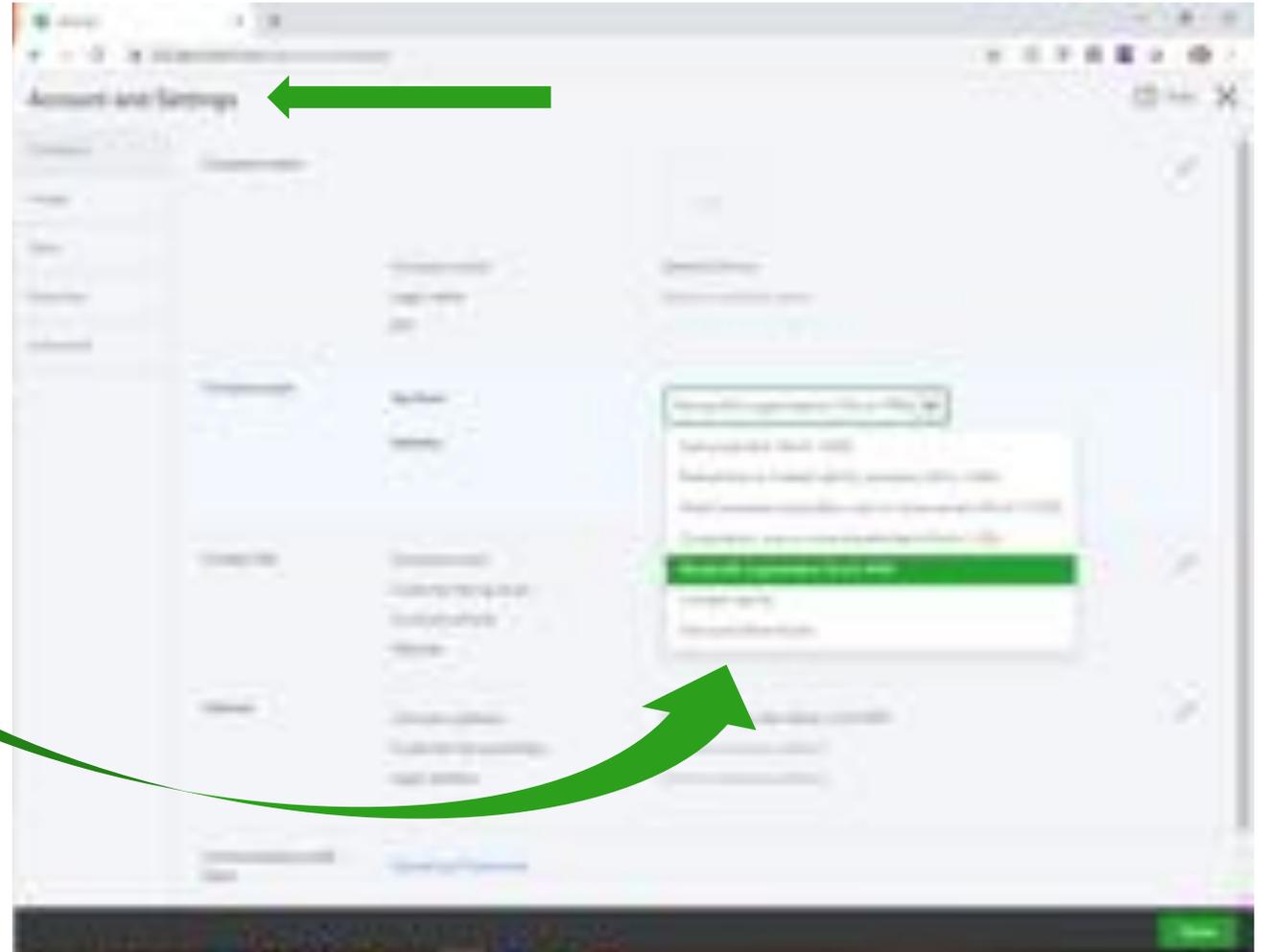
# Account and settings

Company Tab

Change “Company type”

