

First United Methodist Church of Brighton

Financial Policies and Procedures

6.14.11

This document was compiled by using and editing the policies of several different churches as well as adding in pertinent information from current practices of First Church.

Financial Policy and Procedures

+The Mission of the United Methodist Church

The United Methodist Church is a connectional Church, which means in part that every local Church is interrelated through the structure and organization of districts, conferences, jurisdictions, and central conferences in the larger “family” of the denomination. *The Book of Discipline of the United Methodist Church* describes, among other things, the ministry of all United Methodist Christians, the essence of servant ministry and leadership, how to organize and accomplish that ministry, and how our connectional structure works (see especially ¶¶ 125-138). Our Church is more than a structure, it is a living organism. The Discipline describes our mission to proclaim the gospel and to welcome people into the body of Christ, to lead people to a commitment to God through Jesus Christ, to nurture them in Christian living by various means of grace, and to send persons into the world as agents of Jesus Christ (¶122). Thus, through you—and many other Christians—this very relational mission continues.

+ “*finance, Funding Ministries That Nurture Persons in Their Faith,*” by Wayne C. Barrett, David S. Bell and Donald W. Joiner-General board of Discipleship.

Overview

This document puts in one place a comprehensive view of the financial policies and procedures used at First United Methodist Church of Brighton. This document is intended to provide clear guidance to finance committee members and ministry leaders on the procedures that safeguard appropriate use of Church funds. The finance committee focuses on the operational aspects of the Church's finances and focus on making sure the day-to-day financial operations of the Church are being operated successfully.

Job of the finance committee

The job of the committee on finance is to identify, perfect, and manage the finance system for the congregation. The finance system is the processes of raising, managing, and dispersing the finances so that the mission and vision of the congregation can be achieved (*Guidelines*, p. 6).

The Bible speaks frequently about money and wealth and emphasizes the importance of generous giving (see Proverbs 22:16; 2 Corinthians 8-9), wise investment (see Luke 16:10-13); debt management (see Proverbs 21:20; 22:7), prudent fiscal oversight (see Luke 12:13-21; Acts 4:32-35); and appropriate attitude (see 1 Timothy 6:10)... Whatever income and expense is generated by the Church is ultimately for the work of ministry (*Guidelines*, p. 8).

A critical component of this ministry is recognition of the historic differences between Christian stewardship and funding ministry. Funding ministry, often called "fundraising," consists of the varied tasks associated with gathering funds to enable ministry to take place. Underlying and supporting these tasks, however, is the conceptual discipline of stewardship. In our tradition, we understand ourselves as stewards who respond to our giftedness. It is this balance between the "what" (fundraising) and the "why" (stewardship) that is the genius of Wesleyan financial leadership (*Guidelines*, p. 8).

*From *Guidelines for Leading Your Congregation 2005-2008: finance*, (p. 6-8). Copyright © 2004 by Cokesbury.

Main Tasks of the finance committee

- Provides financial direction for the congregation and regularly reports to the administrative board and to individual members.
- Recommends (and crafts) an annual budget to support the mission and ministry of the Church.
- Develops plans for the annual funding program to ensure that the financial needs of the Church are met.
- Arranges for the annual audit of Church financial records.
- Insures that bank accounts are not set up using the Church's federal identification number without the finance board approval.
- Insures that all bank accounts using the Church's federal identification number are included in the annual audit.

-Adapted from *Guidelines for Leading Your Congregation 2005-2008: finance*, (p. 9-14) and *Job Descriptions and Leadership Training for Leaders in Local Congregations*, 2005-2008, "Chairperson for the Committee on finance" (Discipleship Resources, 2004).

Organization and Relationships

The *Book of Discipline* provides for the committee on finance to be made up of persons who, by virtue of other leadership responsibilities, link the committee to other areas of congregational life, as well as several persons who are nominated in recognition of their commitment to and witness of personal stewardship.

The *Discipline* calls for the following members of the committee:

- chairperson
- pastor(s)
- lay member of the annual conference (one)
- chairperson of the administrative board or administrative board representative
- chairperson or representative of staff/pastor-parish relations committee
- chairperson or representative of the trustees
- chairperson or representative of the ministry group on stewardship
- lay leader
- financial secretary
- treasurer
- others as determined by the charge conference.

With the exception of the pastor, when paid employees serve on the committee on finance, such as financial secretary, treasurer, or business administrator, they serve without vote.

Finance Chairperson-Term and Duties

The finance committee chairperson and committee members serve for a period not to exceed three years.

