

# <CHURCH NAME>

## Financial Policies and Procedures

### OVERVIEW

The policies and procedures listed in this document have been approved by the Church Council. Any addition, deletion, or change to the listed must be approved by the Church Council. Appendixes should be updated by the Treasurer in a timely manner.

The policies and procedures will promote sound business practices and should be reviewed annually by the Finance Committee. It is also the duty of the Finance Committee to communicate these policies and procedures to the various groups affected by this document. Violations of the policies and procedures should be reported to the Finance Committee.

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### SECTION I – ACCOUNTING PROCEDURES

#### ¶ 1 – Basis of Accounting and Fiscal Year

The church uses a cash basis of accounting, and the fiscal year is the same as the calendar year. All expenditures are recorded the day the check is cut or the funds are electronically withdrawn. Revenues are usually recorded the day received with three exceptions: 1) checks received by mail are recorded as of the postmark date, 2) donations made by credit/debit card are recorded the day the charge is made, and 3) postdated checks are recorded as of the date on the check.

#### ¶ 2 – Journal Entries

All journal entries made by the Treasurer should be properly supported. The support should clearly indicate the purpose achieved by the entry and the authority of the Treasurer in making such an entry.

### SECTION II – BANKING AND INVESTMENTS

#### ¶ 1 – Reviewing Financial Institutions and Accounts

The Finance Committee shall review the list of the church's accounts. This review will at the minimum include an analysis of the return on investment for investment accounts and of the fees associated with maintaining the accounts. The Finance Committee may also review the adequacy of services provided. The result of the review should be recommendation on whether or not the church should make changes to its banking and/or investment accounts.

#### ¶ 2 – Cash Management

It is in the church's best interest to invest as much funds as available. If the church's checking account does not earn interest, the Treasurer should maintain a balance in that account that is equal to the amount of checks outstanding plus any amount to avoid additional banking fees.

#### ¶ 3 – Investment Strategy

The Finance Committee will determine the church's investment strategy. The Treasurer has the duty of ensuring that the church follows the investment strategy. The investment strategy should be evaluated by the Finance Committee.

#### ¶ 4 – Check Signing

Members of the Finance Committee shall serve as check signers for the entire term of their service. The Treasurer shall also serve as a check signer. Each check must be signed by two check signers. Check signing indicates that the individual has reviewed the support for the check and has determined that the check is properly authorized and is for legitimate church business.

#### ¶ 5 – Electronic Payments

The Treasurer is authorized to make electronic payments of bills. The Treasurer shall

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provide support for every electronic payment and make the support available to the check signers along with the support for paper checks.

#### ¶ 6 – Electronic Donations

The Treasurer shall administer a program to allow the church to accept donations electronically.

### SECTION III – DONOR-RESTRICTED FUNDS

#### ¶ 1 – Defined and Treasurer's Duties in Relation to Donor-Restricted Funds

Donor-restricted funds are donations that are restricted by the donor as to the purpose the funds may be used. The donor has no legal authority to enforce this restriction, but the church chooses to respect the donor's wishes.

The Treasurer shall remit funds designated for another entity in a timely manner. Usually this shall be within a month unless otherwise determined by the donor or the receiving entity. The Treasurer shall remit funds designated for a specific project/program when authorized by the person/people administering the project/program.

#### ¶ 2 – Donations Designated for Specific Individuals

The church will not accept donations designated to a specific individual where the church leadership did not initiate the appeal for money for this purpose. This type a donation is considered by the IRS to be a gift from one individual to another and is not a charitable donation.

#### ¶ 3 – Donations Designated for One-Time Projects

Unused funds designated for a one-time project shall be released from restriction and considered General Fund revenue upon the completion of the project. An exception would be when the project has determined in advance what would be done how unused funds should be directed. A one-time project is a project created to meet a specific need and it is unlikely that the specific need will arise again in the near future.