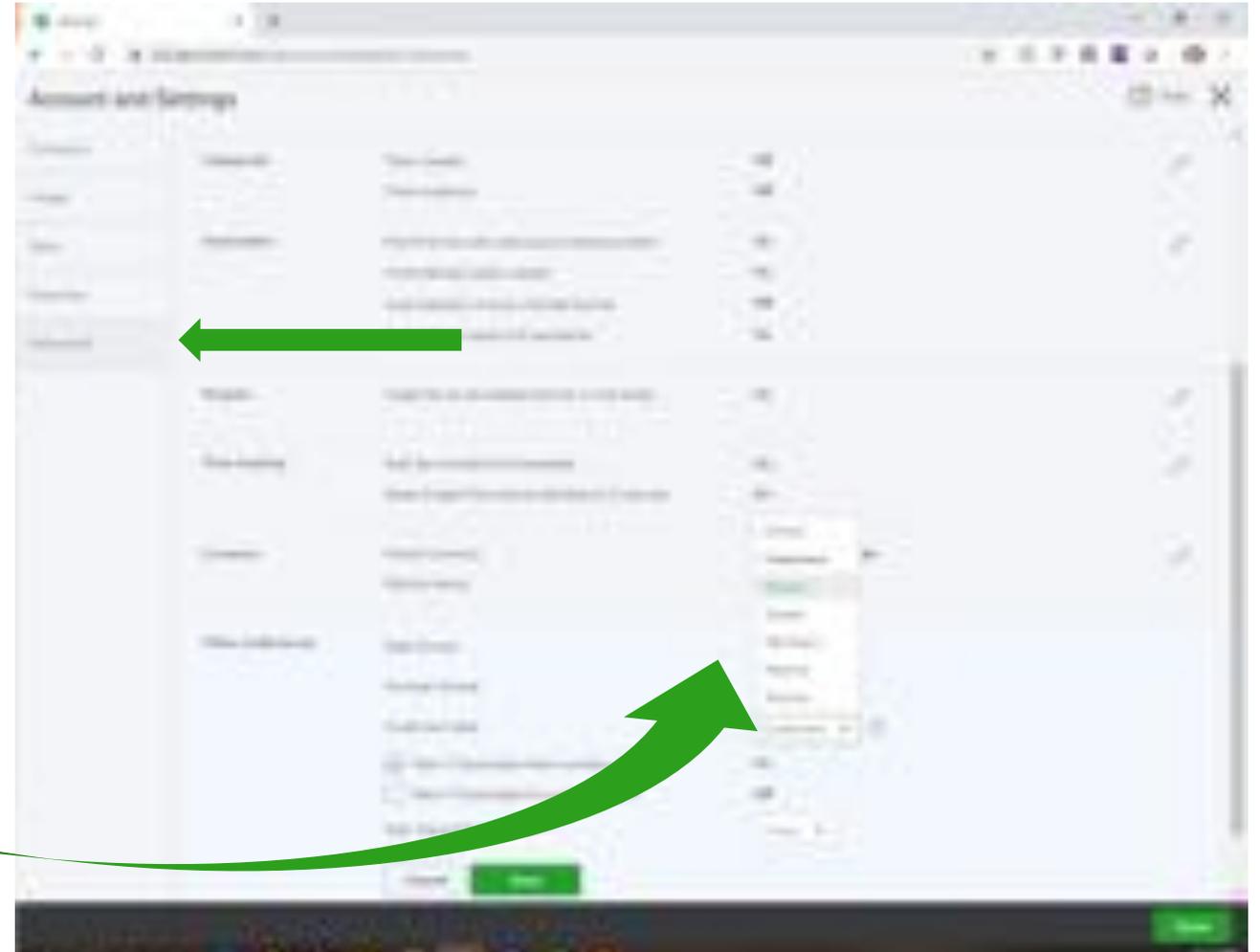
Nonprofit organization (Form 990)

**SAVE**

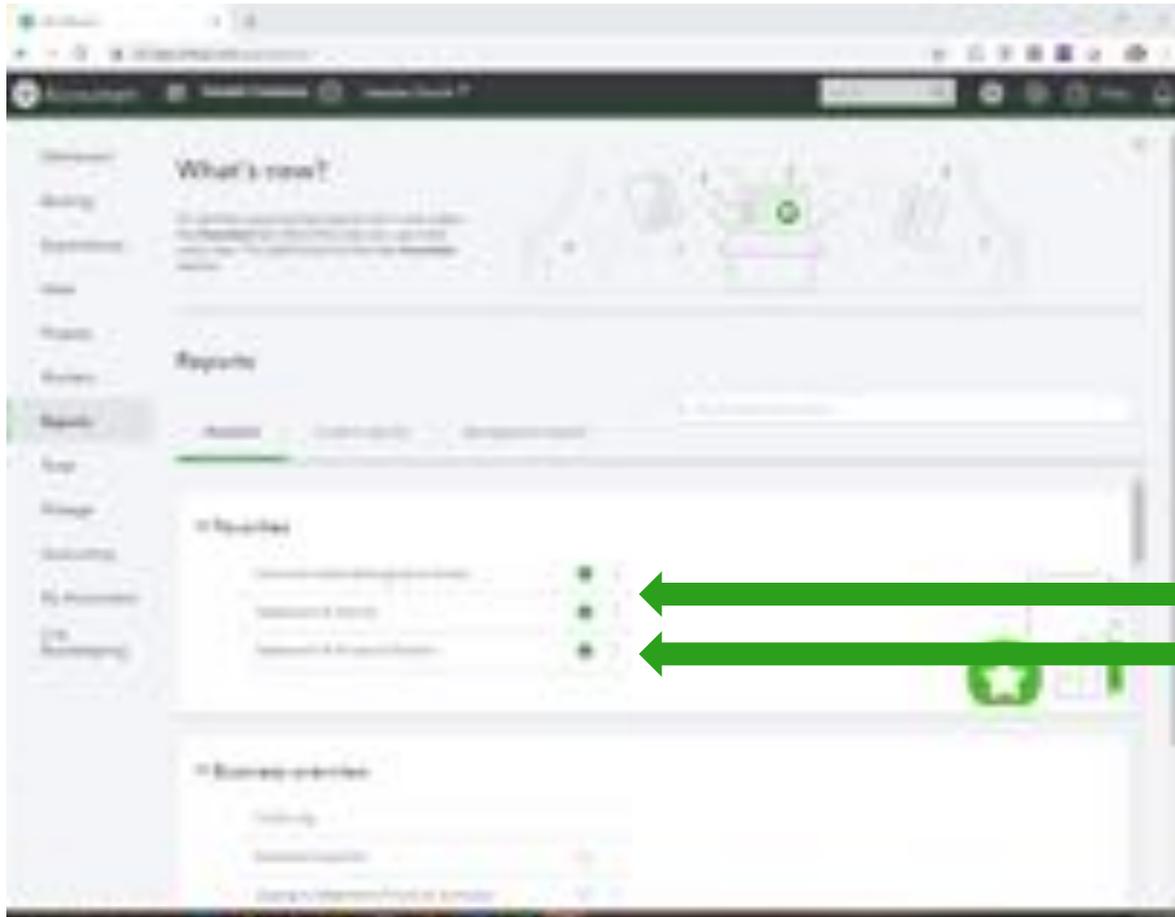


# Account and settings

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

The image shows a blurred screenshot of a QuickBooks Statement of Activity report. The report is titled "Example Church Statement of Activity". It has columns for "Description", "Debit", and "Credit". The revenue section includes items like "General Offerings", "Loose Offerings", and "Tithes & Offerings". The expense section includes items like "COGS for a church?", "Synod Support", and "Merchant Fees". A green arrow points from the "REVENUE = Unrestricted" box to the revenue section, and another green arrow points from the "ADVISOR TIP" box to the expense section.