The chairperson will arrange for regular meetings. He/She will also attend the administrative board meetings or select a representative for the committee. He/She will work on the annual reporting to the conference and also the annual budget.

Treasurer's Duties

The treasurer is a member of both the finance committee and the administrative board. ¶ 259.4 b) of the 2008 *Book of Discipline* states, "The Church treasurer shall make regular and detailed reports on funds received and expended to the committee on finance and the administrative board. The Church treasurer shall disburse all money contributed to causes represented in the local Church budget, and such other funds and contributions as the administrative board may determine. The treasurer shall remit each month to the conference treasurer all world service and conference benevolence funds that are on hand. Contributions to benevolence shall not be used for any cause other than that to which they have been given."

The treasurer will supply monthly detailed reports to the finance committee and administrative board, as well as to those staff members who are responsible keeping their department expenses within approved budgeting guidelines. The treasurer will operate under the guidelines provided to him/her in this handbook from the finance committee.

Per the disciplines, this position should be bonded.

Financial Secretary

The finance secretary shall designate at least four groups of four to five persons not of the immediate family residing in the same household to count the offering. They shall work under the supervision of the financial secretary. A record of all funds received shall be given to the financial secretary. The financial secretary shall keep records of the contributions and payments on file in the Church office. The financial secretary will be responsible along with the finance committee to provide procedures (see the latest procedures attached) and training for the Church counters.

Fiscal Year

The Church fiscal year is from January 1-December 31.

Accounting Method

The accounting for the Church is done in a cash basis accounting method

Report format for Financial statements

The reports to be provided by the treasurer and to the finance committee and to be approved to the administrative board will be a Balance Sheet and an Income Statement. They will be created using the Church's accounting software. They will be issued on a cash basis accounting method for interim statements. The audited statements will include the preschool and the United Methodist Women and will be issued on a modified cash basis.

Chart of Accounts Policy

The expenses will be posted according to the proper budget line item. Requests for reimbursement will not be processed without a proper account code and appropriate approvals.

Banking

Checks will considered stale dated after 6 months. The treasurer will either reissue a new check or return the funds to the correct account. This will be determined by a discussion with the person who issued the original check request. The bank reconciliation is prepared by the treasurer and reviewed by a finance committee member.

Policy on Donations related to Investments

The policy on stock donations is to sell the investment as soon as all the paperwork is in order and to deposit the funds into the correct account per the donors instructions.

Safety Deposit Box

The safe deposit box is currently at a local bank. The keys are kept in the office safe. The signatories are the Chair of the finance board, the Chair of the Trustees, and the treasurer. The documents held in the safe deposit box are deeds, mortgage papers and other similar items. A complete list of items is available from the finance Secretary.

Rental Income

The Church finance Secretary has a current list of the specific charges for building usage such as wedding deposits and building use fees for non-members. They will be invoiced and the fees will be given to the counters for deposit.

Internal Financial Control Policies

First United Methodist Church of Brighton financial “internal controls” are a system of “special purpose” processes and procedures designed and practiced for the primary purpose of protecting our members as well as for preventing or deterring fraud. The internal controls fall into two categories, active and passive.

Active Controls

- Signatures and Countersigning on check requests
- Original voucher
- Limit accounts to one bank
- Limits on Credit Cards
- Two signatures on checks in excess of \$5,000
- Passwords
- Segregation of Duties

Segregation of Duties means that there are processes and procedures to require that duties must be divided among a number people so that no one person or group can obtain Church cash by fraud.

The following are done by different individuals for segregation of duties. No one person handles more than one step:

- Cash receipt counting must have 4-5 counters
- The counters must have at least two unrelated members present
 - Family members cannot count together
 - Staff members cannot be counters
- No one else is supposed to enter the counter room during the counting.
- All deposits go through the counters
- Contribution deposits must be made by 2 people
- Entering contributions and reconciling to the deposit receipt done by the finance Secretary or under the supervision of the finance Secretary.
- All checks must have proper backup – invoice or voucher
- Employees cannot be check signers.
- A copy of all bank, safety deposit box, and investment signatories must be on file in the Church office. These should be updated annually.

Passive Controls

- Focused audit on internal controls, which is done along with reporting audit.
- Annual external audit
- Stored backup of receipts to match deposits and checks.
- Financial procedures are normally audited every three (3) years.

