

**New Castle First United Methodist
Financial Controls, Policies and Procedures
2023**

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The Financial Policies herein are a compilation of those drawn from The Book of Discipline of the United Methodist Church combined with revised additions from other UMC sources.

Church Funds, A Trust: A Legal Note

Church income ordinarily consists of designated and undesignated contributions, interest on bank accounts, gain on investments, and rent from church--owned properties. Church income, from whatever source, is held by the church in trust for the church's religious and charitable purposes. Such a trust may be express, as when a donor contributes funds for a specified purpose, or implied, as when funds are contributed without designation regarding their use or constitute rents, interest income, service income, or gains.

In laymen's terms, "church funds are not an investment in stocks and bonds in order to make a profit, they are given to carry out the work of the church and are to be used specifically for the purpose it has been given."

Funds Policy:

All accounts or funds created by the church or by any church entity must a) be approved by the church in conference, b) be subject to annual reporting requirements, c) be under the oversight of the Finance Officer and Finance Committee, and d) provide a means of recording, securing, depositing and reporting approved by the Finance Committee.

Some miscellaneous funds created by a group within the church may NOT be official church funds in which case there will no official receipting or reporting within the church. These funds should in most cases be for limited and short term use such as a temporary fund for an outing, or a social events fund of a class.

Establishing Funds:

The Church shall upon recommendations from the Finance Committee establish such Funds as are deemed appropriate including the General Fund, and other special or designated fund accounts. The Finance Committee and Finance Officer shall assure that proper accounting is maintained for each Fund, and procedures implemented for assuring proper deposits, receipting and accounting established in this policy, are followed.

Church Disclaimer for Discretion Over Designated Funds

While this church's intent is to use all designated gifts for the specific purposes and projects designated, the final authority for the use of all gifts to the church rests with Administrative Board/Council. In exceptional circumstances where the designated purposes are not longer feasible, or has been completed, or for other good cause, the Administrative Board/Council may redirect such gifts to other appropriate ministries or projects, retaining to the extent deemed feasible, the basic original purpose of the designation. (see pg. 8)

Memorial Funds & Bequests: Memorial Gifts and Funds POLICY

A memorial is a gift, usually of cash or stock, given to FUMC in the name of another person. The purpose of such a gift is to provide a more lasting remembrance of that person or cause than would flowers or contributions to other organizations.

A bequest is a gift coming from a person's estate.

All memorials and bequests shall be deposited in the Memorial Fund administered by FUMC and be appropriately applied to its designated purpose as soon as possible.

- The Finance Committee and Finance Officer shall establish a Memorial Gifts Fund for receiving and accounting for designated gifts in memory/honor of members and others associated with the church or its friends.

- The Memorials Committee shall establish appropriate policies on the use of such memorial gifts, and authorize expenditures of the funds for purposes it deems appropriate.

- The Committee may identify priority projects or ministries toward which it will allocate such gifts. While specific interests of donors will be considered, the Committee retains the authority and responsibility to use the Funds in a manner appropriate to the purposes of the church. All gifts are received subject to this principle.

- A Book of Memorial Fund Gifts [or Book of Memory] shall be maintained by the Committee that will register memorial gifts to the Church. The following information will be included in the Book: The name of the person in whose memory/honor the gift is given, the date and occasion for the gift if applicable, the name(s) of the donor, and a description of the gift. When the funds are used, a note may be made in the Book as to the use.

- Where Memorial Funds are used to purchase a tangible asset, the Committee may recommend to the Administrative Board/Council that a

memorial marker be placed on the object noting that it was made possible by the Memorial Fund.

Scholarship Funds: Basically, a scholarship fund can be established to help meet expenses that would otherwise be deductible - IRS Pub 508.

- Tuition, books, supplies, lab fees, and similar items.
- Certain transportation and travel costs (including meals and lodging).
- Other educational expenses, such as costs of research and typing when writing a paper as part of an educational program.
- Treas. Reg. 1.117-(3) (a) specifies that the term "scholarship" does not include "any amount provided by an individual to aid a relative, friend, or other individual in pursuing his studies where the grantor is motivated by family or philanthropic considerations."
- If contributions to the fund are earmarked by the donor for a particular individual, they are treated, in effect, as being gifts to the designated individual and are not deductible.
- This is also true if the donor understands that the contribution is to benefit a specific student (Revenue Ruling 62-113).
- Therefore, we conclude that contribution credit is not given when:
 - The contributions designate a specific student;
 - Donors understand their contributions are to specific student;
 - Parents intend their contribution to benefit children rather than the church.

Mission or Missionary Fund: A principle that can be applied to a mission fund is – all contributions go into a 'common pool' not earmarked for a specific individual, to be administered by a missions committee and distributed in accordance with stated policies regarding the church's mission statement. The Supreme Court's decision in the Davis case ensures that contributions to local churches for independent missionaries and short-term "lay missionaries" from one's own church must have certain controls:

- Church must approve each mission ministry (not individuals by name) as a legitimate activity in the furtherance of the church's religious mission.
- Prepare policy to communicate all terms and conditions of the mission ministry.
- Require 'activity report' summarizing all missionary activities in the mission ministry.
- Require 'accounting' or 'audit' of the use of the funds.

