

# Q & A: Tasks for a New Bookkeeper

By Rollie Dimos

**Q:** Help! Our church bookkeeper just resigned. What tasks should our new bookkeeper focus on as he/she begins this job?

**A:** Bookkeeper, accountant, or treasurer—no matter the title, this daunting role can be overwhelming. If you find yourself in this position, here is a short list of the various tasks you will be called on to perform.

While the job description of a church bookkeeper is multi-faceted, I'm going to concentrate on a few tasks that will need immediate attention before the calendar year ends.

**Month-end and Year-end Financial Reports.** All financial information must be documented and supported for proper accountability and transparency. Most churches prepare monthly and annual reports of the year's financial activity. These reports usually include a Statement of Financial Position, commonly known as a Balance Sheet, a Statement of Financial Activity, commonly called an income statement, and a Statement of Cash Flows. Some churches compare actual activity to budgets created at the start of the year, identify trends in income and expenses, and provide details of restricted funds activity. It's important to use a robust financial software program that can assist you in recording and reporting your church's financial activity.

**Charitable Contribution Receipts.** In order for taxpayers to deduct their charitable contributions as itemized expenses on Schedule A of their income tax return, the taxpayer must be able to substantiate all donations. For an individual charitable contribution of \$250 or more, the donor must obtain a receipt from the charity. For this reason, many churches regularly prepare annual summaries of donor contributions, which must follow specific IRS reporting requirements.

- Tip: For detailed information on how to properly document various types of donations, obtain Richard Hammar's annual *Church and Clergy Tax Guide*.

**Payroll-Related Reporting.** State and Federal laws related to payroll are complex and can be confusing. There are a myriad of rules, forms, and deadlines involved in processing payroll and include filling out withholding forms (W-4), withholding federal income taxes, Social Security, and Medicare taxes from employees' wages, depositing these taxes with the IRS, filing quarterly tax returns (Form 941), and issuing year-end statements (Form W-2) to employees. Here are a few forms you will need to prepare for year-end.

- **IRS Form 941, Employer's Quarterly Federal Tax Return.** The church must submit Form 941 each quarter. It is important to report ministerial and non-ministerial wages properly on these forms. For example, ministers housing allowance will not be reported on the 941. Oftentimes, ministerial wages are misreported and included as Social Security and Medicare wages. This overstates the amount of wages that must have taxes withheld.

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## Tasks for a New Bookkeeper (cont.)

- **IRS Form W-2.** Annually, the church must complete forms W-2 (Wage and Tax Statement) and W-3 (Transmittal of Wage and Tax Statements). These forms report the taxable wages for each employee and the amount of taxes withheld during the year. These forms, including the amount of wages and taxes withheld should agree with the annual totals of the quarterly Form 941.
  - **IRS Form 1099-Misc, Miscellaneous Income.** Any self-employed person, independent contractor or service provider who is not incorporated and receives \$600 or more from the church in any calendar year should receive a Form 1099-Miscellaneous. Examples would include lawn maintenance providers, guest speakers, plumbers, carpenters, and evangelists. In order to correctly prepare a 1099-Misc, you will need to have the independent contractor fill out an IRS Form W-9, Request for Taxpayer Identification Number and Certification.
- Tip: To prevent some of the common errors made in ministerial payroll, read the following articles:
- [Preventing Payroll Problems: Part 1](#)
  - [Preventing Payroll Problems: Part 2](#)

**Year-end Checklists.** Richard Hammar and Vonna Laue each offer an end-of-year checklist for church leaders. Many of these tasks should be completed by the end of the fiscal year, which for many churches is December 31. I would suggest moving to these tasks next.

Richard Hammar's article, [End-of-Year Checklist](#)

Vonna Laue's article, [The Top 10 Year-End Fiscal Tasks](#)

Many of the tasks you complete each month and at the end of the fiscal year will ensure your financial reports are complete and provide accurate and timely information for decision makers. And even though payroll-related tasks are complex and confusing, it is the church's responsibility for compliance. For this reason, some churches have found it helpful to outsource portions of the bookkeeping and payroll functions. I would suggest contacting a local CPA firm that specializes in nonprofit accounting to discuss your specific situation and help identify other tasks you might be missing.

Tip: For more information on year-end tasks, read this article, [Year-end Reporting: What Churches Need to Know](#)

### About the Author:

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