

Brundidge United Methodist Church

Financial Policies and Procedures

Mission Statement

“The Mission of Brundidge United Methodist Church is to seek out, minister to, and provide a place of worship for all seeking Christ.”

This document was compiled by using and editing the policies of several different churches.

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.

Overview

This document puts in one place a comprehensive view of the financial policies and procedures used at Brundidge United Methodist Church. 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 focuses on making sure the day-to-day financial operations of the Church are being successfully maintained.

From the *Book of Discipline*

¶ 258.4. *There shall be a **Committee on Finance**, elected annually by the charge conference upon recommendation by the committee on nominations and leadership development or from the floor, composed of the chairperson; the pastor(s); a lay member of the annual conference; the chairperson of the church council; the chairperson or representative of the committee on pastor-parish relations; a representative of the trustees to be selected by the trustees; the chairperson of the ministry group on stewardship; the lay leader; the financial secretary; the treasurer; the church business administrator; and other members to be added as the charge conference may determine. It is recommended that the chairperson of the committee on finance shall be a member of the church council. The financial secretary, treasurer, and church business administrator, if paid employees, shall be members without vote.*

The positions of treasurer and financial secretary should not be combined and held by one person, and the persons holding these two positions should not be immediate family members.

The Committee on Finance shall give stewardship of financial resources as their priority throughout the year. It may delegate the responsibility to either a sub-group or task force that would plan, strategize, and implement ways to generate more resources for mission and ministries of the local churches and beyond. It is strongly recommended that the Committee on Finance, in collaboration with the Church Council, find creative ways to turn their congregations into tithing congregations with an attitude of generosity.

All financial askings to be included in the annual budget of the local church shall be submitted to the Committee on Finance. The Committee on Finance shall compile annually a complete budget for the local church and submit it to the church council for review and adoption. The Committee on finance shall be charged with responsibility for developing and implementing plans that will raise sufficient income to meet the budget adopted by the church council. It shall administer the funds received according to instructions from the church council.

The committee shall carry out the church council's directions in guiding the treasurer(s) and financial secretary.

a) *The committee shall designate at least two 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 and treasurer. Funds received shall be deposited promptly in accordance with the procedures established by the committee on finance. The financial secretary shall keep records of the contributions and payments.*

b) *The **Church Treasurer(s)** shall disburse all money contributed to causes represented in the local church budget, and such other funds and contributions as the church council may determine. The treasurer(s) shall remit each month to the conference treasurer all World Service and conference benevolence funds then on hand. Contributions to benevolence shall not be used for any cause other than that to which they have been given. The church treasurer shall make regular and detailed reports on funds received and expended to the committee on finance and the church council. The treasurer(s) shall be adequately bonded.*

c) *The **Committee on Finance** shall establish written financial policies to document the internal controls of the local church. The written financial policies should be reviewed for adequacy and effectiveness annually by the committee on finance and submitted as a report to the charge conference annually.*

d) *The committee shall make provision for an annual audit of the financial statements of the local church and all its organizations and accounts. The committee shall make a full and complete report to the annual charge conference. A local church audit is defined as an independent evaluation of the financial reports and records and the internal controls of the local church by a qualified person or persons. The audit shall be conducted for the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being safeguarded, and determining compliance with local law, local church policies and procedures, and the Book of Discipline.*

The audit may include: 1) a review of the cash and investment reconciliations; 2) interviews with the treasurer, financial secretary, pastor(s), finance committee chair, business manager, those who count offerings, Church secretary, etc., with inquiries regarding compliance with existing written financial policies and procedures; 3) a review of journal entries and authorized check signers for each checking and investment account; and 4) other procedures requested by the committee on finance.

The audit shall be performed by an audit committee composed of persons unrelated to the persons listed in (2) above or by an independent certified public accountant (CPA), accounting firm, or equivalent.

e) *The committee shall recommend to the church council proper depositories for the church's funds. Funds received shall be deposited promptly in the name of the local church.*

f) *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.*

g) *After the budget of the local church has been approved, additional appropriations or changes in the budget must be approved by the church council.*

h) The committee shall prepare annually a report to the church council of all designated funds that are separate from the current expense budget.

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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).

Main Tasks of the Finance Committee

- Provides financial direction for the congregation and regularly reports to the Church Council 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 or formal review of Church financial records.
- Insures that bank accounts are not set up using the Church's federal identification number without the Finance Committee's approval.
- Insures that all bank accounts using the Church's federal identification number are included in the annual audit or formal review of Church financial records..

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
- 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 Duties

The Finance Committee chairperson will arrange for regular meetings. This person will also attend the administrative board meetings or select a representative for the committee. This person 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 for 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

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 and training for the Church counters. The finance secretary shall designate a head counter, an alternate head counter (in the absence of the head counter), and a group 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 head usher or designated person.

Fiscal Year

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

Accounting Method

The Church Financial Statements are accounted for using the 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 and will be issued on a cash basis accounting method.

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 financial secretary and reviewed by a Finance Committee member.

Safety Deposit Box

The safe deposit box is currently at a local bank. The keys are kept in the Church office. The signatories are the Chair of the Finance Committee, 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.