## 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



## 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 the 'Current Year' column of the table, highlighting specific rows.

Account	Current Year	Previous Year
...	...	...
...	...	...
...	...	...
...	...	...



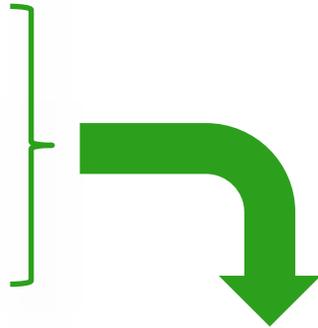
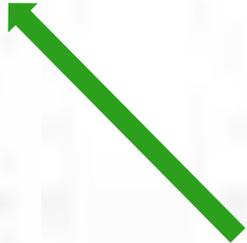
**ADVISOR TIP for Carryover Balances**  
Close out prior year balances  
and move prior year ending balance  
to current year "P/Y Balance" line

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

Journal Entry is made January 1 of Current Year

Current Year

Prior Year



Account

Debit

Credit

Description

Account	Debit	Credit	Description
Retained Earnings		1000	Roll-up of prior year balance
Income Summary	1000		Roll-up of prior year balance
Retained Earnings		1000	Roll-up of prior year balance
Income Summary	1000		Roll-up of prior year balance

# Release temporary restrictions

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



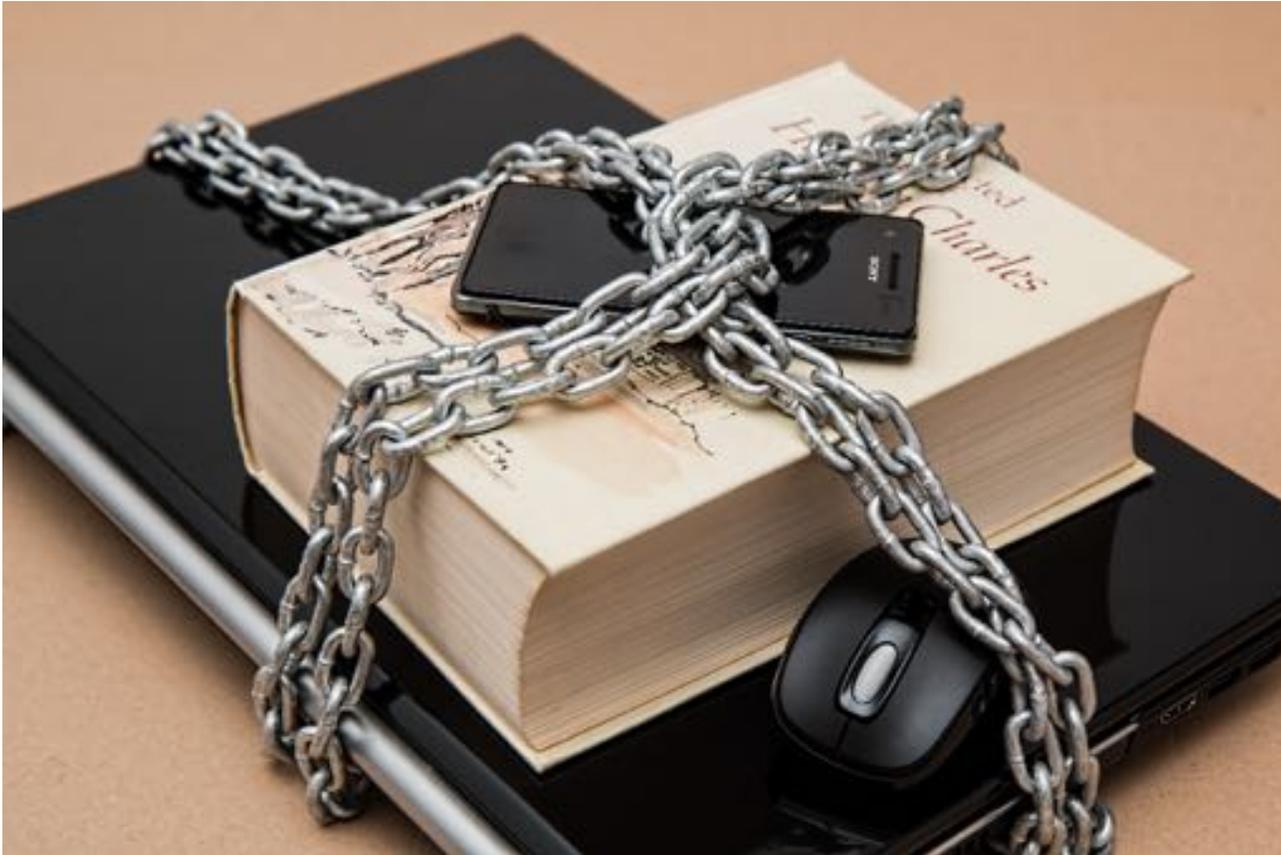
## SAMPLE VERBIAGE

“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

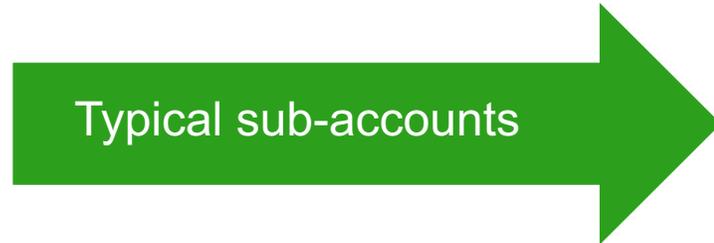
Young Adult

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

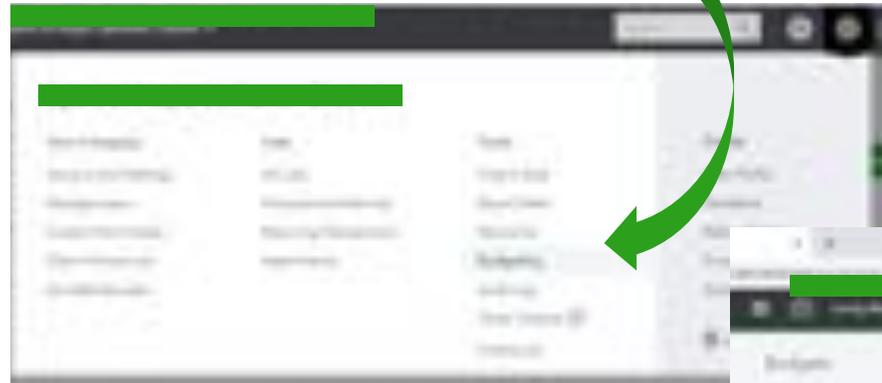


Mini "P&L"

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

# Budgeting – Easy as 1-2-3!

GEAR – Tools - Budgeting



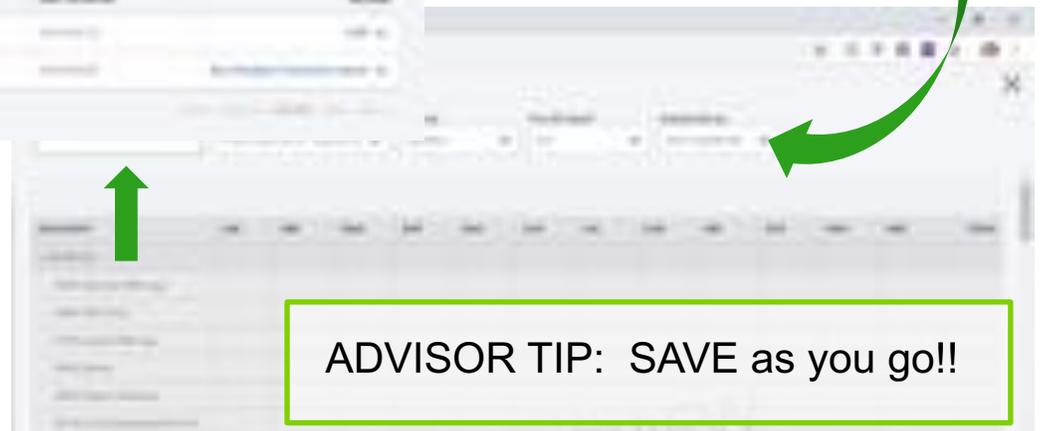
Add budget



**Subdivide by class**

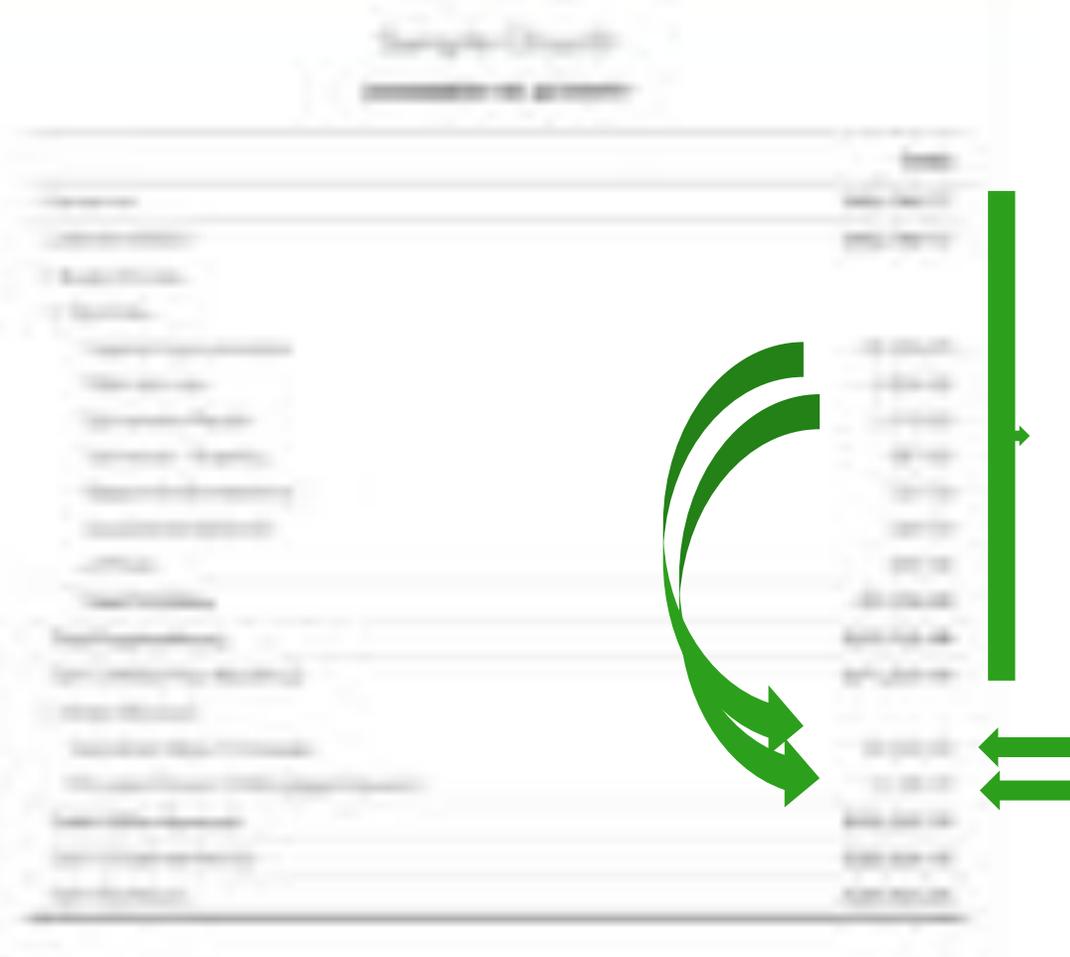
Location

Church vs School



# But wait! What about balance sheet items?

Consider using contra accounts “Below-the-Line”



