

How Jewel Works part 4 - Misconceptions in Bank Account and Local Fund Interactions

If your church has only one bank account, you do not need to read this.

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 - 3

- 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 Ending 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.**

How "Bank Accounts" and "Local Funds" Interact. The following examples illustrate misconceptions that I encounter on a regular basis. These misconceptions can lead to incorrect Jewel entries, resulting in reports to the board that are inaccurate or misleading, and a board that believes they have more or less than they actually do. If you are a new treasurer or your church has a very simple system and you rarely transfer funds from one bank account to another, you may not need to read this. But if you like a challenge and want to move to the next level in Jewel, welcome! ☺

Typical Church "Bank Accounts:" There are churches with more complicated systems, but in general, churches with more than one bank account have:

1. A main "Checking Account" which receives deposits and pays bills using checks or electronic payments.
2. Sometimes a second bank account that is connected to a debit card(s).
3. A "Savings Account" - revolving fund, money market or CD, to take advantage of a better rate of interest.

Note: Very rarely, a church will have a separate checking account for Pathfinders, an active Building Project or some other ministry, and even more rarely, a separate savings account for an estate bequest. The following examples will not apply to, nor address these exceptions.

Misconception #1. Some bank accounts should be labeled as to origin or potential usage. Example: "Savings – Building Fund." This helps us know how much we have and where it came from.

Fact: Using a bank account to preserve donation origin is not recommended. It increases the work of the treasurer and usually robs the reports of clarity, simplicity and sometimes even accuracy.

Explanation: When donors give offerings, we must keep track of how much each donor gave, and to what project or ministry. If we did this using only bank accounts, we would need to open a separate checking or savings account for tithe, another for church budget, and so on, so the donations wouldn't get mixed up together.

This way of preserving origin would be expensive (buying checks for each account) and inefficient. So, to keep detailed records of donations *without* opening multiple bank accounts, we keep a second set of records called “Local Funds.” These “local funds” keep track of the donations, expenses and ending balances so that the “bank accounts” don’t need to. (*Tutorials #8080, 8090*)

Misconception #2: We have the money that is in the “bank accounts” **plus** the money that is in the “local funds.”

Example: we have a local fund labeled as “Food Pantry,” and we have a Food Pantry savings account. Adding those together we have over \$10,000 to use for Food Pantry.

Account	Begin. Bal.	Deposits	Checks	Transfers	Ending Bal.
Checking - Truist	83,387.37				83,387.37
Savings - Food Pantry	4,116.59				4,116.59
***** Total Bank Accounts	87,503.96	0.00	0.00	0.00	87,503.96
CHURCH BUDGET	27,162.53				27,162.53
LOCAL CHURCH EXPENSES					
Equipment Purchase/Repair	7,146.07				7,146.07
Flowers/Gifts/Honorariums	3,877.00				3,877.00
Office Supplies/Postage/Bank Fees	-179.47				-179.47
SS Expenses - Adults	6,160.70				6,160.70
LOCAL MINISTRIES					
Children's Ministries	574.83				574.83
Compassion Fund	2,575.26				2,575.26
Food Pantry	6,234.54				6,234.54
Health & Temperance	1,200.00				1,200.00
Medical Missionary Fund	460.00				460.00
Youth Ministries	2,603.50				2,603.50
OUTREACH & EVANGELISM					
Evangelism - Church Funded	8,493.86				8,493.86
Personal Ministries	1,249.17				1,249.17
OTHER LOCAL FUNDS					
Building Fund	18,868.40				18,868.40
Remodel Projects	877.57				877.57
Retreat Registration-NTD	200.00				200.00
***** Total Local Funds	87,503.96	0.00	0.00	0.00	87,503.96

Fact: The “local funds” track the very same money that is in the “bank accounts.” They don’t double it. (*Tutorial #8080*)

So how much do we have for Food Pantry? The “local fund” ending balance is the accurate total. It includes all donations in, and expenses out. There is no need to keep track of it in a dedicated bank account.

Recommendation: Keep bank account names simple (“Savings – SURF” or “Savings – Truist”) and let the local funds do what they are good at - keeping track of how much is available in each expense or ministry or project.

Misconception #3: Since we have a “Savings” and a “Local Fund” that are the same name, the two totals should always match. (But they don’t. Why?)