- Confirm that the expenses correspond to the missionary activities described in the activity reports.
- Short Term Mission Trips: Many churches sponsor individuals and/or teams of individuals that serve on short-term mission trips, domestically and internationally. The proper handling of funds raised and expended for short-term mission trips often raise some challenging issues.
- Funding by the sponsoring churches general budget. Expenses relating to short-term mission trips may be funded in full by the sponsoring churches general budget.
- Funds directly expended by trip participant with no financial involvement of the church. A participant in a short-term mission trip may partially or totally fund trip expenses by making direct payments for airfare, lodging, meals, and other expenses. A participant can pay the expenses directly or indirectly through the church sponsoring the trip.
- Funding based on gifts preference for particular trip participants. When mission trip participants raise part or all of the funds required for a trip, the church generally records the amounts raised in separate accounts for each participant as a way of monitoring whether sufficient funds have been raised to cover the expenses of the participant's trip. Gifts preferenced for particular trip participants should not be refunded to donors if the preferenced individual does not go on the trip. Refunding these gifts is a strong indication that the church does not have adequate discretion and control over the gifts. The following statement should be used in solicitations for contributions:

Contributions are solicited with the understanding that the church has complete discretion and control over the use of all donated funds.

- Funding based on gifts restricted for particular trip participants. Although a donor may express a preference for a particular trip recipient, if the donor expresses a restriction for a certain trip recipient, the gift is generally considered earmarked, does not qualify for a charitable deduction and should not be accepted (or acknowledged as a contribution if accepted).

Allocation of Gifts to Funds and Accounts

Except where the donor has expressly designated otherwise, or the receipts have been received for special funds or causes, all receipts shall be credited to the General Fund.

Position Responsibilities

1. Finance Committee

- In consultation with the Pastor, determines person or persons who can authorize expenses (i.e. youth director, choir director, etc.).
- In consultation with the Pastor, determines unrelated persons to serve as the Counting Committee

2. Pastor

- As chairperson of the Nominating Committee and in consultation with Lay Leadership, determines the Church Financial Secretary and Church Treasurer, elected positions.
- Reminds the Finance Committee and Church Council why it is important to follow these procedures.
- Periodically Review Bank Statements for any irregularities.
- Review Donor Giving Records at least annually.

3. Finance Committee Chair

The Finance Committee Chair will ensure that job descriptions in the financial area are current and that all financial policies and procedures are implemented. These job descriptions will be approved by SPRC and filed in the employee personnel file.

4. Church Finance Officer/Treasurer (volunteer or paid)

The Church Finance Officer/Treasurer shall not be personally involved in counting or depositing any church funds. He/She is accountable to the Administrative Board/Council and its committees. He/She shall be responsible for overseeing the disbursement of all funds received into the church treasury and to further assure church funds are kept in a responsible and organized manner in accordance with the policies, procedures and internal controls established by the church. Additional responsibilities include:

- Oversee all checks before disbursement and assure that all money disbursed on behalf of the church is in keeping with the church's budget, and that accurate records are maintained of how money is spent.
- Process all checks, recording them in the appropriate accounting software program.
- Process all payroll checks, Tax Form 941's, W-2's and other government records required in a timely fashion.
- Insure that computer files are backed up weekly, at a minimum monthly, and the back-ups are stored off premises.

- Prepares and presents the monthly finance report for Finance Committee, assuring accurate data indicating the financial well-being of the congregation is available to the committee and the Administrative Board/Council.
- Supervise daily cash balances to ensure sufficient funds are maintained and make recommendations for the investment of any excess funds.
- Maintains adequate filing and storage system for all financial and banking records for documentation of church assets and other information for insurance and other purposes. • Prepares records for annual audit.
- Maintain historical data, and establish a retention system for old financial records in accordance with government requirements (minimum of 7 years).
- Ensure that all governmental taxes, reporting forms, and regulations are met on a timely basis.

5. Financial Secretary / Administrative Assistant (volunteer or paid)

- Supervise the Counting Committee, which shall consist of at least 2 persons not related. After the contributions have been properly counted, the Financial Secretary is responsible for recording the contributions to each family's contribution record and to the general ledger and then depositing the funds in the bank in a timely fashion as established by the Finance Committee.
- Responsible to report to the Finance Committee each month the status of contributions to the church.

6. If church size allows, the following duties should be performed by a person designated by the Finance Committee other than the Financial Secretary or Church Treasurer:

- Perform bank reconciliation each month in a timely fashion.
- Verify that all checks have been properly signed.
- Verify that the bank balance reconciles to the bookkeeping records.
- Verifies that the beginning balance equals the ending balance of the previous month both in the checking account and the general ledger.
- Signs and dates the reconciliation report.
- If church size does not allow for another individual to perform the above duties, the audit committee needs to examine monthly bank reconciliations in detail.

POLICY: Governmental Reports

The Treasurer will establish procedures to ensure that all appropriate governmental reports are filed in a timely manner and regulations are followed (i.e. payroll, tax reporting, workers 'comp. and immigration laws).

