

First United Methodist Church of Eaton Rapids

Financial Policies & Procedures

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FINANCIAL POLICIES & PROCEDURES

The policies contained herein shall constitute the written financial policies and procedures of First United Methodist Church of Eaton Rapids. As such, each policy has been approved by the Finance Committee and duly reported to the Church Council and Church Conference. The intent of the Finance Committee is to give clear direction and make transparent the financial activity of the church.

Additions and/or changes to existing policies and procedures may be developed and approved by the Finance Committee and reported to the Church Conference.

SECTION 1: DUTIES & RESPONSIBILITIES

A. Treasurer Policy

The treasurer shall disburse all funds received in a responsible and organized manner in accordance with the policies and procedures established by the church. The responsibilities of the treasurer specifically include the following:

1. To work according to the guidelines herein established by the church.
2. To supervise the disbursement of all money contributed to the local church budget and for other purposes and keeping accurate records of how the money was spent.
3. To maintain payroll files for all church personnel.
4. To prepare accurate financial reports reflecting the financial well-being of the church.
5. To participate in and report regularly to the Finance Committee.
6. To assure there are adequate records documenting the assets of the church for insurance and other purposes.
7. To work in conjunction with the Trustees to assure that all church property is appropriately covered by insurance for property and casualty and general liability losses.
8. To coordinate issuing, monitoring and collection of church credit cards.

B. Financial Secretary Policy

The financial secretary position primarily receives the funds that come into the church, records the funds, deposits the funds and forwards information about the deposit to the church treasurer. The responsibilities of the financial secretary specifically include the following:

1. To work according to the guidelines herein established by the church.
2. To receive funds from whatever source, to record receipts, and report to the church treasurer and the Finance Committee.
3. To ensure that money is deposited in the bank as soon as possible after it is received.
4. To establish a procedure to collect and record monies received through methods other than regular offering (such as electronic transfer).
5. To produce individual charitable-giving receipts, summarizing all donations received on a quarterly basis with yearend statements mailed by the end of January each year.

C. Reconciliation Secretary Policy

1. The Finance Committee shall appoint a reconciliation secretary whose duty it is to reconcile the church's bank, investment, and credit card statements independently of the treasurer and other church officers and staff.
2. The reconciliation secretary is a separate role and may not be the treasurer, financial secretary or immediate family member of either of these.

3. Reconciliation of statements shall take place at the church and all records shall remain at the church at all times.
4. The reconciliation secretary shall provide a reconciliation report to the treasurer, Finance Committee chair and pastor on a monthly basis.

D. Counting Team

1. The counting team is overseen by the financial secretary and serves on a rotational basis throughout the year to insure a minimum of two counters per week (generally Monday morning) to count all collections received in the services, by mail or delivery, and in Sunday school.
2. Immediate family members shall not serve on the counting team at the same time.
3. Counting team members shall maintain the strict confidentiality of donations to the church and other sensitive information they may encounter.
4. The counting team must assure that collections are always under the control of at least two counting team members.

E. Assistants

In the absence of the Treasurer, Financial Secretary, or Reconciliation Secretary, the Assistant Treasurer, Assistant Financial Secretary, and Assistant Reconciliation Secretary may act in the capacity of the person they are appointed to assist and when so acting shall have the duties and responsibilities of that position.

SECTION 2: CHURCH RECEIPTS

A. Sources and Holding of Receipts

The church has several sources of receipts as more fully described in this Section. All monies turned into the office for deposit shall be restricted to the safe or a locked cabinet.

B. Worship Service Collections, Mailed & Delivered Contributions/Donations

After a worship service, two people (preferably ushers) who are not spouses or immediate family members shall bring the collection plates to the office and place the offerings in properly marked envelopes within a locked cabinet. The financial secretary shall place the offerings in a locked bank deposit bag and lock the bag in the night deposit box at the bank for overnight safekeeping. A "worship service" includes not only Sunday services, but any other church service at which a collection is taken, such as Good Friday or Christmas Eve.

Contributions that are received by mail or delivery shall be kept in a locked cabinet, within an envelope marked "Financial Secretary."