Operating Budget

Operating Budget Explanation

First United Methodist Church of Brighton's annual operating budget establishes the framework for the programs that the Church will undertake during the program year. Each finance committee member is responsible for reviewing budget recommendations initially developed by staff members and program committee chairs for the programs and activities in their ministry areas. The Staff Parish Relations Committee provides staff compensation input.

Budget requests for each coming calendar year are due from staff and program chairpersons to the finance committee by October 15th of each year. This will enable the finance committee to have a budget prepared for distribution at the annual Church charge conference in November.

Once the budget is approved by the finance committee and presented for approval to the ad board, the funds (as approved for the fiscal year) may be used by their department managers without formal finance committee authorization. Because First United Methodist Church of Brighton's operating budget is dependent on contributions, cash flow varies throughout the year. During some years the finance committee may require that budgeted discretionary expenses over a certain amount receive finance committee approval before being spent. A motion passed by the finance committee, recorded in the finance committee minutes and communicated to program chairs, would evidence this requirement.

Contracts

Contracts should be on file for regularly provided services. Balancing invoices against contracts will be done by the treasurer to make sure charges are correct. Get bids whenever possible.

Procedures for Approval of Budgeted Purchases

Accounts payable at First United Methodist Church of Brighton generally come in two forms: bills received through the mail and presentation of requests by members, clergy, and staff to repay them for expenses they paid on behalf of the Church. Check requests must contain a receipt, invoice, bill, or other official documentation of the expense. These forms are available in the Church office.

Every request for payment, with the exception of recurring expenses like utilities, must be given to the treasurer for reimbursement with a check request form filled out. A budget line item must be stated on each request, and only the department directors, finance secretary or a member of the finance committee can provide final approval for a check request. No one can approve a check requests for themselves.

Non-Budgeted Purchases

Church staff has discretionary ability to make non-budgeted purchases up to \$250 without prior approval by the finance committee or the Trustees. Any non-budgeted purchase of a good or service above \$250 requires a detailed purchase requisition or statement supporting the request, and if applicable demonstrate 3 separate competitive bids have been sought.

The information that is required is as follows:

- Definition of the need for the good or service (why)
- Identification of the goods or service (what is needed)
- Requested delivery date
- Approximate cost
- Listing of competitive bids sought (if applicable)
- Line item that money requested will have to come from
- Secure proper approval from the person who is responsible for the section of the Church's budget that will be charged.

The person authorizing the purchase must assume responsibility for the accuracy of the requisition and delivery of good/service.

Guidelines for using the Church VISA card

The VISA card is currently through Business Card Services. The card holders are the finance Secretary, Chairperson of the Trustees, Associate Pastor, Deacon, Youth Pastor, and the Education Director.

All VISA/credit card purchases must be documented at the time they are made. This can be accomplished by making a copy of the receipt and writing the line item number, description and purchaser's name on it. This has to be put into the finance secretary's mailbox ASAP.

See Credit Card Holder Agreement, Next Page

First United Methodist Church of Brighton

CREDIT CARD PROGRAM

SAMPLE Cardholder/Card User Agreement

1. A Cardholder/Card User is authorized to purchase goods and services utilizing the First United Methodist Church of Brighton Credit Card.
2. Goods and services may be purchased, consistent with your responsibilities at First United Methodist Church, and to satisfy legitimate First United Methodist Church of Brighton needs.
3. All purchases shall be made in accordance with applicable First United Methodist Church of Brighton purchasing policies and the First United Methodist Church of Brighton Credit Card policy.
4. No personal expenditures are allowed.
5. Understand that you will need to submit timely monthly payment requests to the Office Manager of the monthly credit card bill to avoid your personal reimbursement to First United Methodist Church of Brighton for interest charges.
6. This authorization shall cease upon your separation of applicable responsibilities and/or employment with First United Methodist Church of Brighton.
7. Please acknowledge your review and understanding of the various provisions of the above referenced agreement by signing below and returning the original signed copy to the Office Manager.

I have read and understand this agreement and the attached Credit Card Policy. I assume the responsibility and liability associated with the use of the Card that is being issued in my name. I understand that this Card is to be used for First United Methodist Church of Brighton business purposes only, as defined in the agreement and policy.

Further, I understand that improper use of this Card on my part, failure to maintain proper records, or failure to report discrepancies against the Card may result in consequences which will appropriately rectify the situation now and in the future.

