

Chinese Christian Church of Ottawa Financial Management Policy

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1. Introduction

Sound financial management is critical to the achievement of success in the mission of the Chinese Christian Church of Ottawa (CCCO). It starts with the confidence of church members who give sacrificially to support its ministry. It includes the preparation of budgets to support the attainment of objectives and to sustain ongoing programs. It includes the establishment of sound practices to authorize, control and record expenditures, to encourage and record offering, and to produce accurate financial statements. There are also requirements to ensure practices are consistent with legal and ethical principles, as well as sound business principles worthy of the Body of Christ, and to maintain the confidence of the membership in the church leadership.

2. Purpose

The purpose of this policy is to provide consistency in guidance and direction for the financial management of CCCO. With changes in staff and leadership that occur from time to time, there could be inconsistent practices that could in turn lead to conflict and misunderstanding without guidance and written policy. This policy is written to enable and support (not restrict) effective ministry and communication.

3. Definitions

This document consolidates and articulates policy on a wide range of financial matters in CCCO. The following terms appear in the policy and are defined as follows:

Gifts in kind - gifts which are of a non-monetary nature, but do consist of property such as a piano, a vehicle or land.

Qualified donee - a Canadian registered charity, which may legally receive gifts from CCCO.

Registered charity - a charitable organization registered with the Canada Revenue Agency (CRA).

4. Biblical Principles

4.1 Giving:

4.1.1 Giving is **voluntary**, as each person seeks God's direction on the use of his or her God-given resources (*2 Cor 9:7 Each man should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver*).

4.1.2 Giving is **planned**, and not impulsive (*1 Cor. 16:2 On the first day of every week, each one of you should set aside a sum of money...saving it up*).

4.1.3 Giving is **proportional** to the Christian's ability or prosperity (*1 Cor. 16:2 each one of you should set aside a sum of money in keeping with his income*).

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4.1.4 Giving is **sacrificial**, acknowledging God as the benefactor of all good gifts (*2 Cor. 9:11 You will be made rich in every way so that you can be generous on every occasion*).

4.1.5 Giving cheerfully and generously is generously **rewarded** (*2 Cor. 9:6-7 Whoever sows generously will also reap generously...for God loves a cheerful giver*)(*Luke 6:38 Give, and it will be given to you*).

4.1.6 Giving is a spiritual **discipline**, an exercise for the Christian to develop character (*2 Cor. 9:8 And God is able to make all grace abound to you, so that in all things at all times, having all that you need, you will abound in every good work*).

4.1.7 Giving is a step of **faith**, where the Christian demonstrates trust and dependence on God and the primary importance of the spiritual and eternal over the material and temporal (*Mt. 6:33 But seek first his kingdom and his righteousness, and all these things will be given to you as well*).

4.2 Spending:

4.2.1 Spending Priorities

The spending priorities of CCCO are to support the primary mission of the church expressed in the Great Commission (Matthew 28:19-20).

4.2.2 Delegation

Spending is delegated for effectiveness in administration (Acts 6:1-7).

4.2.3 Full-time Ministry

Those engaged in full-time ministry are to be provided for by the church (Gal. 6:6).

4.2.4 Assisting the Needy

The church should plan on spending to assist the poor and needy in and outside of the church (I Tim. 6:18).

4.2.5 Responsibility of Leaders

Those who are entrusted with the financial resources of the church must be above reproach. They are to administer the finances faithfully and without personal gain (I Tim. 3:2-3 & 3:8). They must exercise due diligence to do what is right, not only in the eyes of the Lord, but also in the eyes of other people (2 Corinthians 8:20-21).

5. Regulatory Requirements

CCCO is registered as a charity with the Charities Division, Canada Revenue Agency (CRA). As such, it is required to file an annual information return with the CRA, a portion of which is available to the public, and must meet certain requirements of the *Income Tax Act* concerning its expenditures and activities.

The following are relevant requirements of the *Income Tax Act*:

5.1 Financial Records

As a registered charity, CCCO must keep adequate books and records at a Canadian address it has on file with CRA, so that CRA can verify official donation receipts issued, as well as its

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revenue and expenditures. CCCO must also keep source documents that support the information in the records and books of account. Complete records are to be kept at the office of CCCO for a period of at least seven years in the event an audit is required.

5.2 Receipts

Donors are to receive an official receipt for eligible donations given in any calendar year.

5.3 Donations

Donations must be received by December 31st or else postmarked by that date to be included in that year's receipt.