Early in the week (generally Monday), two members of the counting team shall:

- Pick up the locked bag containing the offerings from the bank where it was held for safe-keeping
- Retrieve any contributions received by mail/delivery
- Separate the loose cash/change
- Check to ensure that the amount listed on each offering envelope matches the amount inside that envelope, noting any discrepancies.

The two counting team members shall count the funds collected, fill out counting forms (one for each service and one for all other monies), and place the counted offerings in the church safe.

As early in the week as practicable, the financial secretary shall retrieve the monies from the safe, verify that all amounts recorded on the counting form are correct, and enter the contributions in the computer system (CCIS), distributing the funds according to the donor's wishes (e.g., general fund, building fund). After all donations have been verified and recorded, the financial secretary shall prepare them for and deliver them to the bank for deposit in the church's appropriate accounts.

C. Automatic Bank Deposits

Contributions made through automatic fund transfers are managed by Vanco Services, LLC which is a PCI (Payment Card Industry) Level 1 Compliant Service Provider specializing in electronic payment solutions. Vanco works with over 10,000 religious and nonprofit organizations nationwide and has more than 20 years of experience in Automated Clearing House (ACH) processing. Members provide bank information, contribution amount and timing, and the effective date on an authorization form to begin making contributions electronically (electronic transfer contributions can be changed or stopped at any time with notification to the financial secretary). The financial secretary maintains an account with Vanco to administer member accounts for EFT contributions. Vanco provides on-line reports of transaction activity. The financial secretary shall print reports of any weekly electronic transfer activity to record in the church's system and to include in the report given to the treasurer.

D. Day Care, UMW, MOPs, etc.

The church is blessed with several active (and to varying degrees) semi-autonomous groups that handle funds, including the Small Blessings Day Care Center, the United Methodist Women, and the Mothers of Preschoolers, to name three. Until such time as financial policies and procedures can be developed for groups of this nature that are unique to their specific needs such groups are expected to conform to the spirit and intent of these Policies and Procedures.

E. Fund Raisers and Solicitations

The Finance Committee must be notified in advance of any fundraisers and/or solicitations to the congregation by a member or church group. The Finance Committee has the authority to prohibit any such activities that it deems inappropriate or inconsistent with the financial goals of the church.

F. Gifts of Marketable Securities

The church shall maintain a brokerage account for the receipt and low cost liquidation of gifts of marketable securities (such as stocks, bonds, and mutual funds). Outright gifts of securities shall be sold as soon as is reasonably practicable so as to preclude the church from being put in a position of assuming market risk. The financial secretary is authorized as the contact related to this account, and the broker shall be instructed to contact the financial secretary with news of any transfer into the church's account. The broker shall be directed by the financial secretary to immediately convert any security to cash and issue a check payable to First United Methodist Church of Eaton Rapids. Upon receipt of the check, the financial secretary shall record the gift as a contribution to be included as part of the deposit for that week.

G. Cash Policy

Checks will never, under any circumstances, be cashed out of worship service offerings or any other church receipts. Checks will not be accepted if they are made payable to "cash." Two-party checks will not be accepted.

H. Receipts Policy

1. Restricted Gifts (and Designated Funds)

- a. When a donor imposes a stipulation on a gift that limits its use to a specified purpose it is a “restricted gift.” Most such gifts will come to the church in response to the church’s own appeal for special purposes and projects. A fund that has been designated by the church to be used in a particular way is a “designated fund.” It is the responsibility of the church to ensure these funds are applied to the purposes for which they were given. This is a trust with the donors.
- b. It is important for the church to maintain this same kind of trust for all donations that are given with a special purpose attached to them. Therefore, it is important for the church to screen out any gifts that it will have difficulty maintaining such a trust over. Gifts that do not further the purposes of the church or that drain the management resources of the church should be declined. It is the financial secretary’s responsibility to bring to the Church Council’s attention all designated gifts given to the church that the church did not solicit. It is the Church Council’s responsibility to approve or decline their acceptance.
- c. Gifts designated with the clear understanding that they are for one purpose may not be used for any other purpose. The only way to change this is to get permission from the donor.