PROCEDURE: Governmental Reports

The Treasurer will prepare a calendar of governmental and church reports prior to the beginning of each calendar year based on the reports filed the previous calendar year. Governmental reports will be prepared in time to be reviewed by the finance committee chair and to meet the specified due date of the report. Copies of all reports will be maintained in the church filing system. All federal, state and local regulations will be followed in administering church programs.

Annual Audit

An independent auditor, not necessarily a CPA, and not related to the Finance Secretary, Treasurer or the person performing bank reconciliations, is to audit the records annually.

- The audit should include the bank accounts of all affiliated ministries of the local church.
- The audit must include verification that proper internal accounting controls are being maintained.
- If the person doing the audit is not a CPA, consult the Local Church Audit Guide and the Fund Balance Report from GCF&A (www.gcfa.com).
- Submit copies of the audit to the Pastor and the Chair of the Finance Committee and the District Superintendent.
- The audit needs to be approved by the Finance Committee/Ad Council

Receipts/Contributions: (in compliance with IRS rules as of 2004)

NOTE: THE CHURCH'S PREFERRED METHOD OF RECEIVING FUNDS ARE: WRITE A CHECK PAYABLE TO THE CHURCH AND PLACE IT IN A CHURCH ENVELOPE, USE AN ACH, OR ONLINE PAYMENT SUCH AS PAYPAL.

POLICY: Contributions

Contribution checks should be made out to FUMC with a note in the memo line if the contribution is to be used for any purpose other than the church's Operating Fund. Cash contributions should have any special purpose noted on the contributions envelope. The church will accept donations of non-cash items that can be used productively for church activities or easily converted to cash. The Finance Committee reserves the right to reject any non-cash items for any reason.

Non-Cash Gifts

- Non- Cash gifts will be accepted by the church on a “request only basis.” This means that members are encouraged to give non-cash gifts but only when the church makes a request for them. Examples of these times would be to support a church sponsored, or one of its groups for a rummage, or yard sale.
- Receipting for non-cash gifts will be recorded on a Non-cash receipt form furnished by the church. The contributor will complete the form along with an estimated value of the gift itself.
- Items must be valued at \$250 or more before a receipt will be given.
- Items or property given to the church in excess of \$5,000 will require the contributor to furnish an official appraisal or bill of sale. The appraisal summary will have to be attached to Form 8283. The church will provide a signature and the contributor will have to attach the form to their return.

The church will formally acknowledge receipt of non-cash items accepted but will provide no estimated value or actual value of the items. (IRS rules require that the amount be determined by the donor, subject to approval of the IRS.) Such non-cash donations will be separately recognized but will not be noted on the donor’s quarterly statement

Contributions:

- Must be a gift of cash or property. Something of value must be given to the church (usually cash). May not be donated personal services or free use of some personal asset.
- Must be unconditional (except for permissible designations to aspects of an organization’s activities, such as missions). The donor must surrender control to the church.
- Made payable to our church. Checks written to the church (or money placed in a church envelope) and “earmarked” to be given with the intention to be a gift to individuals, even if charitable in intent such as to meet a personal need, are NOT deductible contributions. Gifts for this purpose must be made payable to the church and designated to the appropriate benevolence fund.
- Must be without personal benefit to the donor. Contributions cannot be made to church by an individual if the same individual making the contribution is intended for it to pay for their own mission trip, personal counseling, education, etc.

- May not be in exchange for services or goods. An individual may not turn an envelope in with an amount of money on it, in exchange for some work performed for the church, or in exchange for items purchased for the church, even if a receipt is furnished. Individuals desiring to make such a contribution to the church must render a receipt, or bill, for goods purchased, or services rendered, to the church and receive actual payment. The individual thus wanting to donate the amount to the church, must deposit the payment from the church into their account, and write a check to the church for the said amount. Then and only then can the church legally give a record of a charitable donation.
- Contributions given in cash, and NOT contained in a church offering envelope, cannot be recorded as a charitable gift and a statement of the gifts cannot be given.
- Contributors giving with cash must include their name and the amount given on the offering envelope before credit can be given. Offering envelopes containing cash that are received without name and amount should also be forwarded to the church office.
- All offering envelopes are to be completed by the contributor. Church personnel, volunteers or otherwise, are not allowed to complete envelopes for contributors.
- Funds received through the mail during the week shall be retained and made available to the counting committee.
- Designated / Restricted Funds: The church may, with the approval of the Administrative Board/Council, arrange to receive designated funds for the specific purpose to support specific projects and missions.

Legal Rule for Designated Funds

Where funds are accepted subject to the donor's designation of the use of the funds, the church is under a legal duty to preserve those funds and use them only for the designated purpose. The church shall separately account for these funds, and the actual money shall be preserved, not merely a paper accounting. Thus such designated funds shall be kept in a separate account.

Separate accounts is defined as separate accounting; not separate bank accounts.

- Designated Funds shall be receipted and disbursed through separate ledger accounts. The Church Finance Officer shall establish and oversee these accounts.
- Restricted funds are charitable contributions whose use is restricted by donors to churches. The church has no discretion in the management

and disbursement of such funds. Examples of such restricted funds would be the special offerings of the UMC including Conference and General Advance Specials.