Account	Begin. Bal.	Deposits	Checks	Transfers	Ending Bal.
Main Checking	21,908.27				21,908.27
Savings - Building Fund	46,500.00				46,500.00
***** Total Bank Accounts	68,408.27	0.00	0.00	0.00	68,408.27
CHURCH BUDGET	17,199.07				17,199.07
LOCAL CHURCH EXPENSES					
SS Expenses - All Departments	1,130.19				1,130.19
Supplies - Kitchen/Custodial	-0.99				-0.99
LOCAL MINISTRIES					
Benevolence - Assistance	10.00				10.00
Youth Ministries	70.00				70.00
OTHER LOCAL FUNDS					
Building Fund	51,837.00				51,837.00

Fact: Donations, when given, are deposited into checking and posted to local funds. Even if the “Savings” and “Building Fund” match at some point, as soon as there is a donation to “Building Fund,” they will no longer match. Donations to local “Building Fund” have increased its ending balance, while the savings account balance has remained the same.

Explanation: Looking at a dedicated bank account total to know how much the church has in “Building Fund,” for example, will in most cases be unreliable, because that total is not as up-to-date as the local fund “Building Fund.” The local “Building Fund” ending balance is the place to find out how much is actually in the Building Fund.

NOTE: Once a savings account has been specified as a certain type of fund, then it is assumed that more savings accounts or Revolving Funds must be opened for other projects, since that savings account can only have “Building Funds” in it. This results in more even more work for the treasurer because it means more transfers and more bank reconciliations at the end of the month.

It takes a lot of work and many transfers to keep a local fund and a corresponding bank account matching, and in most cases, it is confusing to the church board, results in entry errors that need auditor correction, and should not be attempted.

Recommendation: For simplicity, when setting up savings or SURF accounts, use one savings or SURF account for all excess funds, and meticulously and consistently post to the various local funds, letting them do their job of accurately tracking various projects and ministries, their income, expenses and ending Balances.

Misconception #4. When we send money from checking to savings, we must choose which local fund we are taking the money from. “It is just sitting there, so let us move it to the savings account.”

Account	Begin. Bal.	Deposits	Checks	Transfers	Ending Bal.
Main Checking	66,908.27				66,908.27
Savings - Revolving Fund	<u>1,500.00</u>				<u>1,500.00</u>
xxxxxx Total Bank Accounts	68,408.27	0.00	0.00	0.00	68,408.27
CHURCH BUDGET	17,199.07				17,199.07
LOCAL CHURCH EXPENSES					
SS Expenses - All Departments	1,130.19				1,130.19
Supplies - Kitchen/Custodial	-0.99				-0.99
LOCAL MINISTRIES					
Benevolence - Assistance	10.00				10.00
Youth Ministries	70.00				70.00
OTHER LOCAL FUNDS					
Building Fund	<u>50,000.00</u>				<u>50,000.00</u>
xxxxxx Total Local Funds	68,408.27	0.00	0.00	0.00	68,408.27
xxxxxx Total Conference Funds	0.00	0.00	0.00	0.00	0.00
xxxxxx Total Funds	68,408.27	0.00	0.00	0.00	68,408.27

Example: The church board authorizes the treasurer to “send \$50,000 from “Building Fund” to the “Southern Union Revolving Fund.”

Caution: This misconception often leads to this bank account being labeled as the “SURF – Building Fund.” Which, in their mind, limits how that savings account can be used from then on.

Fact: You are not moving local funds to savings. You are moving money from checking to savings, to earn interest.

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

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 \$50,000 has been spent, rather than being transferred.

Check # 1004

Date 04/01/24

Pay to the Order of 133 Southern Union Revolving Fund

\$ 50,000.00

Exactly Fifty thousand and 00/100

Dollars

Memo To add to SURF savings

Ima Good

Treasurer

Electronic Payment

Account	Amount
9310 Building Fund	50,000.00

As a result, the financial summary now looks like this.

Account	Begin. Bal.	Deposits	Checks	Transfers	Ending Bal.
Main Checking	66,908.27		50,000.00		16,908.27
Savings - Revolving Fund	1,500.00				1,500.00
***** Total Bank Accounts	68,408.27	0.00	50,000.00	0.00	18,408.27
CHURCH BUDGET	17,199.07				17,199.07
LOCAL CHURCH EXPENSES					
SS Expenses - All Departments	1,130.19				1,130.19
Supplies - Kitchen/Custodial	-0.99				-0.99
LOCAL MINISTRIES					
Benevolence - Assistance	10.00				10.00
Youth Ministries	70.00				70.00
OTHER LOCAL FUNDS					
Building Fund	50,000.00		50,000.00		0.00
**** Total Local Funds	68,408.27	0.00	50,000.00	0.00	18,408.27
**** Total Conference Funds	0.00	0.00	0.00	0.00	0.00
***** Total Funds	68,408.27	0.00	50,000.00	0.00	18,408.27

The checking and bank accounts totals have decreased by \$50,000.