2. Estate Gifts / Memorial Gifts

- a. All estate gifts (sometimes called “bequests”) shall be added to the church’s Endowment Fund unless otherwise designated. An “estate gift” is a gift received by reason of death from assets that originated with the decedent such as from a trust, will, life insurance policy, or annuity contract.
- b. All memorial gifts shall be added to the designated fund for memorial gifts until such time as the family of the deceased provides direction in the use of these gifts. A “memorial gift” is a gift received by reason of death from persons other than the deceased to memorialize the person who has died. The Memorial Committee is responsible for oversight of these funds, contact with families as necessary, and direction to the treasurer in the use of these funds.

3. Non-Cash Gifts

- a. Gifts of tangible personal property will be considered and received by the Finance Committee on an individual basis. Unless deemed of specific value to the church, such items will be sold as soon as practicable.
- b. Real property is the most difficult to liquidate and can be more of a liability than an asset. Therefore, it is important to do thorough research before accepting a gift of real property. Gifts of real property should be sold as soon as practicable, unless the property is determined to have significant other value to the church.
- c. Where the gifts exceed the usual nature of regular contributions to the church, representatives of the church will exercise due diligence in establishing relationships with donors to determine and evaluate the donors’ motives for making such gifts. In that regard, officials of the church will carefully review all such gifts before receipt and formal acceptance. In all cases, the church has the right to refuse any and all such gifts.

SECTION 3: CASH ACCOUNTS PROCEDURES

A. Check signing

1. The church treasurer is authorized to sign checks.
2. A second individual will review and initial all bills/invoices. This individual shall be a member of the Finance Committee and shall not be an immediate family member of the treasurer. No person may serve in this capacity for more than six months in any calendar year. This individual should question anything irregular and confidentially notify the Chair of the Finance Committee.

B. Reconciliation of accounts

1. All bank account and credit card statements will be reconciled on a monthly basis by the reconciliation secretary.
2. Statements for all savings, investment, and certificate of deposit accounts shall be requested on a quarterly or more frequent basis if not being received automatically and should be reconciled upon receipt by the reconciliation secretary.

C. Bank controls

1. A letter of authorization from the church treasurer or chair of trustees shall be required to open new accounts in the church's name with the church's tax identification number.
2. A letter of authorization from the church treasurer or chair of trustees is required before any changes are made to the present accounts in the church's name with the church's tax identification number.
3. The bank is to send account statements to the church office and never to an individual's home.
4. All accounts must be established using the church's name and tax identification number.
5. A list of names on signature cards for all bank accounts shall be kept on file at the church office, updated annually, and presented to the Finance Committee for approval.

SECTION 4: DISBURSEMENT PROCEDURES

A. Payment Authorizations

1. Through the process of the annual budget, the church establishes its intentions of the parameters of how the church's funds are to be spent. While in the life of a church there will be many things that arrive unexpectedly and beyond the church's control, it is still important for the church to practice good stewardship of the funds that are entrusted to its ministry. Therefore, it is important to control as much of the spending as possible.
2. The set amounts for the staff salaries and benefits are a trust the church has made with its pastors and employees. Therefore, it is vital that the church maintain good faith in proper payment of these commitments. They are, however, also the set limits on what the pastors and employees are entitled to. Any benefits, such as insurance and retirement paid directly to an employee, are reported as taxable income.
3. For the other expenses of the church, the budget needs to act as a guide. Many more-or-less fixed expenses will be assumed in the preparation of the budget and can be paid with little further scrutiny. Sharp changes to these expected amounts, however, should be investigated. With the help of the church treasurer, the expenses of the church are the responsibility of the various respective Ministry Areas delineated in the annual budget to monitor. It is the Ministry Area Chair's responsibility to ensure that their committee members do not make any expenditures which have not been approved in advance by the Chair. All purchases of budgeted items over \$50 must have

prior approval of the Ministry Area Chair responsible for that line item of the budget. Each Ministry Area must remain within that area's annual budget. When a Ministry Area becomes aware of expenses that will exceed the annual budget for their Ministry Area, these expenses must be brought to the Finance Committee to obtain approval from the Church Council.