Internal Financial Control Policies

Brundidge United Methodist Church financial internal controls are a system of 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 \$2,000
- 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 2-3 counters at all events where monies are collected.
- During the main Sunday service the Head Usher and at least one participating usher should be chosen as the counter.
- The counters must be unrelated members.
- Family members cannot count together.
- Staff members, Finance Secretary, Treasurer, and Finance Chairperson cannot be counters.
- No one else is supposed to enter the counting room during the counting. If Church office is not available or site is not on Church property then the counters should make best efforts to isolate themselves from the group while counting.
- All deposits MUST go through the counters.
- Contribution deposits must be made immediately by one of the counters in the night deposit of the bank.
- All checks must have proper backup – approved voucher and receipt/invoice.
- 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 or formal review on internal controls is done along with reporting audit or formal review by CPA.
- Annual external audit or formal review is done by CPA.
- Stored backup of receipts should match deposits and checks.
- Financial procedures are normally audited or formally reviewed every three (3) years.

Operating Budget

Operating Budget Explanation

Brundidge United Methodist Church's annual operating budget establishes the frame work 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 provide staff compensation input.

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

Once the budget is approved by the Finance Committee and presented for approval to the Church Council, the funds (as approved for the fiscal year) may be used by their department managers without formal Finance Committee authorization. Because Brundidge United Methodist Church'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 performed by the financial secretary to make sure charges are correct. Bids must be received and evaluated whenever possible.

Procedures for Approval of Budgeted Purchases

Accounts Payable at Brundidge United Methodist Church generally comes in two forms:

1. Bills received through the mail, and
2. Requests by members, clergy, and staff to repay them for expenses they paid on behalf of the Church.

Check voucher requests (Form FIN 1) **must** contain a receipt, invoice, bill, or other official documentation of the expense. These voucher forms are available on the Church's website at <http://www.brundidgeumc.org/Forms> or in the Church office.

Every request for payment, with the exception of recurring expenses (for example utilities) must be given to the financial secretary and presented to the treasurer for reimbursement with an approved check voucher request form. A budget line item must be stated on each request, and only the committee chairperson, appointed designee, or a member of the Finance Committee can provide final approval for a check request. Requests for reimbursement of expenses incurred by individuals on behalf of the church must be received in the church office by the 10th of each month for payment on the 20th of

that month. Any request received after the 10th will be processed and paid in the following month. Reimbursements are paid as funds are available and in the order they are received.

No one can approve a check requests for themselves.

Guidelines for Using the Church Credit Card

The card holders are the financial secretary, Pastor, and a general card that can be checked out as needed by approved users. All credit card purchases must be pre-approved by the related committee as evidenced on a Voucher form (Form FIN 1) prior to usage. Once the purchase is made and there is a valid receipt issued, it should then be attached to the Voucher form and turned in to the financial secretary. When the monthly bill is received by the financial secretary, it will at that point be matched against all of the individual vouchers for all charges made. These vouchers will then become the backup to support the monthly check that is written for the payment of the credit card bill. These voucher forms (Form FIN 1) are available on the Church's website at <http://www.brundidgeumc.org/Forms> or in the Church office. See also Credit Card Holder Agreement Form (Form FIN 3)

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 and are set up as Special Funds.

Designated Fund Requirements

The Book of Discipline (BOD) of the United Methodist Church 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. [¶258.4.f] The goal of the Brundidge United Methodist Church 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 Church Council as well as those special offerings requested by the District or Conference Offices. Before any designated funds are solicited, the Church Council 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 financial secretary 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 financial secretary 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 fund budget. The financial secretary shall ensure that the funds are expended according to this policy.

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

- **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.

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 are defined as separate accounting; not separate bank accounts.

- **Designated Funds** shall be receipted and disbursed through separate ledger accounts. The Church Finance Secretary 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 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 Church 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 \$66 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 donative 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 non-deductible 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 non-deductible 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.

Endowment Fund

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

The Endowment chairperson 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 accounting software contributions module. Contribution statements are sent Semi-Annually (2 times a year). The statements have to be printed, folded, and ready to mail on the following dates:

January 20th

July 20th

The contribution statements have a report template already created in the report library with certain default settings. The wording on the statements is approved by the Finance Committee and the Pastor.

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

The finance secretary should inform the Pastor of any contributions that are received from non-Church members. This gives the Pastor the opportunity to write a note of thanks to the individual.

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 the Church's database. The UMW is responsible for supplying statements for the contributions they have received.

Memorial contributions are documented and 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

Fund Raising Policy

The objective of fundraising activities held at Brundidge 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.

Brundidge United Methodist Church
Form FIN 3
CREDIT CARD PROGRAM

Cardholder/Card User Agreement

1. A Cardholder/Card User is authorized to purchase goods and services utilizing the Brundidge United Methodist Church Credit Card.
2. Goods and services may be purchased, consistent with your responsibilities at Brundidge United Methodist Church, and to satisfy legitimate Brundidge United Methodist Church needs.
3. All purchases shall be made in accordance with applicable Brundidge United Methodist Church purchasing policies and the Brundidge United Methodist Church Credit Card policy.
4. No personal expenditures are allowed.
5. This authorization shall cease upon your separation of applicable responsibilities and/or employment with Brundidge United Methodist Church .
6. 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 finance secretary.

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 Brundidge United Methodist Church 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.

Cardholder/Card User Signature

Date

Print Cardholder/Card User Name