The image shows a blurred screenshot of a QuickBooks report. A vertical green arrow points to a row in the report, and two horizontal green arrows point to the left from that row, indicating the use of contra accounts. The text on the right explains that these are used for budgeting cash inflows and outlays, and for recording journal entries for major purchases and principal portions of debt.

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

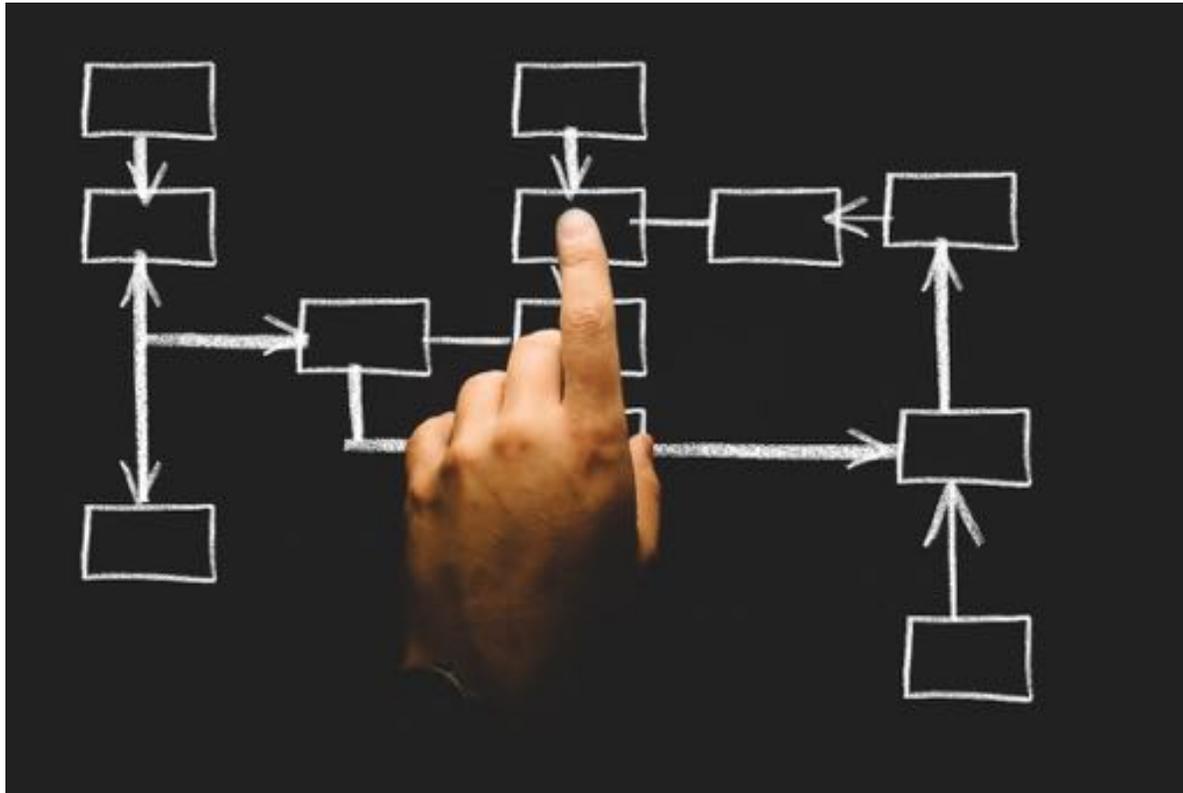
- Staff, other than Pastors
- Pastors
- Volunteers & independent contractors

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

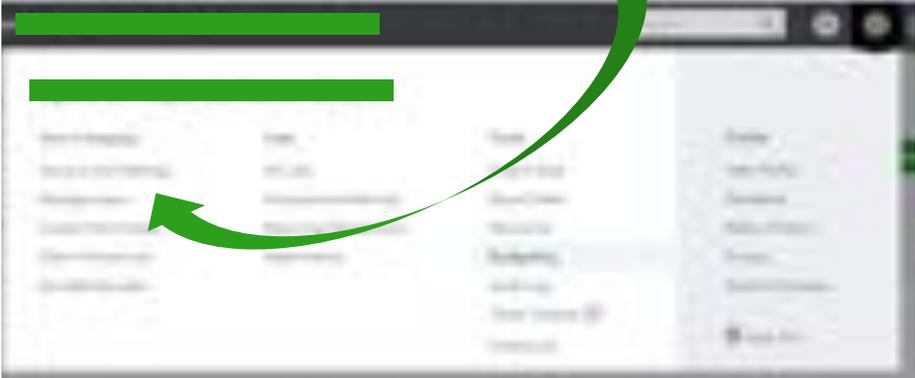
### ADVISOR TIP:

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



Add user

Enter Employee Name (existing), then next screen:  
First Name  
Last Name  
Email (User ID)

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.