#### ¶ 4 – Donations Designated for Items Already included in Current Budget

Donations made to items already determined to be completely provided for in the current budget shall be recorded as General Fund revenue. The reason for this is that the wishes of the donor will be respected as the funds will be spent for the designated purpose and actual expenses associated with the item will be accurately reflected within the financial reports.

### SECTION IV – REPORTING

#### ¶ 1 – Reporting Duties of the Treasurer

The Treasurer shall monthly report to the **Church Council** and Finance Committee the

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financial position and activities of the church. The Treasurer shall provide monthly budget reports to those responsible for programs within the budget. The Treasurer will also respond promptly to requests church members for information related to the church's finances. In addition, the Treasurer is responsible for completing in a timely manner the financial reports required by governments and the Dakotas Conference.

#### ¶ 2 – Annual Audit

The Finance Committee shall annually provide for the audit of the church's finances. The audit shall provide assurance that church policies are being followed and that financial reports are free from material misstatement. The audit report shall be presented to the Church Council.

### SECTION V – SPENDING POLICIES

#### ¶ 1 – Budget Authority

The budget is structured so that individual budget lines are grouped by program. The individual budget lines cannot restrict spending but are meant only to aid in planning. The total amount budgeted for the program is binding. A program only has authority to spend General Fund dollars up to the total amount budgeted.

#### ¶ 2 – Overspending Budgeted Amount and Amending the Budget

In order for a program to spend more than is authorized in the budget, the Church Council must approve an amendment to the budget that increases their total program amount. The Treasurer shall notify the Finance Committee in the event that a program spends more than is authorized without Church Council approval.

#### ¶ 3 – Delegation of Spending Authority

The staff and committees have complete authority over approving expenditures to their respective programs that are within the budgeted total amount. Each committee member can act on behalf of the entire committee in authorizing program expenditures. Authority may be delegated as seen fit, but this delegation should be documented in Appendix B.

#### ¶ 4 – Proper Support for Expenditures

Proper support must be provided for all program expenditures. Proper support should identify the amount to be paid, the purpose of the expenditure, and who authorized the payment.

#### ¶ 5 – Travel Reimbursement

It is the policy of the church to reimburse employees for travel expenses when using their personal vehicle for business purposes using the IRS's mileage reimbursement rate. Commuting miles between work and home are not reimbursable. Employees should not use Church Credit Cards to pay for fuel for their personal vehicles. Meals and lodging will be reimbursed only for the employee at actual cost.

Reimbursements to volunteers for travel expenses will be determined by those responsible

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for the program paying for the travel and communicated to the Treasurer.

#### ¶ 6 – Payroll Procedures

The church pays its employees semi-monthly on the 15<sup>th</sup> and the last day of each month. Unless otherwise noted, any bonuses will be included with the regular paycheck. In the event that employment is terminated and vacation time needs to be paid out, the vacation time will be paid out only after all church property (keys, Church Credit Cards, laptops, etc) have been returned and all expenses have been properly documented.

#### ¶ 7 – Church Credit Cards

The Finance Committee may authorize any employee or other member of the church to have a Church Credit Card (CCC). Before the issuance of the CCC, the person receiving the CCC must sign an agreement stating that they will only use the CCC for church business. In the event that a CCC is used to make a personal purchase, the Finance Committee will be notified and the church must be reimbursed. Further action may be taken by the Church Council if need be.

### SECTION VI – DEPOSIT POLICIES

#### ¶ 1 – Receiving & Securing Donations

The Financial Secretary is responsible for ensuring that donations are properly received, counted, and deposited. Donations received via mail or dropped off at the church should be logged recording the date, donor, and amount. The donation should then be locked in the church safe until the counters are able to prepare it for deposit.

After the offering is collected, at least two ushers shall place the offering in a bank bag. The bank bag shall be locked and locked in the church safe until the counters are able to prepare it for deposit.