- Designated funds will not be accepted for projects not previously approved by the church. • Money designated to a “budget line item,” The church will not allow the receiving funds for the same purpose as specific line items in the budget.
- Designated funds received in excess of those needed to complete the project which they were intended, will by recommendation of the finance committee, and by vote of the Administrative Board/Council, be diverted to another area of need.
- Quid Pro Contributions of More Than \$75 - If a donor makes a "quid pro quo" contribution of more than \$75 (that is, a payment that is partly a contribution and partly a payment for goods or services received in exchange), the church must provide a written statement to the donor that satisfies two conditions:
 - The statement must inform the donor that the amount of the contribution that is tax-deductible is limited to the excess of the amount of any money (or the value of any property other than money) contributed by the donor which exceed the value of any goods or services provided by the church or other charity in return.
 - The statement must provide a good faith estimate of the value of the goods or services furnished to the donor. A written statement need not be issued if only "token" goods or services are provided to the donor (generally, with a value not exceeding the lesser of \$96 or 2 percent of the amount of the contribution). Further, the rules do not apply to contributions in return for which the donor receives solely an intangible religious benefit that generally is not sold in a commercial context outside the donatives context.
- Charitable Contributions with a Designated Desired Recipient The most difficult kind of benevolence fund contribution to evaluate is a contribution that designates a desired recipient. Ordinarily, such "designated contributions" to a benevolence fund are not deductible, since the intent of the donor is to make a transfer of funds directly to a particular individual rather than to a charitable organization.
 - First, section 170 of the Code allows a charitable contribution deduction only with respect to donations "to or for the use of" a charitable organization. Contributions to an individual, however

needy, are never deductible, since they can never be said to be "to or for the use of" a charitable organization.

- Second, the intent of the donor ordinarily determines whether the transfer should be characterized as a tax-deductible contribution to a church or a nondeductible transfer to an individual. Did the donor intend to make a contribution to the church, or did he only intend to benefit the designated individual (using the church as an intermediary to enable him to obtain a tax deduction for his nondeductible gift)? The fact that the payment was made to a church is not a controlling factor, since taxpayers cannot obtain a deduction merely by funneling a payment through a church.

SPECIAL NOTE: Attorney, Richard Hammer says "It is possible that special appeal contributions could be tax deductible, if the following conditions are met.

1. The offering was pre-authorized by the church;
2. The recipient (or his or her family) is financially needy, and the needs are substantial
3. The offering is used exclusively for the expenses incurred for the above stated needs
4. Immediate family members are not the primary contributors;
5. No more than one or two such offerings are collected for the same individual.

Financial Reporting

- Annual budgets from Council of Ministries, Staff Parish Committee and Trustees are to be submitted to the Finance Committee for review and recommendations by the Finance committee are given to Administrative Board.
- The Administrative Board approves annual budgets.
- Budgets are reviewed mid-year and are changed to reflect changing conditions.
- Monthly Financial Reports are prepared by the Treasurer and submitted to the Finance Committee for review.
- Detailed Financial Reports are provided to the Administrative Board at each meeting.
- References and explanations must be given to any budget variances over 10%.
- Audits will be conducted at the approval of the Administrative Board.

Safeguarding Assets

- The Treasurer shall have primary responsibility for ensuring that proper Financial Management procedures are maintained and the policies of the Administrative Board are carried out.
- The Finance Committee shall provide fiscal oversight in the assets of the Church and shall have primary responsibility for insuring that all internal and external financial reports fairly presents its financial condition.
- A proper filing system will be maintained for all financial records.
- Actual revenues and expenses will be compared to the budget on a monthly basis.
- Excess cash will be kept in an interest bearing account.
- Bank statements are promptly reconciled on a monthly basis.
- Documents for all fixed assets and securities will be kept in a locked fireproof file.
- Appropriate insurance for all assets will be maintained.
- Records need to be kept on the Church premises.

POLICY: Cash Handling

Cash and/or checks should be left with a staff member. Staff and program members should arrange for a personal pickup of all money transactions. Cash should never be left at the reception desk.

PROCEDURE: Cash Handling

The person(s) delivering cash and/or checks and the staff member will count the money together and agree on the amount, note the purpose and fund number (if available), and initial the envelope. The staff member will put the money in the locked files or safe and provide the person(s) leaving the money with a receipt. The envelope will be opened by the money counters on Sunday and counted again before being deposited in the bank.

Counting and Cash Receipts

- There should be two unrelated cash counters every Sunday (counters must rotate from week to week). The Finance Committee shall appoint sufficient members that would include persons other than the Treasurer, to include some of their own members or others at their discretion, to assure that not less than two are available on all occasions at which funds are to be counted.

