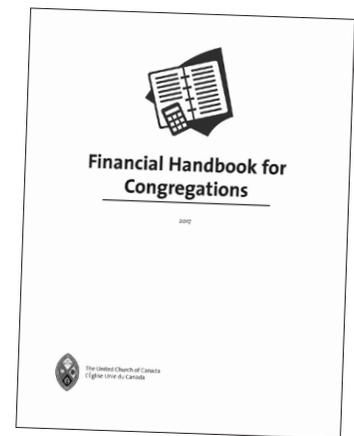


NEWS for treasurers

Learning from experience (sometimes the hard way)

In case you don't know already, we have an updated version of the *Financial Handbook for Congregations* online. Well worth a bookmark! See www.united-church.ca/handbooks and search "Financial Handbook."

You may also want to bookmark this page, as there will always be more current information online: www.united-church.ca/leadership/church-administration/local-administration.



Reminder:

Now need to keep donor envelopes for 6 years like other key finance documents

In 2016, the CRA increased the retention requirement for offering envelopes to 6 years from the previous 2 years. This means that in the event of an audit or query, the CRA will expect you to have offering envelopes from 2014 onwards.

Insurance matters, so keep records

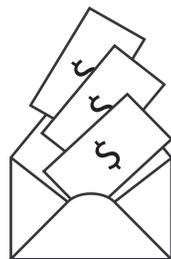
Based on a recent insurance claim circumstance that dates back many years (15+), we recommend that churches maintain records of their insurance policies (insurer, broker, policy number, coverage details) for an indefinite period to ensure you know where to go to report a potential liability insurance claim if such a circumstance arises after a prolonged period of time.

Insurance claims are governed by legal statute of limitations. However, in certain circumstances the interpretation may be extended to be almost open-ended. As core coverages under a general liability policy are written on what's called an "occurrence" form, they are designed to respond to all situations that occur during the policy period subject to the contract terms and exclusions. Some elements of coverage are insured on a different form labelled "claims-made," which clarifies that coverage applies only if the claim is reported during the policy period, so these types of claims should be covered under the existing current policy term. An important service role of the insurance broker is to advocate claims, and we all need to keep records so we know whom to approach and have all the insurance coverage details to apply to each claim.

"Minister's purse" or parting gifts are income and generally not eligible for a tax receipt

It is a common and longstanding tradition to seek contributions for a parting gift. These contributions are best done by individuals writing cheques payable to the person directly rather than having the monies flow through the church accounts. For tax purposes, a minister is an employee, and the CRA rules for gifts to employees will apply. In short, a gift from church funds should be included in income and reported on the minister's T4 issued by the church to the minister.

Furthermore, such gifts are not typically tax-receiptable because of "private benevolence" rules. The employer may choose to award a set amount for long service, but taking up a collection and simply receipting whatever comes in would leave the congregation liable for tax-receipting penalties.



Have a gift policy!

Recently we've seen some media coverage with donors demanding a refund because projects did not proceed as originally envisioned. Since a charitable gift is unconditional and generally irrevocable, refunds can be problematic and may even require a legal ruling.

To ensure this doesn't happen to you, make sure you have a gift policy. At a minimum it should include the following:

- Reserving the right to not accept a gift. Designated gifts sometimes come with terms or conditions that are not acceptable to the congregation. Any unusual conditions should be discussed with the church board before a gift is accepted.
- Express mention of how the gift will be used if a designated fundraising goal is not met and an initiative cannot proceed as originally envisioned. This can arise with larger-scale capital projects.
- Express mention of how any excess funds will be used if more funds come in than are needed for a project.

Providing donors with this information upfront will help avoid misunderstandings down the road.

Directors & Officers (D&O) Liability Insurance

Frequently asked questions

○ Who and what is covered by a D&O policy?

D&O provides protection to an organization's directors, officers, committee members, employees, and volunteers, and to the organization itself, for monetary judgments or settlements, non-monetary relief, statutory liabilities and legal expenses for negligence, or breach of duty of the directors and officers on behalf of the organization. The policy also indemnifies for wrongful employment practices including but not limited to discrimination, sexual harassment, workplace harassment, failure to promote, and wrongful termination.

○ What is the definition of insured persons?

Insured persons means any past, present or future duly elected or appointed directors (including de facto or "deemed" directors), trustees, officers (including any foreign equivalent of such directors, trustees, and officers), employees, or volunteers of the **insured organization**, or any member of the staff, faculty, or duly constituted committee of the insured organization. In the event of the death, incompetence, insolvency, or bankruptcy of an insured person, any claim against the estate, heirs, legal representative, or assigns of the insured person for a wrongful act will be deemed to be a claim against the insured person.

○ What is the definition of insured organization?

Insured organization means the entity named in the declarations—for example, in The United Church of Canada, its General Council, Conferences, and presbyteries, or churches, congregations, and pastoral charges.

○ What are insureds?

Insureds are the insured organization and/or the insured persons.

○ What is Outside Directorship Liability (ODL) Coverage?

This is an extension of coverage to include claims against a director or officers for acts taken in the officer's or director's capacity as director of another organization, as long as the officer or director is acting in that "outside" director capacity at the request of their employer.

It is the coverage provided by Directors and Officers (D&O) Liability Policies for service on boards of directors **outside** the insured organization.

The D&O Liability Policy of The United Church of Canada Directors has extension coverage for "Outside Directorship Liability" for people sitting on not-for-profit boards (including volunteers).

If you are a member of the board of directors outside the insured organization, make sure the outside entity has Directors & Officers Liability Coverage. We have seen individuals become liable for significant sums where insurance was not in place.