The "Savings – Revolving Fund" has not increased by \$50,000.

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

If monthly reports are printed and presented at this point, they are short \$50,000, which does not give the church board the accuracy and clarity that is needed. Also, if they don't receive assistance to fix this, continued attempts (usually General Journal Entries) by the treasurer to correct the problem often result in further inaccuracies, sometimes even leading to a misuse of Trust Funds. (Tutorial #8120)

Fact: Had the check instead been written this way - the correct way (Tutorial 8100),

a transfer would have been created,

moving \$50,000 to SURF, rather than spending it.

Check # 1004
Date 04/01/24

Pay to the Order of 133 Southern Union Revolving Fund \$ 50,000.00

Exactly ~~Fifty thousand and 00/100~~ *Jewel Auditor*

Memo To add to SURF savings

You are about to transfer from this checking account INTO the selected bank accounts.
Are you sure this is what you want to do?

Yes No

Running Total

Electronic Payment

Account	Amount
8003 Savings - Revolving Fund	50,000.00

Account	Begin. Bal.	Deposits	Checks	Transfers	Ending Bal.
Main Checking	66,908.27		50,000.00		16,908.27
Savings - Revolving Fund	<u>1,500.00</u>		<u>-50,000.00</u>		<u>51,500.00</u>
***** Total Bank Accounts	68,408.27	0.00	0.00	0.00	68,408.27
CHURCH BUDGET	17,199.07				17,199.07
LOCAL CHURCH EXPENSES					
SS Expenses - All Departments	1,130.19				1,130.19
Supplies - Kitchen/Custodial	-0.99				-0.99
LOCAL MINISTRIES					
Benevolence - Assistance	10.00				10.00
Youth Ministries	70.00				70.00
OTHER LOCAL FUNDS					
Building Fund	<u>50,000.00</u>				<u>50,000.00</u>
**** Total Local Funds	68,408.27	0.00	0.00	0.00	68,408.27
**** Total Conference Funds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
***** Total Funds	68,408.27	0.00	0.00	0.00	68,408.27

This would have resulted in a correct ending balance

and a local "Building Fund" which continued to preserve all records of donations and withdrawals, which is necessary for following IRS regulations.

Misconception #5. We need more money in (whatever) fund, so we will Transfer \$10,000 from SURF and "put it into" that fund.

- **Fact 1:** The money that you withdraw from SURF is not just neutral money that can be withdrawn and plugged in wherever it is needed. Each dollar in SURF is already itemized and spoken for in one of your church's local funds. It can't be "put into" a random local fund.

Dates: This month-to-date (July) 07/01/25 To 07/31/25 ☒ Summary ☐ Detail						<i>Financial Summary</i>	
Account	Begin. Bal.	Deposits	Checks	Transfers	Ending Bal.		
Checking - First in Town	149,561.14	69,318.43	101,898.20	10,000.00	126,981.37		
Checking - 2nd in Town	2,523.68	0.54			2,524.22		
Debit	-1,742.36	0.38	-1,200.78		-541.20		
Savings - SURF	<u>58,478.33</u>	<u>198.67</u>		<u>-10,000.00</u>	<u>48,677.00</u>		
***** Total Bank Accounts	208,820.79	69,518.02	100,697.42	0.00	177,641.39		
COMBINED BUDGET	-555.07	16,050.20		-13,185.00	2,310.13		
LOCAL CHURCH EXPENSES	49,415.32	1,147.85	43,671.25	8,348.00	15,239.92		
PAYROLL EXPENSE	-25.08		1,717.23	1,769.00	26.69		
LOCAL OUTREACH/EVANGELISM	62,071.36	1,915.00	142.46	257.00	64,100.90		
LOCAL CHURCH MINISTRIES	21,861.77	184.00	250.00	285.00	22,080.77		
CHILDREN & YOUTH	19,133.16	930.23	3,824.95	221.00	16,459.44		
LOCAL SCHOOL	120.32	4,234.20	6,234.20	2,000.00	120.32		
TRUST FUNDS	38,025.24	198.67			38,223.91		
OTHER LOCAL FUNDS	<u>18,773.77</u>	<u>0.54</u>		<u>305.00</u>	<u>19,079.31</u>		
**** Total Local Funds	208,820.79	24,660.69	55,840.09	0.00	177,641.39		

Example: In your Financial Summary, as in this one, the "SURF Ending Balance" (\$48,677) is already included in the "Total Local Funds Ending Balance" (\$177,641.37).