- The counting team on any given occasion shall perform double counts on all receipts immediately following the receiving of the offerings, or services of which funds were received.
- They shall upon need, count funds that may be received by mail in an expedient manner. Funds received during the week shall be placed in a secure place until counting takes place.
- Each counter will complete an Offering Cash Count Form. A copy of the counting sheet shall be kept for a minimum of three years in the church office for referral if needed.
- Each counter will verify the other's form.
- The policy for designated funds should encompass the following steps:
 - Define procedures for the establishment of a specific Restricted/Designated fund listed above.
 - Counters/tellers should observe the gift during the counting process, as it is a gift to a new restricted/designated fund.
 - The counters/tellers should record the gift on the count sheet in red or highlight the description and amount as a potentially new fund. It is important to note that the counters/tellers are not authorized to approve a gift to a new designated fund.
 - The Finance Officer should temporarily deposit the gift in a category entitled Miscellaneous Designated.
- Assure that monies received in envelopes are properly attributed to the contributor either by name, or envelope number. If number system is not used, the contributor's name must be on the envelope if charitable credit is to be given.
- Assure that the amount within the envelope matches the amount written on it.
 - A counter may fill in the amount but only when envelopes have a name on it. This should be verified and initialed by both counters.
 - Envelopes containing cash, but with no name (if number system not used) should be recorded as loose change with no charitable credit issued.
 - Envelopes not matching the amounts contained within, and as much as is possible, must be confirmed immediately by seeking out the individual
- They shall count monies received during Sunday School and received during the week by mail at the normal time for the counting process unless directed otherwise by the Senior Pastor, Chair of Finance, and/or Finance Officer.

- All funds (offering, special event, fundraising, etc.) must be counted and deposited before any expense is reimbursed.
- All checks and cash that are received should be processed in a timely fashion with all checks stamped, "For Deposit Only". Records must be kept so that retrieval of the items deposited can be verified in case there is a dispute over an item deposited.
- Donations made for a specific purpose must be used prior to budgeted funds. If donated funds remain at the end of the year, the budget will be reduced by that amount (See designated funds pg. 8).
- Financial Secretary enters offering checks and cash receipts totals into the contributions record.
- Copy of deposit slip or receipt from the bank given to the Treasurer or Depositor designated, who will record deposits in a timely fashion.
- The Financial Secretary will keep a Weekly Contribution Account Summary and Offering Cash Count Form and will distribute a Weekly Contribution Account Summary and Offering Cash Count Form to the Treasurer.
- The Weekly Contribution Account Summary must match deposit slip, unless otherwise noted.
- Envelopes are considered by some experts as a contract. Therefore they shall be given to the church's recording financial secretary or church secretary or their designee, and copies of cash envelopes kept for a period of 7 years.

Policy if Financial Secretary is not present:

- Counters count and record cash as above.
- The Treasurer will complete a deposit slip entering cash amount on proper line.
- The Treasurer will total checks, use adding machine with tape, run checks through 2 times to make sure total comes up the same.
- The Treasurer, or designated depositor, will take deposit to bank.
- Financial Secretary will go online to record offering checks and complete the Weekly Contribution Account Summary.
- Remaining items are as above.

Disbursements

POLICY: Check Signing

Checks will normally be written and signed by the Treasurer and by one of the following individuals: Finance Committee Chair, a designated Finance Committee member or the Lay Leader.

PROCEDURE: Check Signing

The persons signing the check will verify appropriate authorization, approval, and detailed receipts or other supporting documentation.

- Only persons authorized by the church may make purchases on its behalf. Persons authorized shall be determined by the finance committee/Ad Council. No unauthorized purchases will be reimbursed by the church.
- Ideally there should be 3 people who can sign checks in case of an emergency and cannot include the Financial Secretary, or Pastor, or the Pastor's family.
- Two signatures are required on all checks; the person signing the check must never be the person authorizing the expense. The Finance Committee, in consultation with the Pastor, is to designate persons who can authorize expenses.
- The authority for the disbursement of church funds comes from the adopted church budget. The Finance Officer has no authority to disburse funds except at the direction of the Committee on Finance and/or the Administrative Board/Council. The church shall authorize disbursements in one of two ways:
 1. By the adoption of a budget that typically authorizes such routine expenditures as the utility bills, mortgage payments, literature and salaries; and
 2. By special authorizations for non-budgeted items by the Administrative Board/Council or some person or group given that authority. Thus, if a person comes to the Finance Officer and seeks to make a donation with a request that the donated funds be sent to some other cause or ministry, the Finance Officer is not authorized to honor the request. Even if the other cause is good and charitable, the Treasurer only has authority to act within the scope of the Administrative Board/Council's authorization.
- All disbursements will be made by pre-numbered checks and must be accounted for on a weekly basis.
- Routine checks for building and operating expense, payroll and pastor expense can be written without approval by Finance Committee, Administrative Board and/or Board of Trustees.
- Approval is needed for all expenses/reimbursements that are not considered routine. Budgeted items are not approved expenses.