#### ¶ 2 – Counting

Two or more counters who are not from the same immediate family or members of the same household shall prepare the deposit as soon as practical (usually Monday morning). The deposit shall include all offerings as well as miscellaneous donations received during the week. The counters shall complete a log showing the names of all donors, the amounts of the donations, and any designations. From the log, counters shall complete a Deposit Summary indicating the total given toward the General Fund and any other special offerings. The counters shall sign and date the completed Deposit Summary Form.

The log, a copy of the Deposit Summary, and any donor envelopes shall be given to the Financial Secretary. At least two of the counters shall bring the deposit to the bank. The deposit slip should be attached to the original Deposit Summary and given to the Treasurer.

#### ¶ 3 – Donor Records & Statements

The Financial Secretary shall maintain the donor records using the information from the counters. Access to donor records should be limited to the pastor and the Financial

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Secretary. Upon approval of the Church Council, other groups/individuals may be granted access to donor records for a certain specified purpose (e.g. organizers of a capital campaign).

An annual statement shall be provided to all identified donors. The statement shall list the date and amount of each donation and shall meet the IRS requirements in order for the donor to claim donations as a charitable deduction for income tax purposes.

#### ¶ 4 – Non-Cash Donations

Donations of stock or bonds will be received by the church's brokerage account and will be recorded in the donor records. Donors must request a gift receipt for other non-cash donations. Receipts will not be given for donations of services. Non-cash donations will not be valued by the church. The receipt will list the date of the donation, the item(s) donated as well as their condition, and the name of the donor.

### SECTION VII – FIXED ASSETS

#### ¶ 1 – Record Keeping for Fixed Assets

The Treasurer should maintain proper record of fixed assets. Any purchases of IT equipment or purchases of other equipment over \$1,000 should be recorded. An annual inventory shall be made at the direction of the Treasurer and reported to the Trustees.

#### ¶ 2 – Inspection of the Parsonage

A member of the Trustees, a member of SPRC, and the Senior Pastor should annually review the parsonage to ensure proper maintenance.

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#### **APPENDIX A: WHAT THE BOOK OF DISCIPLINE HAS TO SAY**

The Book of Discipline provides some guidance for the duties of each subcommittee and the treasurer. The Ad Team is not necessarily bound by these rules, but they should be reviewed and taken into consideration.

#### **FINANCE COMMITTEE P259.4**

- Annually compile complete budget and submit it to the Ad Team for review and adoption.
- Additional changes to the budget must be approved by the Ad Team.
- Develop and implement plans to raise sufficient income to meet adopted budget.
- Designate counters. There must be at least two counters who are not immediate family members.
- Establish procedures for making prompt deposits.
- Make provision for an annual audit of the financial records and deliver the report to the charge conference.
- Recommend to the Ad Team proper depositories for the church's funds.
- Ensure designated gifts are spent according to their intent.
- Annually prepare a report to the Ad Team of all designated funds that are separate from the current expense budget.
- Responsible for stewardship ministry.

#### **TRUSTEES P2532**

- Subject to the charge conference.
- Responsible for the supervision, oversight, and care of all real and personal property owned by the church.
- Review annually the adequacy of property, liability, and crime and personnel insurance coverage.
- Annually review parsonage to ensure proper maintenance.
- Conduct an annual accessibility audit of building and grounds. Make plans based on the findings of the audit.

#### **SPRC P259.2**

- Must be engaged in and attentive to their Christian spiritual development.
- Engage in biblical and theological reflections on the mission of the church and ministries and the role and work of pastors and staff.
- Assist pastors and staff in assessing their gifts and setting priorities for the use of their gifts, skills, time, and leadership.
- Make staffing recommendations to the Ad Team.
- Encourage, strengthen, nurture, support, and respect pastors, staff, and their families.
- Promote church unity.
- Confer with and counsel pastors and staff on effectiveness of ministry, relationships with congregation, and interpret the nature and function of the ministry.
- Annually evaluate pastors and staff and identify continuing educational needs.
- Communicate and interpret to the congregation the nature and function of

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ministry in the UMC regarding open itinerancy, preparation for ordained ministry, and the Ministerial Education Fund.