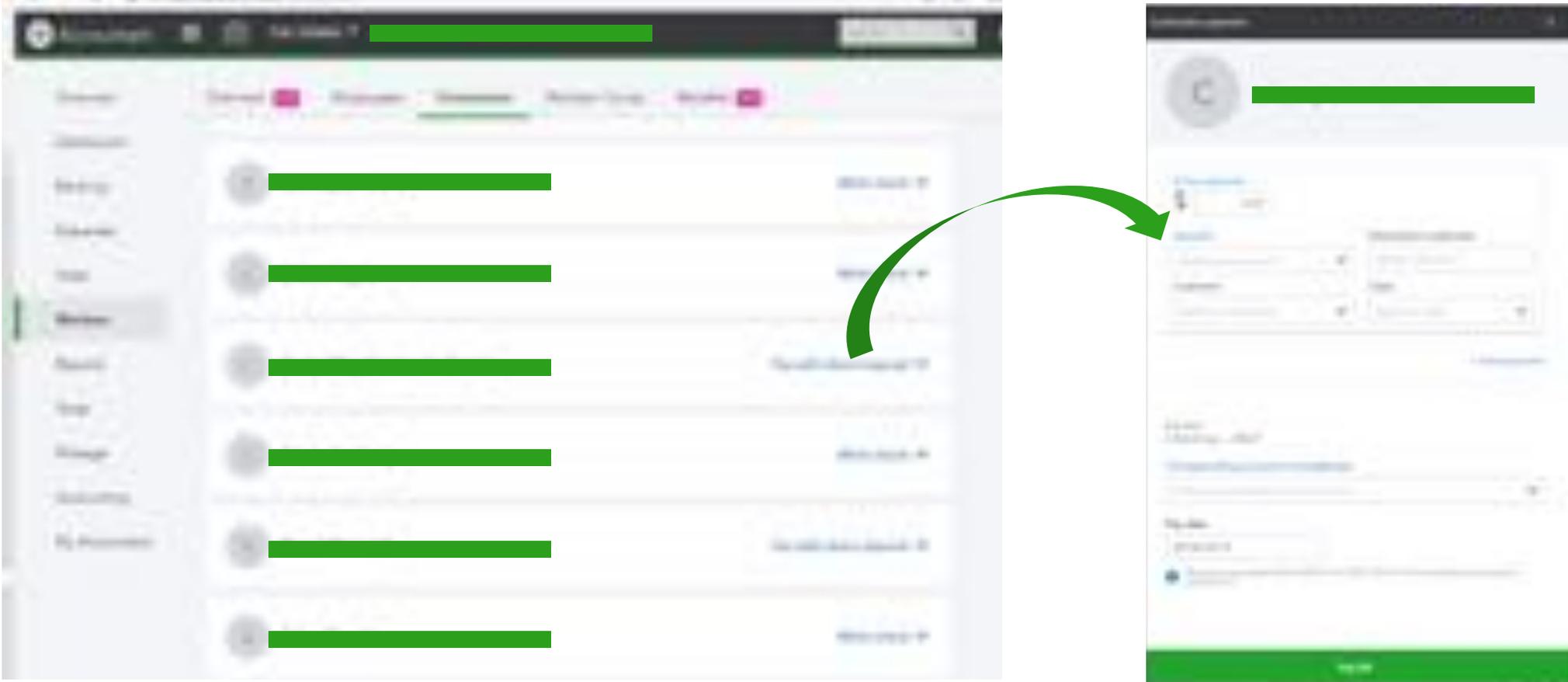
# Independent contractors = vendors

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, titled "Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners". The form includes fields for the taxpayer's name, address, and other identifying information. It also contains several numbered sections with instructions and checkboxes for selecting exemptions from Social Security and Medicare taxes. The form is presented in a slightly blurred, low-resolution format.

## 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

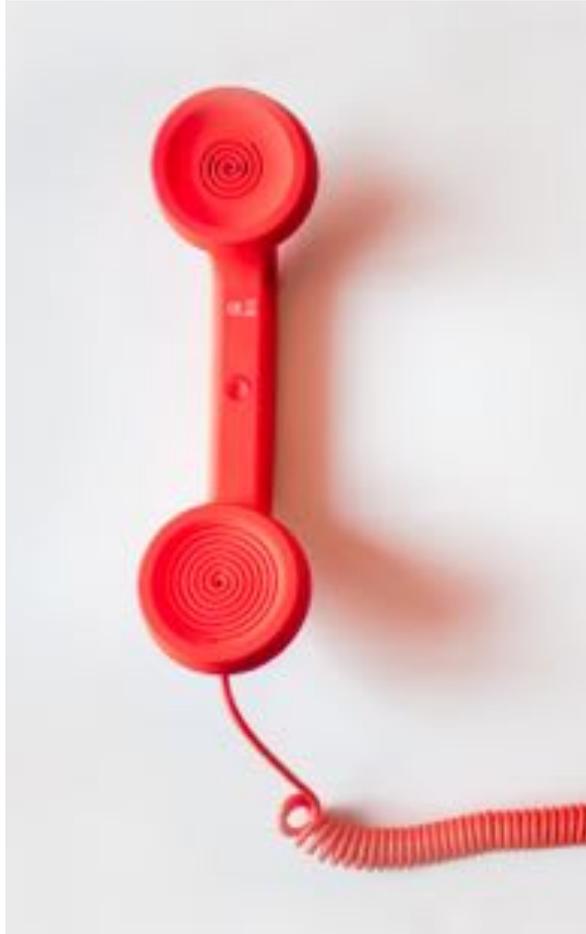
- Staff, other than Pastors
- Pastors
- Volunteers & independent contractors

