

## How Jewel Works part 5 – The Importance of Preserving Donation’s Origins

**NOTE:** *To comply with denomination policies, state and IRS laws and to prevent fraud, our church treasurers keep detailed records of all financial transactions, both incoming and outgoing. Jewel preserves these records and creates various reports so that the board can monitor the church’s financial health and make good financial decisions.*

### **Review from “How Jewel Works” parts 1 - 4**

- 1) The Financial Summary is made up of three different sections. “Bank Account(s),” “Local Funds” and “Conference Funds.” Each have their own purpose, but the Ending Balance of the Bank Account(s) will always be the same as the Ending Balances of the Local Funds plus the Conference Funds.
- 2) Jewel’s check and deposit entries require that you enter the same money two ways, to ensure that the balances continue to match.
- 3) Moving money is different than spending it. When spending it, your “Bank Ending Balances” decrease by the amount of the purchase. When moving it, you still have the same amount of money, just in a different bank account. Your total bank account ending balances don’t change.
- 4) Misconceptions in how bank accounts and local funds interact can result in misunderstandings and inaccurate reports.

In a state far away, many years ago, a church treasurer told the church board that there were sufficient funds to remodel their bathrooms. Unfortunately, the treasurer had failed to label the donations correctly, and after the construction was finished, the board learned that they had just spent their Mission Group's Building Fund! When this church had to take out a loan and make payments, it made the board very unhappy and put them in accusation and finger-pointing mode, which affected their ability to work together for some time.

Preserving the origin of donations (where they came from and how they are supposed to be used) is SO important for many reasons, such as trust between members and transparency, to say nothing of IRS and State regulations. Preserving donation origin is the job of the “Local Funds.” (*Tutorial #6630*) If there had been a “Local Fund” labeled “Mission Group – Building Fund” then that treasurer’s error and its consequences to the church could have been avoided.

**NOTE:** *“Bank Accounts” do not usually have the ability to adequately and accurately preserve the origins of donations. “Local Funds” do. If documented correctly, Jewel local funds can tell you who donated every dollar that was ever given to your church’s Building Fund and when it was given (during the time your church has been using Jewel). And if and how those donations have been spent. This information is vital when it comes to protecting trust funds.*

So, what can happen when origin is not preserved? The following is a fictional example:

**1) Example:** The church board notices that \$10,000 is sitting in the local “Building Fund” and won’t be needed for some time, so they authorize the treasurer to “send \$10,000 from ‘Building Fund’ to the ‘Southern Union Revolving Fund’ in order to earn interest.”

The treasurer enters the check into Jewel, and mails it to SURF. It looks like this.

They have forgotten to ask the question **“Am I spending this money or am I moving it?”** (Tutorial #8100)

Writing it this way, posting it to a local fund, tells Jewel that the entire \$10,000 is being spent, rather than being transferred.

Date: 02/28/25

Pay to the Order of: 194 Southern Union Revolving Fund

Amount: \$ 10,000.00

Exactly: Ten thousand and 00/100 Dollars

Memo: to move Building Fund to SURF

Running Total: 10,000.00

Account: 9953 Building Fund Amount: 10,000.00

Electronic Payment: ☐

As a result, the financial summary now looks like this – with \$10,000 having vanished from the “Ending Balance.”