- Develop and approve written job descriptions and titles for staff in cooperation with Senior Pastor.
- Consult pastors and staff concerning continuing education and spiritual renewal. Arrange with Ad Team for necessary time and financial assistance for this. Encourage staff to seek professional certification in their fields.
- Enlist, interview, evaluate, review, and recommend annually to the charge conference lay preachers, candidates for ordained ministry, and candidates for missionary service.
- Confer with pastor and/or staff when it is evident that it would be best for the church to have a change in pastors.
- Recommend to the Ad Team if there is a need for more staff.
- Authority to hire, contract, evaluate, promote, retire, and dismiss staff.
- Educate the church community on the value of the diversity of selection in clergy and staff.
- Keep informed of personnel matters in relationship to the Church's policy, professional standards, liability issues, and civil law. Interpret such matters to staff.
- Make recommendations to the Ad Team for the provision of adequate health and life insurance, severance pay, and pension.
- Annually make recommendations to the Ad Team for compensation and benefits of pastors and staff.
- Annually review with the pastor and trustees the parsonage to assure proper maintenance.

#### **TREASURER P259.4**

- Disburse all money contributed to causes represented in the local church budget and as the Ad Team determines.
- Remit monthly to the conference treasurer.
- Use designated funds for the intent given.
- Make regular and detailed reports on funds received and expended to the finance committee and Ad Team.

#### **AD TEAM P252**

- The Ad Team functions as the administrative agency of the charge conference.
- Provide for the administration of church's organization and temporal life.
- Envision, plan, implement, and annually evaluate the mission and ministry of the church.
- Give attention to education, worship, Christian formation, membership care, small groups, and stewardship.
- Give attention to compassion, justice, and advocacy within the community.
- Give attention to developing and strengthening evangelistic efforts.
- Give attention to preparing and developing lay and clergy leaders for the ministry.
- Review the membership of the church.
- Fill interim vacancies occurring among lay officers between session of the

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charge conference.

- Establish the budget on recommendation of the finance committee.
- Recommend to the charge conference the salary and other remuneration of the pastor and staff.
- Review the recommendation of SPRC regarding adequate housing and report the same to the charge conference.

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#### **APPENDIX B: DELEGATION OF SPENDING AUTHORITY**

The following is a list, by program, of who has spending authority and to what extent:

##### **CONFERENCE APPORTIONMENTS**

- The treasure is authorized to pay this invoice upon receipt and in accordance with the budget.

##### **YOUTH MINISTRY**

- Youth Pastor

##### **FINANCE & STEWARDSHIP**

- Treasurer
- Finance Committee members

##### **EVANGELISM**

- Senior Pastor
- Prospective Members Director
- Leadership of College & Beyond

##### **MISSION & OUTREACH**

- Missions Committee members
- The treasure is authorized to make regular payments for conference ministries and social programs.

##### **CHRISTIAN EDUCATION**

- Director of Children's Ministry
- Senior Pastor and Sunday School Coordinator for Adult Curriculum

##### **WORSHIP**

- Worship Director
- Director of Sound/Video

##### **SPRC**

- SPRC Committee members
- The treasure is authorized to pay salaries, wages, and benefits in accordance with the budget and the directions of the Church Council.
- The treasurer is authorized to make regular tax payments and Workforce Safety payments.
- Staff can authorize their own properly supported reimbursement payments.

##### **TRUSTEES**

- Trustee members
- The treasurer is authorized to pay regular, recurring bills. Annually, a list of these bills consisting of the regular amount, vendor, and frequency must be submitted to the Trustees for review.
- Staff is authorized to purchase supplies, postage, and equipment under \$1,000.