- Reimbursements requests with receipts must be submitted for payment within 60 days of the expense or by the last day to submit invoices, whichever comes first.
- A Check Request form must be filled out for all reimbursements. A Check Request form must include the name of the person, address and phone number of the person making the request, the date the check is needed, name of payee if different than the person making the request, a payment description (reason for check) and a receipt(s). Requests can be used for reimbursement, direct pay (to a specific vendor) or advance. See Accountable Reimbursement Policy below. A Check Request form may include multiple expenses. Forms should be located in the church office.
- No checks written to “cash” or “bearer”.
- The use of ATMs or other means to withdraw cash directly from local church accounts shall not be permitted.
- Invoices and check requests must be marked paid with the date and check number and filed.
- Every check written should have an invoice/receipt or check request with the exception of payroll checks.
- Blank checks must not be signed in advance.
- Checks must be recorded timely into the accounting system.
- Treasurer will print reports to include Available Cash Balances report and Summary of Revenues and Expenses at a minimum of once per month.
- Treasurer and Finance Committee Chairperson will review the reports prior to presenting the reports to any committee or board meeting.
- Unused Checks should be kept in a secure locked area.
- It is important to adopt a policy for credit card use and approval of the purchases for payment. This policy should establish who may be issued credit cards, clarify that these credit cards are not to be used for personal items, establish limits for each individual issued a credit card, and provide procedures for submitting credit card bills for payment.

CREDIT CARD POLICY

Normal purchases for the day-to-day program needs of the church should be planned, budgeted, and purchased through the advance ordering of materials and supplies. Eligible staff as defined below may elect to use a church credit card to facilitate purchases, utilizing the sales tax exemption letter. In the event that a credit card purchase is necessary, it is imperative that the church maintains adequate controls governing access, approval, and documentation of the type and purpose of these transactions. Incurring finance charges is not allowed. Debit cards are not allowed. Personal

expenses are not allowed to be charged to a church credit card. Cash advances are not allowed. Credit card statements shall be mailed to the church office and be opened by the Church Secretary &/or Treasurer.

Procedure: Credit Cards

The Ad Council, operating as SPRC & Finance will determine which Staff Members will be assigned a church credit card. They will also determine the credit limit allowed for each designated user.

The credit card holder will monitor their own activity in order to stay below the limit each month and they will save all receipts for purchases made with their assigned card.

The credit card is primarily to be used for items that are included in that person's budget. If the card is used to purchase something that is against someone else's budget, pre-approval by that person is required, and must be documented along with the receipt.

When the Secretary &/or Treasurer who is also the administrator of the house account receives monthly statements from the bank they will match up the statement items with their receipts within 5 days and return to the Treasurer for payment.

If a receipt is missing it is the responsibility of the person who made the purchase to obtain a duplicate receipt from the seller. If a duplicate is not obtainable an explanation of attempts that were made to obtain a receipt must be documented and included with the receipts and statement returned to the treasurer.

Additional documentation is necessary for purchases involving travel and meals brought in or purchased outside, gifts, hospitality, and similar purchases. This is an IRS requirement. When this type of expense is submitted for payment a statement must be included describing the nature of the activity, the people involved in the activity, and the place and date where the activity was conducted.

If this procedure is violated the Treasurer will report the violation to the person, SPRC, and the Sr. Pastor for corrective action. Failure to follow this procedure could result in removal of the credit card privilege. The SPRC Chair and/or the Treasurer will review this procedure with anyone being provided with credit card authority before they are issued a card.

Electronic Banking:

Receipts, disbursements and transfers in proper circumstances can be processed via electronic funds transfer (EFT) services, whether

transferring funds from a savings to a checking account at the same bank, or making a payment to a vendor's bank across the country. Traditional internal controls, such as written policies and procedures, authorizations, segregation of duties and monitoring, however, are still important in the new technological world.

Policy and Procedures

What online banking and EFT activities will be used?

Who is authorized to initiate electronic transactions?

Who will approve electronic transactions?

Who will transmit electronic transactions?

Who will record electronic transactions?

Who will review and reconcile electronic transactions?

This policy must be consistent with the Discipline and other responsibilities of the officers and employees involved.

Segregation of Duties

Classic internal controls, if well designed, all work well with EFT technologies. Proper segregation of duties is important in almost any business function, but is critical for electronic transactions. Without proper segregation of duties, the risk increases that one person could be in a position both to commit a wrongdoing and to conceal it. At least two individuals should be involved in each electronic transaction.

The authorization and transmitting functions should be segregated and, if possible, the recording function should also be delegated to someone who does not have either approval or transmitting duties. Generally, the same controls should be used for electronic disbursements through online banking as apply to the manual preparation of checks. Payments made using electronic funds transfer services cannot circumvent laws, regulations, and/or your internal control policies.

Safeguards

Access to in-house electronic banking software should be password protected and only authorized individuals should have the passwords. The use of this software should be monitored frequently due to the ease with which transfers can be made.

Monitoring

Your internal control system must include procedures or safeguards for the documentation and reporting of all transfers and disbursements of funds electronically.

Electronic Payments

Local Churches, Florida Districts and the Florida Conference are authorized to accept electronic payments through their web sites or electronic transfers from donor's accounts.

Electronic Check Images

Most banks no longer provide cancelled paper checks to their customers, but instead offer electronic check images online or on CD. You can accept these electronic images in lieu of cancelled checks, upon authorization of the finance committee.

Expense Reimbursement POLICY

We recognize that certain expenses of ministry paid by the pastor/staff person/ministry leader are part of the ordinary and necessary costs of this ministry in this Church. The following conditions for the policy are binding upon the Church and its pastor/staff person/ministry leader.