| Account                   | Begin. Bal. | Deposits | Checks    | Transfers | Ending Bal. |
|---------------------------|-------------|----------|-----------|-----------|-------------|
| Checking                  | 35,314.81   |          | 10,000.00 |           | 25,314.81   |
| ***** Total Bank Accounts | 35,314.81   | 0.00     | 10,000.00 | 0.00      | 25,314.81   |
| CHURCH BUDGET             | 3,046.23    |          |           |           | 3,046.23    |
| LOCAL CHURCH EXPENSES     | 150.11      |          |           |           | 150.11      |
| CHURCH SCHOOL EXPENSES    | 1,733.72    |          |           |           | 1,733.72    |
| CHURCH ACTIVITIES         | 2,631.92    |          |           |           | 2,631.92    |
| CHURCH MINISTRIES         | 1,791.39    |          |           |           | 1,791.39    |
| LOCAL RESTRICTED FUNDS    | 4,734.17    |          |           |           | 4,734.17    |
| MISSIONS                  | 426.94      |          |           |           | 426.94      |
| CAPITAL RESERVES          | 8,956.12    |          |           |           | 8,956.12    |
| RENTAL INCOME/EXPENSE     | 1,756.64    |          |           |           | 1,756.64    |
| SURF Interest Income      | 87.57       |          |           |           | 87.57       |
| Building Fund             | 10,000.00   |          | 10,000.00 |           | 0.00        |
| *** Total Local Funds     | 35,314.81   | 0.00     | 10,000.00 | 0.00      | 25,314.81   |

The “Checking Account Ending Balance” has decreased by \$10,000.

The “SURF – Building Fund” still has no money in it so doesn’t show up on the report at all.

The local “Building Fund” now has lost everything and is showing a zero balance.

2) Since the check was recorded as a payment from checking, the checking account has a record of the \$10,000 check and so can be reconciled at the end of the month. The SURF account however, cannot be reconciled, since Jewel has no record so far of any money going into SURF.

3) The SURF quarterly statement arrives, weeks or months later, and reconciliation is attempted. A “General Journal Entry” deposit to SURF is eventually created so that a deposit to SURF shows up and can be checked off. And since a local fund is requested, the \$10,000, instead of being posted back to “Building Fund” to replace what was incorrectly taken, is entered as a deposit to something like “Church Budget.” (This happens more than you might think.)

Date: 04/14/25 Memo: Board authorized move to SURF

Deposits and Interest Earned: ☒ Checks Written and Bank Fees: ☐

Bank Account: 8010 SURF - Building Fund Income: 10,000.00 Expense: 0.00

Balance: 0.00

Account(s): 8100 CHURCH BUDGET Income: 10,000.00 Expense: 0.00

Running Total: 10,000.00

| Account                   | Begin. Bal. | Deposits  | Checks    | Transfers | Ending Bal. |
|---------------------------|-------------|-----------|-----------|-----------|-------------|
| Checking                  | 35,314.81   |           | 10,000.00 |           | 25,314.81   |
| SURF - Building Fund      | 0.00        | 10,000.00 |           |           | 10,000.00   |
| ***** Total Bank Accounts | 35,314.81   | 10,000.00 | 10,000.00 | 0.00      | 35,314.81   |
| CHURCH BUDGET             | 3,046.23    | 10,000.00 |           |           | 13,046.23   |
| LOCAL CHURCH EXPENSES     | 150.11      |           |           |           | 150.11      |
| CHURCH SCHOOL EXPENSES    | 1,733.72    |           |           |           | 1,733.72    |
| CHURCH ACTIVITIES         | 2,631.92    |           |           |           | 2,631.92    |
| CHURCH MINISTRIES         | 1,791.39    |           |           |           | 1,791.39    |
| LOCAL RESTRICTED FUNDS    | 4,734.17    |           |           |           | 4,734.17    |
| MISSIONS                  | 426.94      |           |           |           | 426.94      |
| CAPITAL RESERVES          | 8,956.12    |           |           |           | 8,956.12    |
| RENTAL INCOME/EXPENSE     | 1,756.64    |           |           |           | 1,756.64    |
| SURF Interest Income      | 87.57       |           |           |           | 87.57       |
| Building Fund             | 10,000.00   |           | 10,000.00 |           | 0.00        |
| *** Total Local Funds     | 35,314.81   | 10,000.00 | 10,000.00 | 0.00      | 35,314.81   |

4) Now everything is reconciled, and the "Bank Account Total Ending Balances" are corrected, but this \$10,000 has been removed, in two separate moves, from "Building Fund" and deposited into "Church Budget."

Now, all records of the origins (donors, dates, etc) of this money has been left behind. If I look up that deposit in church budget, I see this, which doesn't help me know where the money actually came from.