- **Fact 2:** If a local fund has a negative balance and needs to be assisted, a transfer within local funds is what is needed. Pulling money from SURF is often not necessary nor effective.
- **Fact 3:** The only time it is necessary to pull money from SURF is when your checking account balance has fallen below 2-3 months of average expenses, or if you are expecting a large purchase or repair that your checking account balance won't cover. Leaving the rest of your money in SURF until actually needed, in order to gain interest on it, is good church finance.

Explanation:

Moving \$10,000 from SURF to checking doesn't change the "Total Bank Accounts Ending Balance."

- ✓ The church doesn't have any more money than it did before the transfer, it has just been moved to a different bank.

Moving \$10,000 from SURF to Checking doesn't change the "Total Local Funds Ending Balance" either.

- ✓ The local funds don't have any more money than they did before either, since their ending balance always matches the "Total Bank Accounts Ending Balance."
- ✓ If a certain local fund needs to have more money in it, then, to accomplish that, another Local Fund will need to have less.
- ✓ You will need to find \$10,000 of non-trust funds somewhere in your existing local funds if you want to make a transfer of \$10,000 to a different local fund. (Non-trust funds are donations to Church Budget or some other Reserve type fund, that originally came from Church Budget.)
- ✓ You cannot take \$10,000 of trust funds from one local fund just to increase the balance in another local fund. This could lead to a misuse of Trust Funds, which is against denominational policy and could even be illegal.

Review for Misconception #5:

- SURF funds are not typically helpful with local fund shortfalls.
- Local fund shortfalls are fixed by local fund transfers, not by bank account transfers.
- Leaving everything except for 2-3 months of average monthly expenses in SURF, to earn interest, is good church finance.

If you try to make a Transfer from SURF to a Local Fund, Jewel won't let you. Why?

Financial Summary					
Dates: [This month-to-date (July)] [07/01/25] To [07/31/25] [Summary] [Detail]					
Account	Begin. Bal.	Deposits	Checks	Transfers	Ending Bal.
Checking - First in Town	149,561.14	69,318.43	101,898.20		116,981.37
Checking - 2nd in Town	2,523.68	0.54			2,524.22
Debit	-1,742.36	0.38	-1,200.78		-541.20
Savings - SURF	58,478.33	198.67		-10,000.00	48,677.00
***** Total Bank Accounts	208,820.79	69,518.02	100,697.42	-10,000.00	167,641.39
COMBINED BUDGET	-555.07	16,050.20		-13,185.00	2,310.13
LOCAL CHURCH EXPENSES	49,415.32	1,147.85	43,671.25	18,348.00	25,239.92
PAYROLL EXPENSE	-25.08		1,717.23	1,769.00	26.69
LOCAL OUTREACH/EVANGELISM	62,071.36	1,915.00	142.46	257.00	64,100.90
LOCAL CHURCH MINISTRIES	21,861.77	184.00	250.00	285.00	22,080.77
CHILDREN & YOUTH	19,133.16	930.23	3,824.95	221.00	16,459.44
LOCAL SCHOOL	120.32	4,234.20	6,234.20	2,000.00	120.32
TRUST FUNDS	38,025.24	198.67			38,223.91
OTHER LOCAL FUNDS	18,773.77	0.54		305.00	19,079.31
*** Total Local Funds	208,820.79	24,660.69	55,840.09	10,000.00	187,641.39

If you could subtract \$10,000 from a bank account and add it to a local fund, your database would be \$20,000 out of balance on your Financial Summary, which is a real problem. (I had to do a fancy manual entry behind the scenes to even get Jewel to do it.)

Jewel won't allow you to make a transaction that would affect that matching Ending Balance.

Summary:

- Bank accounts (*other than the rare examples noted at the beginning*) are not designed to be scorekeepers for local funds, such as “SURF – Building Fund.” Give them simple names. “Savings – SURF” and use one account for all excess funds. This will save time and avoid confusion.
- Local funds preserve, on paper, the origins of all donations and the record of all monies that are spent, so they have the most accurate ending balances. This is where the church board should look for financial balance information on any ministry or project.

These are probably the most difficult concepts to explain to a treasurer or a church board. I see databases on a regular basis that have incorrect ending bank balances and/or local fund balances because of these issues.

Most treasurers have inherited an account list that was set up before they took the position, so they didn’t create this problem themselves. But they can ask for assistance in cleaning it up.

Remembering how to correctly make these types of entries can be a challenge when not done very often. The best solution is to review this information before making transfers between bank accounts, and/or ask for assistance if you think there may be a problem. Don’t wait for weeks or months, because corrections are easier when completed sooner rather than later, and you do not wish to give months of incorrect reports to your church board.

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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