Employee Cardholder/Card User

Date

Print Cardholder/Card User Name

Receipt and Payment of VISA/Charge Cards Bills

Once the credit card bill is received, the finance secretary will detach the payment coupon and put it with the envelope in the treasurer's box. This allows the treasurer to pay the bill in a timely manner. The finance secretary will keep the remainder of the credit card statement and match the receipts to the purchases. The purchases are then posted into a spreadsheet with line items totaled. The finance secretary will print out the spreadsheet and have those who used the card review and initial their line items. A copy of this sheet is made for the office file and the original is given to the treasurer in a timely manner. The treasurer utilizes the line item totals from this sheet for allocating the expenses in his/her treasurer report.

Use/Sales Tax Exemption Documentation Required

With very few exceptions, purchases on behalf of First United Methodist Church of Brighton should be made through vendors with whom we have established an account and have provided tax-exemption documentation. Tax Exempt forms are available in the Church office. Utilizing our tax exempt status saves the Church money.

The finance committee will determine which funds will be required to use the tax ID number and will expect any funds/groups that use the Church tax ID will fully report all contributions and expenses through the Church business office. Receipts must be on file for every transaction. Please see more detailed information regarding documentation in the missions and outreach accounting policy in this handbook

Fund Management

Designated Funds Definition

Designated funds are those monies received for which the donor specifies the use of the funds. These funds are not included in the general budget that has been approved by the finance committee.

Designated funds are segmented from the general operating budget funds of the Church.

Designated Fund Requirements

The Book of Discipline (BOD) of the United Methodist Church, 2004, states that “Contributions designated for specific causes and objects shall be promptly forwarded according to the intent of the donor and shall not be used for any other purpose.” [¶259.4.e] The goal of the First United Methodist Church of Brighton finance committee is that this policy meets the spirit and intent of the BOD mandate.

Three Types of Designated Funds

There are three types of designated funds – solicited, unsolicited, and memorials.

- **Solicited designated funds** are those for which there is a congregation-wide effort to request and collect funds for a special project or purpose.
- **Unsolicited designated funds** are those funds that have been given for a specific purpose by an individual contributor, but no approved campaign is in progress.
- **Memorials** are those contributions that are given in memory or in honor of someone. Receipt, accounting, and disbursement of these types of funds are covered in a separate policy.

Each of these types of designated funds are collected, accounted for, and disbursed using the following guidelines.

Solicited Designated Funds

Solicited Designated Funds include those activities and items approved by administrative board as well as those special offerings requested by the District or Conference Offices.

Before any designated funds are solicited, the administrative board shall approve the collection of such funds.

Any request for solicitation of designated gifts should be accompanied by a plan for disposition of excess contributions. The committee chair or staff member responsible for the fund shall also be named in the request.

Collected designated funds shall be given to the counters for accounting purposes, and the treasurer will deposit these funds into a sub account of the designated funds account. This sub-account title shall state the intended purpose of the funds.

Unsolicited Designated Funds

Unsolicited Designated Funds are those funds for which no request has been made of the general congregation for contributions.

Unsolicited designated funds shall be given to the counters for accounting purposes, and the treasurer will deposit these funds into a sub-account of the designated funds account. This sub-account title shall state the intended purpose of the funds.

In the absence of approved plans for the designated funds, these funds shall be utilized before drawing on the general budget. The treasurer shall ensure that the funds are expended according to this policy.

Endowment Fund

Records of yearly statements will be kept on file in the Church office.

The Endowment chair sits on the finance committee, provides monthly reporting, follows endowment fund reporting guidelines as stated in the endowment fund articles.

Contribution Statement Policy

The finance secretary is responsible for printing contribution statements. The statements are printed from the Shepherd Staff database contribution module. Contribution statements are sent three (3) times a year. The statements have to be printed, folded and ready for the volunteers to mail on the following dates:

June 30

November 30

January 30

The contribution statements have a report template already created in the report “library” with certain default settings. These include the Church tax ID number, who to contact if there are problems, and the way that pledges are listed. The dates will have to be changed to reflect the reporting time you wish to print out.

The wording on the statements is approved by the Lead Pastor.

A message (letter) is usually sent out with the contribution statements. This message is written by the Lead Pastor. The finance secretary and their staff are responsible for printing the letters that go with the statements.

The finance chair is responsible for calling and setting up a team of volunteers (at least 2 to 3) to mail the contribution statements. The finance secretary will help the finance chair identify those individuals who have indicated an interest in this kind of ministry. Stamps, paper and window envelopes need to be included in the finance committee’s budget each year. The office staff will order supplies as needed for the finance team, relying on the direction of the finance chairperson.