5.4 Nominal Gifts

Income tax receipts may not be issued for gifts of nominal value, i.e. used clothing, discount coupons, etc.

5.5 Personal Gifts

An official receipt may not be issued for gifts of a personal nature, for example, a cash gift to pay for a staff member's holiday.

5.6 Gifts in Kind

Official income tax receipts may be issued for gifts in kind, for example, a used piano, provided that an independent appraisal is obtained, and the Board of Deacons is satisfied that there is a need for that property and has notified congregation members accordingly. Where only one item of a certain property is needed, and more than one item is received, the item that best meets the needs of CCCO will be accepted. Where all the items received meet the needs of CCCO equally well, the item that provides best value for money will be accepted. Gifts that are not accepted will be promptly returned to their owners.

5.7 Voluntary Gifts

Donations are to be given freely or voluntarily, without the potential for gain by the donor.

5.8 Nature of Gifts

To qualify for an income tax receipt, a donation must consist of tangible property (including cash and cash equivalents), as opposed to time, effort, or a service.

5.9 Directed Gifts

Donations may not be directed or designated to a specific program or activity of CCCO, unless the Board of Elders, in consultation with the Board of Deacons, has approved the collection of funds for this activity, and has made one or more announcements accordingly, in advance.

5.10 Qualified Donees

CCCO may only give donations to qualified donees, i.e. other Canadian registered charities. However, CCCO may supply funds to a non-registered charity or any other organization as part of an agency or partnership agreement to conduct its activities.

5.11 Approved Activities

CCCO may not serve as a conduit to transmit funds to a person or organization whose activities, though charitable in nature, are not part of the approved activities of CCCO.

5.12 Spending Requirements

To qualify as a charitable organization, CCCO must spend at least 50% of its revenue actually carrying out charitable work itself. It may not donate more than 50% of its receipts to any other organization(s), for example, mission agencies, as giving gifts to mission organizations **is not** deemed conducting charitable work. Entering into an agency agreement with a mission organization to further the work of CCCO **is** deemed to be conducting charitable work, if the agreement is approved by the Board of Elders.

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5.13 Disbursement Requirements

CCCO must spend or disburse at least 80% of its receipts in any given calendar year on its objective as specified in Article Two of its Constitution.

5.14 Permission to Accumulate

CCCO must request and obtain the approval of CRA to accumulate funds, since a registered charity is expected to disburse its revenue conducting charitable work.

5.15 Clergy Allowances

Eligible clergy may be paid a tax-free allowance for housing and transportation. The housing allowance is to be based on typical rental rates for the clergy's residence, excluding utilities, up to a maximum of one-third of total compensation. The transportation allowance is based on kilometers traveled on official church business, not to exceed the rate specified by CRA.

5.16 Withholding Taxes

CCCO is required to regularly withhold and remit to CRA taxes and other payments from employees' income.

5.17 Political Activities

As a registered charity, CCCO may not engage in political activities, such as hosting political functions and advocating political positions or candidates. There are some restrictions on attempting to influence legislation. However, a church is permitted to advance legislative positions on moral issues, for example.

6. Donations and Offerings

6.1 Income Tax Receipts

Official income tax receipts are issued for annual donations of \$10.00 or more.

6.2 Record of Donation

An offering envelope containing the name and address of the donor (or envelope number in lieu thereof) and the amount of donation, is an official record of the donation.

6.3 Sunday Offerings

Regular offerings are collected at all Sunday worship services unless the Board of Deacons deems otherwise in exceptional circumstances.

6.4 Counting Teams

The Treasurer(s) will establish counting teams and procedures to safeguard, record and deposit funds received from offerings. Such procedures will include at least two members who are not related counting at all times, two signatures required on count sheets, and two members protecting the funds in transit to the bank. In general, funds are to be deposited in the bank immediately, rather than being held in the premises of CCCO. Members of counting teams must be members of CCCO.

6.5 Post-dated Cheques

All post-dated cheques are to be held by the Treasurer(s) until the due date.

6.6 Donations Administrator

The Board of Deacons will appoint a Donations Administrator to administer and record all donations, including the balancing of receipts with bank records, maintaining information on all donors, recording of receipts by the approved designated donations, provision of monthly and annual reports on donations and the preparation of all official receipts for distribution to donors. The official receipt for the Donations Administrator will be issued by the Treasurer(s).

6.7 Payments to CCCO

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Payments to CCCO other than donations should be in the form of cheques as much as possible. Cheques must be made payable to “Chinese Christian Church of Ottawa” and NOT to any individual. All cash and cheques must be passed onto the Donations Administrator for deposit as soon as possible.