1. The pastor/staff person/ministry leader shall be reimbursed for his/her ordinary, necessary, and reasonable business expense incurred in the conduct of the ministry for, and on behalf of, the Church, to the amount approved at charge conference and through the budget as applicable.
2. The treasurer must be given adequate accounting after the expense is paid or incurred. Appropriate documents (original receipts) must be attached to each reimbursement request.
 - The IRS requires actual receipts for any expense over \$75.00. The church may use this figure or set a lower limit. (e.g., GCFA requires receipts for all expenses over \$25.00.) The documentation should show (or be listed on the receipt itself): the purchase, amount, date, place, and the business nature of the expense. For example, if the pastor purchased a \$10.25 notebook, the substantiation would not require a receipt, but at the very least should state, "Purchased Notebook for \$10.25 on 1/5/01 for keeping accountable reimbursement records for church." A meal expense might state, "\$5.90 lunch on 1/5/01, in Centerville while meeting with district superintendent." Another example is \$150 expenditure for a continuing education seminar

where the staff can submit the invoice for payment by the church to the vendor. Or, if the staff person paid personally, an acknowledgment of payment by way of a receipt for the seminar or the invoice with a front and back copy of a canceled check would be adequate to substantiate the reimbursement to the staff person.

3. For advance payment of a particular anticipated expense, the pastor/staff person/ministry leader must account for the expense as described above and return any excess reimbursement within 14 days after the expense is paid or incurred. Any excess reimbursement must be returned to the church before additional advances will be made. If the excess reimbursement and substantiation are not submitted by the end of the calendar year, a 1099/or adjustment to W-2 income would be issued to the person requesting the advance.
4. Only one half of the Account Reimbursable amount can be expended in the first six months of the year.
5. The treasurer shall exercise their discretion regarding the adequacy of the substantiation and the appropriateness of any reimbursement. Questions arising in these areas will be resolved by the Finance Chairperson and/or Staff Parish Relations Chairperson, subject to review and approval by the finance committee.

Payroll/Employee Compensation

IRS Rule: Any person asked to perform a duty and as a result of performance of that duty receive compensation, they are considered an employee and taxes must be withheld and reported. (The only exception is for ordained ministers)

- The church will strive to keep as best as is understood, all current rules of reporting as are required by IRS including the following.
- The church will withhold and report appropriate taxes on each employee hired by the church, except for ordained ministers.
- Any person not considered to be an employee who receives \$600 between January 1 and December 31 of any single year, will be required to furnish the church with their Social Security number, and a misc.1099 will be issued after December 31.

Employee vs. Independent Contractor

Employees typically:

- Receive salaries or hourly wages (whether part-time or fulltime).
- Can be fired.
- Can quit without penalty.
- Must submit reports.
- Must obey instructions.
- Must do the work themselves.
- Are hired to provide services for an indefinite period of time, rather than to accomplish a particular task.
- Are eligible for fringe benefits (health, disability, pension, sick pay, etc.).
- Are provided what is needed to do their job.
- Are reimbursed for expenses.

Independent contractors are considered self-employed. They typically:

- Set their own hours.
- Decide how to get the work done (rather than follow someone else's instructions).
- Offer their services to the public.
- Provide their own equipment.
- May work on someone else's property, and for several persons at the same time.
- May employ assistants.
- Are hired to do a particular task, and are paid by the job.
- Have a substantial financial investment in the work.

Each employee and pastor will be given and required to complete form W-4 and I-9.

The church will pay one half $\frac{1}{2}$ and withhold the other half $\frac{1}{2}$ of the appropriate FICA taxes. It will also compute and withhold federal, state and other taxes as deemed appropriate and lawful, for each employee and send the appropriate amounts.

Salary & Wages

SPRC

- The Staff Parish Relations Committee and/or Administrative Board authorize all personnel salary/wage rates. The Staff Parish Relations Committee and/or Administrative Board likewise authorize all changes in employment.

- The Staff Parish Relations Committee maintains all personnel records and notifies the Treasurer when there are changes (new employee, salary/wage changes, etc.).
- Personnel paid hourly will submit their hours in written form to the Treasurer prior to the end of the pay period.

TREASURER

- The Treasurer will prepare the paychecks or submit payroll information to outside payroll service, using the approved salary/wage rates for each employee and pre-numbered checks or ACH. All paychecks must be recorded in the accounting system and a paycheck register report generated.
- Payroll tax deposit information is prepared at the end of the month and the payroll tax deposit is made when it is due (the 15th of the following month).

POLICY: Bank Accounts and Investments (Chart of Accounts)

The Treasurer will ensure that a current listing of all bank accounts and investments is maintained and accessible, along with current signature cards for each account.

Bank Statements & Reconciliations

- The Treasurer will maintain a record of all bank transactions, including all checks dispersed and receipts deposited on a weekly basis. All records are to be housed at the church office.
- The designated party will reconcile all bank accounts on a monthly basis.

POLICY: Record Keeping

The Treasurer will establish appropriate filing procedures and schedules to include locations of hard copy, online, and storage drives information.