4. Except for payroll checks, every check must be based on a written invoice, receipt, or check request. Checks may not be written to "cash."
5. The treasurer shall pay church bills in a prompt manner and report to the Finance Committee any payables that are more than 30 days past due.
6. The operating fund is not permitted to have a negative balance.
7. Church credit cards may be issued as a convenience for the church. Per IRS regulations, only church expenses may be charged to a church credit card. Receipts must be obtained and reconciled with the statement before payment is made. After reconciliation, the balance shall be paid in full to avoid paying a finance charge. Any "points" or other benefits earned on a credit card will be donated to charity. Abuse of the privilege of a credit card will result in the privilege being revoked and the possibility of disciplinary action.
8. For security reasons, the church will not maintain petty cash.

B. Declining Unauthorized Expenses

The treasurer and the Church Council have the right to decline paying any bills they have not authorized. This is in keeping with their proper responsibility as stewards of the church's resources. Persons who incur church expenses without prior authorization risk personal liability for such expenses.

SECTION 5: DESIGNATED AND RESTRICTED FUNDS

- A. The Finance Committee or Church Council may establish designated and restricted funds that are specified for a single purpose. All such funds shall ensure separate accounting and reporting. Because designated and restricted funds may ONLY be used for their specified purpose, it is advisable to use broad categories so that any unused fund balances may be used for other similar projects.
- B. The church shall establish one or more separate bank accounts for such funds. These accounts are separate from the general fund, but may combine multiple designated and restricted funds into one account so long as separate accounting is made.
- C. Interest earnings from the designated and restricted accounts are to be credited to the general account for general use.

SECTION 6: PASTOR'S DISCRETIONARY FUND

- A. The Pastor's Discretionary Fund is intended to give the Senior Pastor discretion and authority, within the limits and guidelines below, to provide confidential financial support to persons in need, to programs, scholarships or other expenses that are not totally covered by the regular annual budget, and may also be used to provide support to other faith based charitable organizations whose mission and purpose are consistent with the mission of the church.
- B. Funds for this account may come from designated giving as well as budgeted funds and will be deposited to, and withdrawn from, the designated Pastor's Discretionary Fund account.
- C. No checks will be made out to cash. Every effort should be made to write checks directly to a merchant or agency for goods or services.
- D. The Senior Pastor shall have responsibility over the administration of the Fund and may, in his or her discretion, allow other staff members to make distributions on his or her behalf from the Fund. However, ultimate authority and responsibility for the appropriateness of distributions remains with the Senior Pastor. No funds shall be used for the benefit of the Senior Pastor or any of the Senior Pastor's immediate family members.

- E. A reimbursement check may be written to the Senior Pastor for expenses that fit the guidelines, but only when a receipt or signed affidavit is presented.
- F. This fund is not to be used as a reimbursement account for a Senior Pastor's business expense nor to augment the compensation of, reward, or as a bonus to any regular staff member.
- G. Donations to the fund may not be designated to or for a specific individual.
- H. The Financial Secretary and/or Church Treasurer shall maintain the requisitions submitted by the Senior Pastor on file, and they shall be available during the annual Church audit when the Pastor's Discretionary Fund account is audited along with the other Church accounts.

SECTION 7: FINANCIAL REPORTING

A. Financial Reports

1. Mortgage loan debt, while not required to be shown in the liability portion of the church's balance sheet in the monthly financial reports, shall at least be footnoted as a significant payable so that all readers of the financial reports are aware of this debt.
2. Deposit account balances shall be updated on the church's balance sheet at calendar quarter ends. Based on the timing of the statement receipt and the preparation of the financial reports, the account balances may be updated on a 1-month lag. For yearend financial statements, the balance sheet shall reflect December 31 account balances.
3. Account balances for interest-bearing bank accounts shall be updated on the church's balance sheet at calendar quarter ends, to reflect any interest earnings. Based on the timing of the statement receipt and the preparation of the financial reports, the account balances may be updated on a 1-month lag. For yearend financial statement, the balance sheet shall reflect December 31 account balances.
4. Depending on the timing of the Finance Committee's first meeting of the calendar year, yearend financial statements that the treasurer shall provide may be preliminary at that time. Once the yearend financial statements are completely updated, the treasurer shall produce a final set of statements for the Finance Committee membership and the church records.