**NOTE:** Yes, the origin can be tracked down and followed back to the source, but many treasurers wouldn't know how to do it, and might not understand why they should.

Date: 04/14/25 Memo: Board authorized move to SURF

☒ Deposits and Interest Earned  
☐ Checks Written and Bank Fees

**Bank Account**

| Account                   | Income    | Expense |
|---------------------------|-----------|---------|
| 8010 SURF - Building Fund | 10,000.00 |         |
| Balance                   | 10,000.00 |         |

**Account(s)**

| Account            | Income    | Expense |
|--------------------|-----------|---------|
| 8100 CHURCH BUDGET | 10,000.00 |         |

## Transfer Funds

Date: 04/30/25 Memo: to zero out negative balances

☒ Transfer FROM a single account  
☐ Transfer TO a single account

**From Account**

| Account            | Amount    |
|--------------------|-----------|
| 8100 CHURCH BUDGET | 10,201.25 |
| Balance            | 2,844.98  |

**To Account(s)**

| Account                   | Amount   |
|---------------------------|----------|
| 8242 Contracts - Copier   | 14.62    |
| 8280 Custodial Expenses   | 72.18    |
| 8360 Insurance            | 3,692.13 |
| 8650 Utilities: Telephone | 1,242.32 |
| 8730 School Subsidy       | 5,180.00 |

5) There are currently several local funds with negative balances, so at the end of the month, the treasurer is authorized, by a happy board, thinking that there were lots of offerings that month, to make transfers to zero out the negatives. As a result, that \$10,000 of "Building Fund" donations is moved into various other local funds such as "Custodial Expenses," "Insurance," and "School Subsidy," to cover expenses that have already been paid.

6) Trust Funds, donations originally given specifically for the Building Fund, have now been used illegally, to pay Insurance and School Subsidy. It was not on purpose, but from a lack of understanding.

7) At the next board meeting, a member, noting the local Building Fund has a zero balance, says "What happened to our Building Fund? Where did that money go?"

| Account                    | Begin. Bal. | Deposits  | Checks | Transfers | Ending Bal. |
|----------------------------|-------------|-----------|--------|-----------|-------------|
| Checking                   | 15,146.81   |           |        |           | 15,146.81   |
| SURF - Building Fund       | 0.00        | 10,000.00 |        |           | 10,000.00   |
| xxxxxx Total Bank Accounts | 15,146.81   | 10,000.00 | 0.00   | 0.00      | 25,146.81   |

And the treasurer, who doesn't understand how it works, says "It is in the SURF account," and points to the top section of the Financial Summary. And everyone is satisfied with that answer. After all, the SURF account is (incorrectly) labeled "SURF - Building Fund."

8) But when a building project comes along, they will learn that the local funds guard the origins, and the bank accounts do not. And that \$10,000 of Building Funds was already spent on the abovementioned transfers. And that, although that bank account is called "SURF – Building Fund," the money that is in it does not belong to the Building Fund. And unless an auditor takes time to follow that \$10,000 back, figure out what happened and reverse what was done, (which will put those local Funds such as School Subsidy back in the negative) the donations given to the Building Fund have been spent.

Yes, it happens. I have seen similar scenarios played out a number of times, some just slightly annoying and others more disturbing.

#### TO RECAP:

- *Moving funds between local Funds in such a way that origin is lost should never be done.*
- *In most cases, bank accounts should not be labeled with origins. (Tutorial #8100)*
- *General Journal Entries should not be used to correct transfers that were made incorrectly. (Tutorial #8190)*
- *If a transfer between bank accounts has you puzzled, contact your support person.*
- *Right then. Don't wait for months to get help.*

This is the last in our 5-part series "How Jewel Works."

If you made it all the way through, I salute you, because this is not Jewel for beginners! Understanding and following these five tutorials will truly give you "extraordinary" status!

For more tutorials on JEWEL INFORMATION & PROCESS HELPS, see section 8000 on the gccsda.org auditor webpage

*This information has been brought to you by the Georgia-Cumberland Conference Audit Team  
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