

Finance Overview

This document puts in one place a comprehensive view of the financial policies and procedures used at First United Methodist Church of Brighton and Whitmore Lake. This document is intended to provide clear guidance to the finance management team members and ministry leaders on the procedures that safeguard appropriate use of Church funds. The finance management team 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 Management Team

The job of the Finance Management Team 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).

Main Tasks of the Finance Management Team

- Provides financial direction for the congregation and regularly reports to the Leadership 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 all bank accounts using the Church's federal identification number are included in the annual audit.

Organization and Relationships The Book of Discipline provides for the Finance Management Team 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:

- Team Leader
- Pastor
- Treasurer
- Finance Secretary
- Lay Leader
- Stewardship Leader
- Budget Team Representative
- Endowment Chair

- Other interested individuals called to manage church financials

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

Team Leader Duties

The Team Leader will arrange for regular meetings as necessary for the team to complete their assigned work. At a minimum, the team should meet four times per year. (For example, team should meet in January to review the prior year end reports, work on the annual report to the conference and commission the auditor for the annual audit.)

The Team Leader will supply monthly detailed reports to the Finance Management Team members, the Leadership Board and to those staff members who are responsible for keeping their department expenses within approved budgeting guidelines.

He or She will work on the annual reporting to the conference and also the annual budget.

Treasurer's Duties

The Church treasurer shall disburse all money contributed to causes represented in the local Church budget, and such other funds and contributions as the Leadership 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 operate under the guidelines provided to him/her in this handbook from the finance management team. Per the disciplines, this position should be bonded.

The Church has authorized the treasurer to invest trust funds with the United Methodist Foundation's Michigan Area Loan Fund. This investment is in line with the Social Principles of the United Methodist Church. Any riskier investments must be approved by the SAS Board.

The treasurer, in conjunction with the audit team, arranges for the annual audit of Church financial records.

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 Management Team 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 Team Leader to the Finance Management Team and to be approved to the Leadership 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 be 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 management team 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 donor's 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 Leadership board 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 and Whitmore Lake 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.
- The bank reconciliation is prepared by the treasurer and reviewed by a finance management team member quarterly.
- 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 and Whitmore Lake's annual operating budget establishes the framework for the programs that the Church will undertake during the program year. Each Budget Team 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 Leadership Board provides staff compensation input. Budget requests for each coming calendar year are due from staff and program chairpersons to the budget team by November 1 of each year. Once the budget is approved by the Leadership Board, the funds (as approved for the fiscal year) may be used by their department managers without formal finance management team authorization. Because First United Methodist Church of Brighton and Whitmore Lake's operating budget is dependent on contributions, cash flow varies throughout the year. During some years the finance management team may require that budgeted discretionary expenses over a certain amount receive finance management team approval before being spent. A motion passed by the finance management team, recorded in the finance management team 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 and Whitmore Lake 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 Leadership Board 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 \$1,000 without prior approval by the Leadership Board. Any non-budgeted purchase of a good or service above \$2500 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 Comerica Bank. The following role types may have an issued credit card if needed: Pastors, Director of Children and Student Ministries, Finance Secretary, and Building Maintenance team lead or designated member. Upon request and approval, other team leaders may be authorized to have a credit card, but the goal is to have few cards in circulation with other purchases reimbursed. 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.

First United Methodist Church of Brighton and Whitmore Lake

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 and Whitmore Lake 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 and Whitmore Lake needs.
3. All purchases shall be made in accordance with applicable First United Methodist Church of Brighton and Whitmore Lake purchasing policies and the First United Methodist Church of Brighton and Whitmore Lake 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 and Whitmore Lake for interest charges.
6. This authorization shall cease upon your separation of applicable responsibilities and/or employment with First United Methodist Church of Brighton and Whitmore Lake.
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 and Whitmore Lake 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

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 and Whitmore Lake 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 management team 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 Leadership Board. 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.|| [¶1259.4.e] The goal of the First United Methodist Church of Brighton and Whitmore Lake Finance Management Team 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 the Leadership Board as well as those special offerings requested by the District or Conference Offices. Before any designated funds are solicited, the Leadership 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 management team, provides monthly reporting, follows endowment fund reporting guidelines as stated in the endowment fund articles.

Planned Giving Protocol

Giving is an act of worship. First United Methodist Church of Brighton & Whitmore Lake is blessed with a generous membership whose gifts of cash, tangible assets and service to the Church reflect a deep understanding of stewardship.

The primary objective of this Gift Acceptance Policy is to describe the types of gifts that the Church is able to accept and how those gifts will be utilized in compliance with The Methodist Book of Discipline and all applicable laws.

When the church receives a gift from a donor, it comes as one of two forms – a designated gift where the donor specifies the desired use of the funds, or as an undesignated gift where the church may use the funds as it deems desirable. The following discussion presents a way the church can establish a protocol for the use of these funds.

Designated gifts:

Designated gifts are accepted by the Church for ministries and programs that have been approved and administered by the appropriate Church administrative bodies. The Trustees have a spiritual and legal responsibility to ensure all designated gifts are used in the manner they are intended. However, the church, in its sole discretion, may decline any designated gift.

Undesignated funds:

Undesignated gifts (sometimes referred to as unrestricted gifts) are donations made to the Church without stipulation by the donor. In this instance, the donor has permitted the Church to apply the funds as it desires. Typical choices include:

- **Endowment Fund**
- **Building Fund**
- **Capital Improvements**
- **Giver's interest area (Mission, Music, Ministry etc.)**
- **Other**

During the Budget season, a list of priorities for the church will be established in the areas unfunded by the Church's annual stewardship campaign. Clergy will be prepared with this list when meeting with families about planned giving.

Tithing on Undesignated Gifts:

As a Church that is committed to mission work, undesignated gifts over \$10,000 will include a tithe of 10% from the gift to the church wide mission of the year. However, if the amount of the gift is less than \$10,000, it is unreasonable to diminish it further. Therefore, all the funds should go towards a designated project.

If an undesignated gift is greater than \$10,000, a tithe of 10% will be taken and designated for one of the church's on-going missions with a preference for the "mission of the year" project. The remaining funds are to be distributed as the Finance Management Team and Leadership Board perceives the need.

Process for Approving Application of Undesignated Gifts:

If a gift is undesignated, a proposal for the use of the funds will be developed by the Finance Management Team and approved by the Leadership Board. The Finance Management Team will consult with the appropriate committees in the Church the gift will support.

Endowment Fund:

The Church has established an endowment fund. Generally, amounts contributed to the endowment fund remain a permanent asset of the Church. This permanent portion of the Endowment fund is

formally referred to as “corpus” and the earnings generated by the corpus are available to support the fund’s purpose. The Church welcomes gifts that increase the corpus of our endowment funds.

Building Fund:

The Church has an established building fund that supports capital improvement needs within our buildings. The Church uses money in this fund as projects arise. This fund is a reserve fund for needed projects around the church.

Capital Improvements:

Capital Improvements are immediate projects marked by the Trustees as immediate needs. Gifts given to Capital Improvements would be used as soon as possible for the projects identified.

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 Pastor.

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

Stamps, paper and window envelopes need to be included in the finance management team’s budget each year. The office staff will order supplies as needed for the finance management team.

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 (Are copies made of the teller sheets?) 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 Stewardship 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, the finance management team leader 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.

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 and Whitmore Lake, 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 Leadership Board. 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.

Mission Revenue and Expenses -- 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 management team on a monthly basis and their annual reports will be included as part of the annual audit.