B. Statements of Contributions

1. Quarterly and annual statements are prepared for identified donors within 30 days of the end of each quarter. At any other time by request of a donor, the financial secretary shall prepare a statement detailing all contributions up to the date of request. The financial secretary shall maintain discreet confidentiality in all matters relating to personal contributions and shall be the only staff person with a personal knowledge of contributor's donations.
2. Per IRS guidelines, all contributions must be received or postmarked no later than December 31 to be included in that year's revenue. Contributions not received or postmarked by December 31 will be included in the subsequent reporting period.

SECTION 8: FINANCE COMMITTEE

A. Committee Meetings

The Finance Committee is organized under *The Book of Discipline* of the United Methodist Church ¶1262.4. In addition to the Disciplinary requirements, the committee shall meet quarterly or more frequently as necessary. They shall review the financial reports and conduct other business related to the church finances.

B. Organization

The Finance Committee shall organize itself as necessary with a vice-chair and a secretary to record the minutes. It shall enlist additional members as needed or organize sub-committees as needed to carry out its functions. It shall assist the Stewardship Committee in planning for the church annual pledge campaign, enlisting lay leadership and work teams to insure a successful campaign.

C. Audits

The Finance Committee shall arrange for an annual external audit or review to be conducted by a qualified individual/firm. Their report shall be forwarded to the Finance Committee chairperson and subsequently presented to the entire committee.

D. Annual Budgeting

1. The Finance Committee is charged with general oversight of budgeting and monitoring income and expenditures. A budget is a comprehensive financial plan that reflects the specific amounts of money allocated from anticipated income for supporting the church's ministries and related expenses for a definite period of time, usually the calendar year. The budget becomes a device to measure ministry appropriateness, function, success and evaluation. The budget forms the basis for reporting fiscal stewardship to the church.
2. The responsibility for preparing the church budget lies with appropriate lay leadership, Ministry Area chairs, and church staff. On an annual basis, in accordance with a timeline defined by the Finance Committee, the treasurer will request that the leaders of each budget area consider their goals and objectives for the coming year. The leaders, along with their respective committee or group of advisors, shall assess their needs and make recommendations for the next budget year. Proposed budgets are returned to the treasurer, totaled and then presented to the Finance Committee for discussion. Only the Church Council can approve certain items of the proposed budget, such as apportionments and appointed clergy compensation. The Church Council shall forward such recommendations of those items to the annual Church Conference (usually held in late November or early December). All other budget recommendations lie with the approval of the Church Council.
3. Finance Committee cannot arbitrarily alter line items without discussion with the program personnel charged with presenting those amounts.

SECTION 9: OTHER

A. Insurance and Bonding

The Board of Trustees shall assure that the church carries appropriate officers' and directors' liability insurance to cover all church officers who make good-faith decisions about the church's finances. The church shall also carry appropriate insurance coverage to bond all staff and volunteers who have direct responsibility for handling the church's funds.

B. Document Retention Policy

The following records shall be maintained by the treasurer for a period of at least seven years: all church financial records and statements, personnel records, property documents, contracts and agreements, federal/state/local filings, and insurance documents.

C. Conflicts with Book of Discipline

When there are conflicts between the terms of these Policies and Procedures and the United Methodist Book of Discipline, the terms of the Book of Discipline shall apply.

D. “Immediate Family Member” Defined

For purposes of these Policies and Procedures an “immediate family member” is any adult relative living in the person’s household, as well as the following persons whether or not they are living in the person’s household: a spouse, a parent, a sibling, a child (whether by full or half blood or by adoption), or a grandchild.

E. Effective Date

These Policies and Procedures shall take effect January 1, 2013, with the exception of Section 5B pertaining to separate bank accounts, which shall take effect at a later date as determined by the Finance Committee to allow adequate time for implementation.

Adopted by the Finance Committee the 16th day of October, 2012.