PROCEDURE: Record Keeping

Paper copies: Documents of original entry into the church accounting system (i.e. invoices, statements, general journal entries) will be kept in locked file cabinets in the church Business Office. Invoices, statements and other documents representing payments will be filed by payee. General journal entries will be filed by month. At the end of the calendar year, the files will be transferred to properly identified storage boxes and kept for 7 years.

Document Retention:

The following records shall be retained for a period of (7) seven years in a secure location: All church financial records and statements (bank statements and records checks, contribution statements, copies of contributor's cash envelopes, vendor documentation, purchase orders, housing allowance designations, weekly counting sheets), accident reports, personnel records (applications for employment, terminated employee records, expired contracts, personnel files, payroll records), property documents (appraisals, expired insurance policies, tax or other financial matters), contracts and agreements, wills of deceased donors, federal/state/local filings, insurance documents (accident reports, claims (after settlement), expired policies, safety reports), expired trust Agreements.

“the guidelines are not intended to be legal advice and when in doubt a tax advisor should be consulted”

POLICY: Churchwide Fund Raising

The Finance Committee/Ad Council is responsible for preparing and finalizing the FUMC annual budget. The Committee assesses revenues and operations/maintenance expenditures throughout the year against the annual budget. Shortfalls, extraordinary expenses, new requirements and other circumstances may require churchwide fund raising from time to time. The Committee will receive, assess and determine appropriate course of action for each circumstance.

POLICY: Leases and Contracts

Leases and contracts shall be reviewed by the appropriate chair person, the Board of Trustees and the Finance Committee before final approval. All should ensure that the church's tax exempt status is recognized.

POLICY: Capital Expenditures

Any contracts over yearly budget require the approval of the Ad Council/Finance/Trustees. Any Change Orders to the work also require this approval.

The total cost of a project must be considered even if it is to be completed in stages. Contracts will be executed by the Head of Trustees.

Any construction project must have 100% of its cost pledged by donors or by other means before the work may begin; and, if the project is

to be completed in stages, 80% of the funds necessary for the first stage must have been collected in cash before the work may proceed.

All projects must be within guidelines of the Discipline.

POLICY: Amendments

The Policies and Procedures of FUMC are working documents in process at all times. They serves to systematize the processes of FUMC to insure internal control and accountability.

PROCEDURE: Amendments

Amendments may be made to this document by a 2/3 majority vote at a regularly scheduled meeting of the Ad Council or at a meeting called for the purpose of amending the document. Any such amendment must be submitted in writing to the members of the committee in advance of the meeting. All amendments must meet requirements of the Book of Disciplines, state laws, and federal laws.

POLICY: Offering Collections Attachment #1

COUNTER'S PROCEDURES

Before Starting

The head counter and one other person (not related) should go to the Usher's cabinet to get the black bag with the money in it. The money should be under the control of two people at all times.

Make sure you have the Hospitality Table money.

Regular Offering Envelopes

Mark the amount of the check or cash on the outside of the envelope and indicate cash or check.

Run a tape of all the envelopes in each group (0-99) & (100-?) and attach to the envelopes.

Run a tape of each batch of checks and attach it to the checks.

Create a fund sheet for each batch.

Pew and Children's Offering Envelopes & Special Offerings

Mark amount of check or cash on the outside of the envelope and indicate which it is.

Make sure person's name or envelope number is on the envelope (if available- this may happen if someone puts a check in a special envelope without writing his/her information on the outside)

Run a tape of all of the envelopes in each group and attach to envelopes.

Run a tape for each batch of checks and attach it to checks.

Create a fund sheet for each batch.

Loose Checks—Undesignated

Pull out all checks that are for specials or for the CUMC Foundation (Foundation checks should NOT be deposited – put them in the black bag)

List first and last name and the amount of each check on a fund sheet. Please print and spell carefully.

Loose Checks—Designated

Create a fund sheet for each different fund. If you are unable to determine where the money is designated to go, give as much info on the sheet so the Financial Secretary can determine the correct account it belongs in.

Balancing

The head counter prepares a summary sheet for all the above accounts, placing each total on the correct line. Balance each section by adding each column down and each line across. Do the same for the total lines, making sure that the 2 totals agree. If they don't, find the error.

When the 3 sections of the summary sheet balance, place all the coin together and all the currency together. Recount each and make sure the totals match the summary sheet.

Take any checks not already in a batch and make a batch of them, run a tape, attach the tape to the checks. Take all check batches and total them. This must match the summary sheet.

In the Black Bag—Leave in cabinet in Room 101

All bundles of envelopes with tapes (including regular, pew and special envelopes)

All fund sheets

Summary sheet with Head Counter's signature and date

Deposit bag key

Yellow copy of the deposit slip

Make photo copies of all loose checks. (Those in the regular offering envelopes with printed names do not need to be copied.)

In the Deposit Bag

White copy of deposit slip, filled out in ink

Coin and currency

Checks stamped with deposit stamp

Deposit the bag in the night deposit drop at_____

From the Trustees:

For fire and emergency weather situations, personal safety is of utmost importance, and monies and checks should be ignored in deference to personal safety and quick evacuation

Also, in the case of robbery, give them the money.