**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:

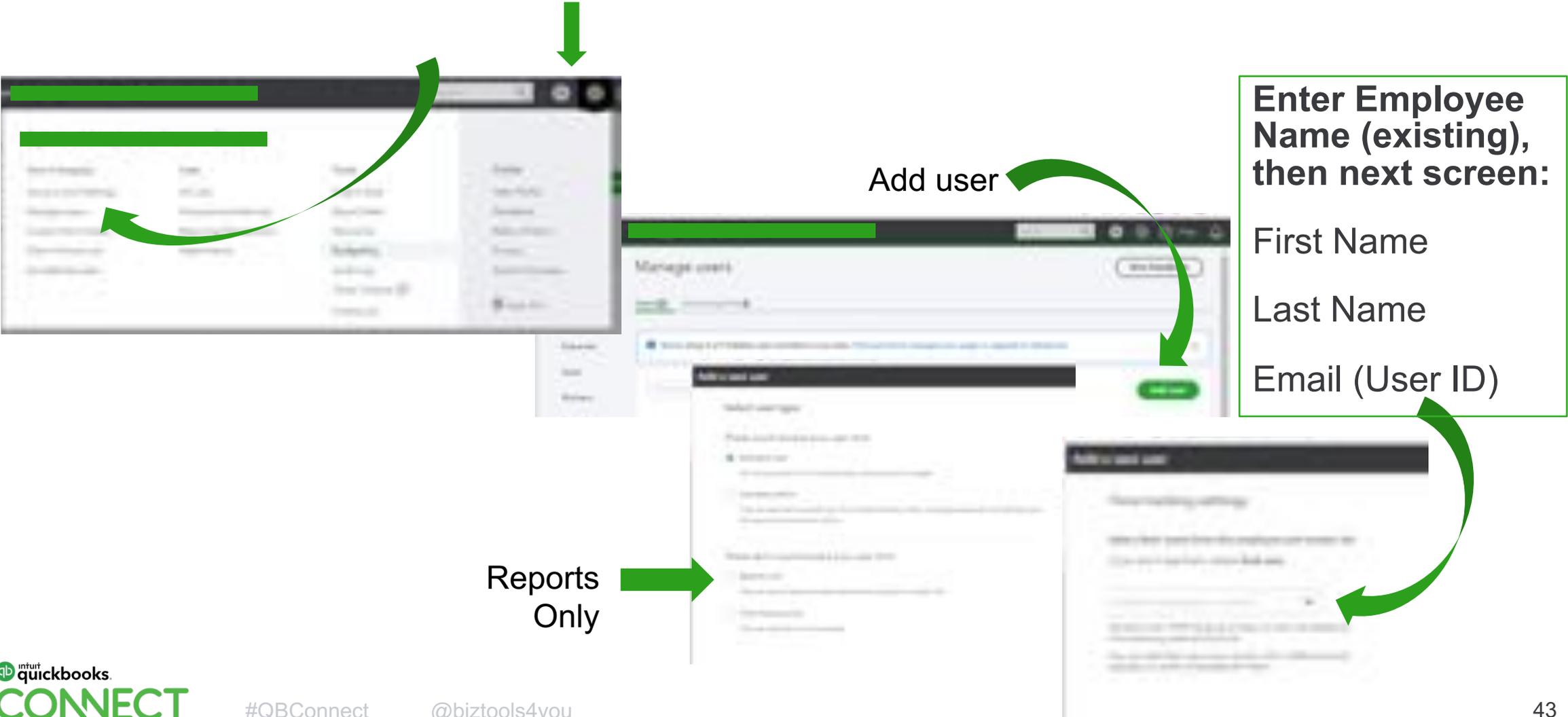
- Budget, Spending, Tax Deduction
- Timely, accurate, concise, graphs
- Percentage to “mother church”
- Actual vs Budget – their department
- Payroll, benefits – and purpose
- Covenants met
- Internal controls in place
- Standards met for seal of approval
- Appreciated & needed

### ADVISOR TIP:

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

# Set-up governing board with read-only access

GEAR – Your Company – Manage Users



# What we covered:

Income “buckets”

Reporting & budgeting

Personnel

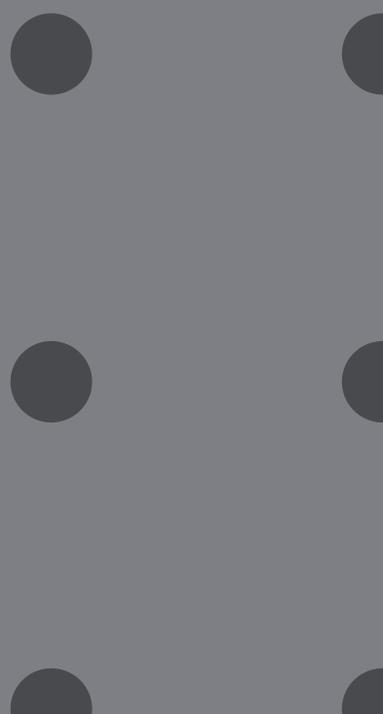
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Communication – The numbers & beyond





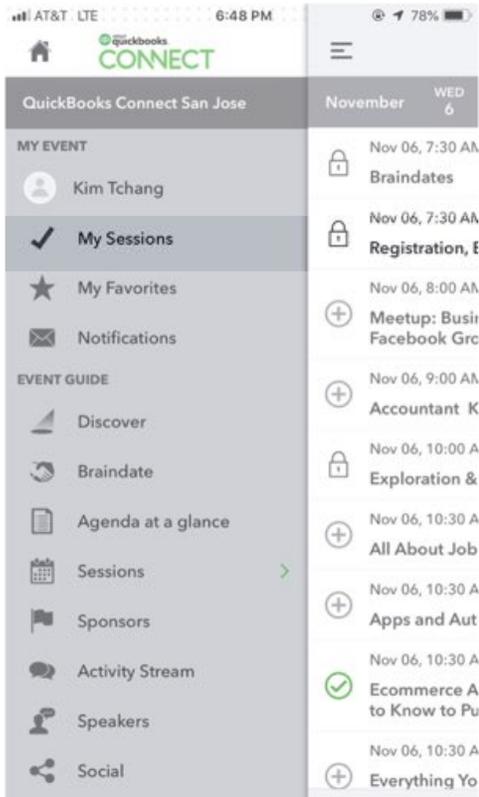
## Next Steps:

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

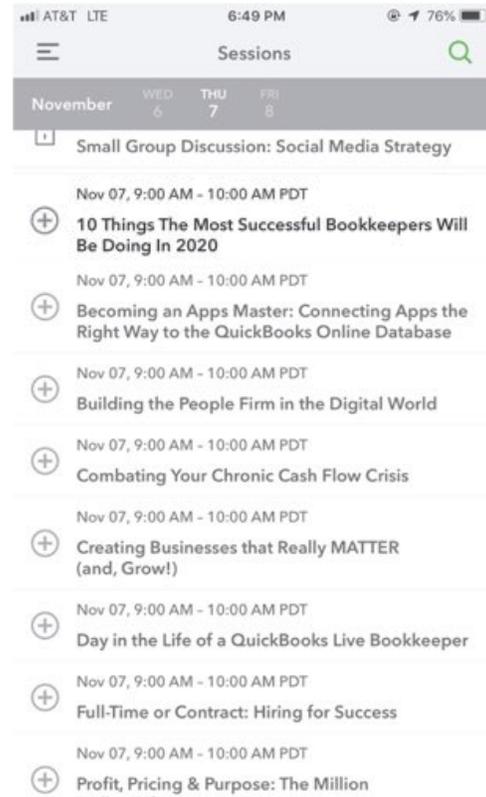
# Rate this Session on the QuickBooks Connect Mobile App

Provide feedback to help us design content for future events

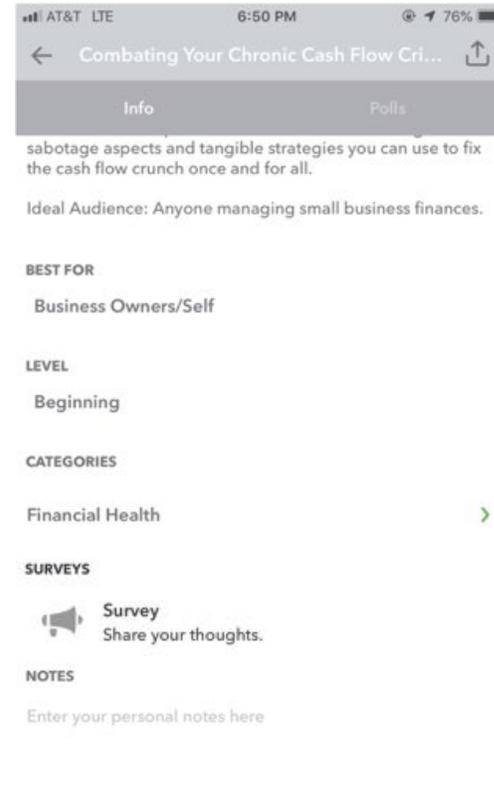
## 1. Select Sessions



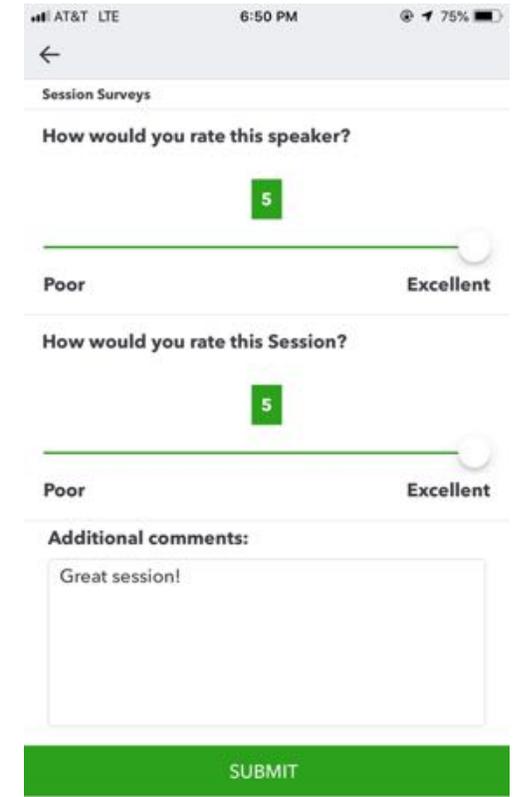
## 2. Select Session Title



## 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 page features a navigation bar with links for 'Why Attend', 'Agenda', 'Speakers', 'Pricing', 'Sponsors', 'Travel', and 'FAQ'. A 'Register now' button is located in the top right corner. Below the navigation bar, there are tabs for 'November 6: Accountant Day', 'November 7' (which is selected and underlined), and 'November 8'. A 'Print Agenda' button is also present. The main content area includes a search bar labeled 'Search for sessions' and a row of filters: 'Business Growth', 'Life & Business Skills', 'Organizational Culture', 'Technology Training', 'Advisory', and 'Financial Health'. An 'Expand all +' button is located to the right of the filters. The agenda items are listed in a table-like format with time slots on the left and session titles on the right. The sessions include: '7:30-9:00 am Registration, Breakfast & Exploration'; '7:30-10:30 am Braindates' (with a description: 'New this year, you can use Braindates to book time with fellow attendees, expert consultants and the QuickBooks support team. Learn more.' and 'Best for: All Audiences. CPE Hours: not eligible'); '8:00-8:30 am Yoga'; and '8:00-8:45 am Breakout Sessions' (with sub-items: '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', and 'Small Group Discussion: Build Your Dream Bookkeeping firm'). Each session title has a '+' icon to its right, indicating it can be expanded for more details.

 **CONNECT**

OWN  
THE  
FUTURE  
TURE