Once the statements have been mailed, it is not unusual for the office staff to receive a call or two for errors of some kind. If the caller is asking for a contribution to be listed that was not on their statement, they need to provide the finance secretary with the amount of the check, the check number and the date it was given. The finance secretary will need to check the teller’s sheets from that day to see why the offering was not recorded. If we are unable to locate a member’s contribution on a given date, it is our policy to credit the member’s contribution to their account if they have provided the appropriate information.

The Church sends statements at least three times a year to regular contributors, but one-time contributors will only receive their statements at the end of the year. Regular contributors who do not give electronically are issued numbers from 1-599. All numbers from 600-699 are for electronic givers who generally do not have envelopes (a few do) but need to have their contributions posted. All other contribution posting entries will have numbers 10,000 and up. It is important to recognize someone in the 10,000 and over numbers who begins to contribute regularly and give them a lower number.

The finance secretary should let the pastor know of any non-pledged contributions that are received over the amount of \$500. This gives the pastor the opportunity to write a note of

thanks in addition to the statement that is mailed out.

The IRS has set guidelines for what can be claimed as a donation and what cannot. If anyone receives anything in return for a donation, such as luncheon tickets, or a book for a study program, these cannot be listed as donations, with the exception of that amount of the donation that exceeds the fair market value of the object or service purchased.

Mission trips on the other hand can be claimed under most circumstances, and it is important to record all monies received from anyone going on a mission so that they can receive a contribution statement.

Donations of altar flowers can be considered as a charitable contribution.

When someone requests a contribution record for something they have purchased for the Church, such as lumber, paint, etc., a copy of the receipt must be received and copied for our permanent file. The amount is then added to their contribution statement under the fund heading of "receipts."

When a person makes a donation of a used computer or furniture, that person is sent a thank you in the form of a donation letter. It is up to the contributor to assign monetary value to that gift for tax purposes.

United Methodist Women donations do not come through the regular Church offering system, but are given directly to the United Methodist Women's committee and cannot be processed through our database. The UMW is responsible for supplying statements for the contributions they have received.

Memorial contributions are written on a sheet used by the counters, rather than envelopes. The memorial team sends individual thank you notes to all of the contributors listed on the memorial sheet. These sheets are used by the office to record memorial contributions in the database so that statements can be mailed at the end of the year.

Automatic Debiting or Electronic Contributions

The finance committee will promote and encourage members to consider using automatic debiting for their contributions. There are many benefits to the Church when members use this service.

Currently the Church uses Vanco for electronic contributions. The treasurer, Chair of the finance committee and the finance secretary receive reports of giving from Vanco.

Electronic giving should be encouraged as it assists in the budgeting process by making giving more even throughout the year.

Counters procedures
See attached policy.

Guidelines for handling money in the front office

Anyone who receives money in the front office must have a background check and must be bonded. Any money that is received loose has to be placed in the appropriate envelope. There is a receipt book (in duplicate) to document these receipts. Blue envelopes are for charitable contributions, white envelopes are for rent, coffee money, etc. Fill the envelope out and place it into the safe.

Petty Cash Account

Petty Cash is not kept in the office, with the exception of loose change for postage.

Fund Raising Policy

The objective of fundraising activities held at First United Methodist Church, or sponsored by the Church, is to encourage alternative ways to financially support outreach and missions of our Church.

Before a fundraising activity to be held at or sponsored by the Church can take place, the activity must be reviewed and approved by the appropriate Church committee or Church staff.

All receipts will be given to the counters for appropriate deposit. A detailed record of revenue and expenses will be recorded for each event and accounted for in the treasurer's report.

For all approved fundraising activities, committees and groups must adhere to written guidelines detailing the appropriate use of Church facilities. In fairness to our members and constituents, Church sponsored fundraising activities cannot be a vehicle for promoting the business of individual Church members or constituents to the exclusion of others. Therefore, proposed fundraising activities where a specific individual or individuals have the opportunity to make a profit on items sold, or otherwise promote their individual businesses, will not be approved. This limitation does not include events such as craft fairs, where any interested member or constituent can participate in the fundraising activity.

Actual approval needed for requested dates, or use of a particular room, or building use policies is up to board of Trustees or the Church office staff.

Record Retention

See the attached procedures

First Steps Preschool and UMW

Both the preschool and the UMW have a separate bank account utilizing the FUMC's FIN#. They also have separate boards that they report to. They both individually record receipts and expenditures and compile a monthly report. Those reports are to be provided to the finance committee on a monthly basis and their annual reports will be included as part of the annual audit.

Mission Revenue and Expenses

See the attached procedures.