6.8 Refunds

A donation to CCCO is generally irrevocable, that is, there are no refunds of donations. In a hardship case, the Board of Deacons may authorize a benevolent gift to the donor in accordance with the Benevolent Fund Policy.

6.9 Designated Donations

Only donations designated for the Benevolent Fund and the Building Fund will be set aside for those purposes. All other donations, designated or not, will be treated as part of the General Fund, with the following few exceptions:- (1) Pre-determined fees collected for a certain program or activity, such as Vacation Bible School, will be used to offset expenses for that program. (2) With the approval of the Board of Elders, donations designated for a certain program or activity (on top of pre-determined fees), such as English congregation retreat, will be used to offset expenses for that program. (3) As a grandfather provision, the Caleb Fellowship holds its own bank account. Donations designated for that fellowship will be channeled to it and will be used to pay for all of its expenses.

6.10 Crisis Offerings

Official income tax receipts may not be issued for donations of a personal nature, for example, to assist a family struck with a tragedy or house fire. In such cases, there are two alternatives to meet this need:- (1) These funds may be collected outside of the Church administration, by a volunteer or business. (2) The Benevolent Fund may make a payment to such a family and an offering taken to replenish that fund, without reference being made to the family in question when taking the offering.

6.11 Love Offerings

Official income tax receipts may be issued in the case of love offerings approved by the Board. A love offering may only be taken for an employee or missionary to fund an obligation the Church has for their employee or missionary, such as to underwrite moving expenses, a severance package, or to fund a mission or educational program.

6.12 Confidentiality

Other than general statistics on giving patterns, the information on donors and amounts is strictly confidential, restricted to the Donations Administrator and the Treasurer(s).

7. Expenditures

7.1 Financial Statements

Financial statements are to be presented, as part of the Annual Report, to the Annual General Meeting (AGM) of CCCO.

7.2 Annual Budget

A budget is to be prepared annually, to be recommended by the Board of Elders, for approval by the CCCO membership at the AGM.

7.3 Budget Variances

The Board of Elders may amend the approved budget as deemed necessary during the year to curtail expenditures or approve unforeseen expenses. Variances from the approved budget will be

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reported to the CCCO membership at the fall Congregation Meeting, or earlier if the occasion permits.

7.4 Spending Authority

Authorized spending extends to the purposes and amounts detailed in the budget. Otherwise, approval of the Board of Elders is required.

7.5 Expenditure Management

A department head overseeing several budget line items may overspend in one area offset by another, provided the purposes are approved and the aggregate of expenses does not exceed the total of the approved budget for that department.

7.6 Authorizing Payment

At the beginning of each year, the Treasurer(s) will request each department head to provide the names and specimen signatures of all individuals who are authorized to approve expenditures of that department during that year. Requisitions for payment, whether in the form of a Claim Form bearing the appropriate authorized signature(s) or e-mail from the head or authorized representative of a department, must provide full details, including supporting invoices and the budget line item. Requisitions for payment must be authorized / approved by an individual other than the payee.

7.7 Cheque Signatures

All cheques for payment require two signatures, namely, that of the Treasurer and one of the Trustees.

7.8 Financial Information

The Treasurer(s) will provide interim financial statements to the two Boards at least twice during the year - for the first six months and the first nine months of the year respectively.

7.9 Financial Oversight

In overseeing the financial administration of CCCO, the Treasurer(s) will monitor procedures, giving and spending patterns, and changes in requirements, and, together with the two Boards, will revise this policy and related procedures as necessary to maintain the financial health of CCCO and the trust of its members.

7.10 Discretionary Spending

In order to maintain the confidence of donors prudence and probity are required in discretionary expenditures, since they are sensitive in nature. Restaurant or catered meals, gifts for staff or volunteers, the renting of meeting accommodation, or any entertainment costs, may not be charged to church funds if they are not specifically listed in approved budget line items. There are exceptional or unforeseen circumstances where, with appropriate justification, reasonable expenses for gifts, meals or renting accommodation may be authorized by the Board of Deacons. The approval of two Deacons is required for expenses under \$100, with higher amounts requiring full Board of Deacons approval.

8. Conclusions

This policy should be promulgated to all CCCO department heads having a financial responsibility. It should assist in maintaining and strengthening financial commitment and trust of CCCO members and donors. It should also help in avoiding problems in financial administration by establishing and making known principles and expectations. It may be amended at any time at the discretion of the Board of Deacons in consultation with the Board of Elders.