

CEDAR PARK
FIRST UNITED METHODIST
CHURCH

FINANCE POLICIES
AND
PROCEDURES

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1.0 Summary

When money is tight, it becomes particularly important that donors know that their money is being used in the way it is intended. The current economic conditions have made it even more essential for the maintenance of trust that all financial officers of the United Methodist Church be visibly accountable for their stewardship of church funds and practice the highest standards of conduct when handling church funds. The information in this section describes the standards by which all financial officers of the United Methodist Church are held and the practices that insure that the financial conduct of the church's financial affairs use sound principles and "best practices."

2.0 Financial Officers

2.1 Treasurer's Basic Responsibilities

As Treasurer of the church you have the unique responsibility of carrying out most of the financial decisions made by the Finance Committee. Along with the normal duties expected of a Treasurer of handling funds and keeping accurate records, the Discipline states that your responsibilities are to:

- Keep accurate and detailed records. Columns and items in your records should correspond to those listed in the budget as adopted by the Church Council/Board.
- Disburse funds to the causes for which they have been contributed. This is a simple matter of keeping trust with the contributors. If funds are given for benevolent causes they shall not be used to pay current expenses or other items in the budget. Funds received for non-budgeted purposes shall be expended only for the causes for which they were given.
- Make monthly remittances to the Conference Treasurer.
- Reserve funds are not to be used for current expenses.

2.1.1 Relationships with other local church officers

As Treasurer of the church you will be working with a number of persons and groups within and outside the church. As Treasurer you will:

- Be a member of the Charge Conference, the Church Council, and the Finance Committee.
- Work with the Financial Secretary. You will receive from the Financial Secretary a voucher indicating the amounts deposited, along with the statement recording the sources of all funds received and the purposes for which they were given.

Work with the chairperson of the Finance Committee. Any questions about policies or procedures in handling funds should be cleared by the Finance Committee chairperson. The Treasurer will provide a regular report to the chairperson. Such reports then become the basis upon which the regular report of the Finance Committee can be made to the Church Council.

- Work with the Treasurer of the Annual Conference. Immediately after election as Treasurer of your church, correspond with the conference treasurer to clarify your responsibility in transmitting funds to the Annual Conference.
- Work with your Pastor, as he/she is responsible for all phases of the work of the local church.

2.2 Finance Committee Chair

It is absolutely essential that there be a close working relationship between the Treasurer and the Finance Committee Chair. The Treasurer's primary responsibility is to carry out the policies of the church as determined by the Finance Committee, the Church Council, and the Charge Conference. The Finance Committee Chairperson's primary responsibility is to see that the policies are adequate to execute the ministry of the church as determined by the Council of Ministries, the Church Council, and the Charge Conference.

To facilitate effective ministry, there must be virtually continuous feedback between the Treasurer and the Finance Committee Chairpersons. When this happens, the church can be assured that its financial affairs are an orderly and appropriate expression of its ministry. When it does not happen, the church can very quickly get into a situation where the finances become a barrier to the ministry. The Finance Committee Chair particularly needs to know as early as possible when there is a situation developing that is not planned. Such a situation would exist when expected expenses in a particular area are greater than expected or when income is higher or lower than expected.

2.3 Financial Secretary

At its most basic, the Financial Secretary is responsible for receiving and recording income while the Treasurer is responsible for managing financial assets and disbursing funds.

The Treasurer should receive a regular weekly report from the Financial Secretary on a standardized form that shows income to the church. The report should be accompanied by the deposit slip recording the deposit of that income into the account of the church, which is signed or initialed by persons preparing report.

The Financial Secretary is also responsible for sending quarterly reports of giving to contributors and a year-end summary for individual tax purposes. The Financial Secretary needs to be aware of the distinction between deductible and non-deductible Contributions and so indicate these on the year-end summary or simply report tax deductible contributions.

The Financial Secretary is responsible for contacting church member, re-depositing and notifying the Treasurer of returned checks and fees.

3.0 Financial Reports

One of the most important functions of the Treasurer is to provide timely, accurate, and useful financial reports. It is recommended that these be provided at least quarterly and in most situations, monthly.

They should include information that will allow the finance committee, pastor(s) and the Church Council to see quickly and easily:

- How receipts and expenses have impacted the cash balance: Is there enough cash available to pay expected expenses?
- How actual receipts compare to budgeted receipts: If they are significantly different than expected, then the finance committee and the board will need to take timely action to either change the pattern on future expenditures (budget) or change the pattern of receipts. It is helpful here to use some tool that reflects the seasonal pattern of giving that is active in one's individual church. (Such as Year-To-Date information and historical comparisons with past years).
- How actual expenses compare to budgeted expenses. If they are significantly different than expected, then the finance committee and the council will need to take timely action to either change the pattern on future expenditures (budget) or change the pattern of receipts. It is helpful here to use some tool that reflects the seasonal pattern of giving that is active in one's individual church (such as Year-To-Date information and historical comparisons with past years).
- How actual receipts compare to actual expenses on a monthly and Year-To-Date basis.
- How receipts and expenses relate to the budget: The budget is the primary tool that the church uses to be sure that its use of assets reflects its setting of priorities. Significant deviations should be noted and explored for a number of reason, not least significant of which is that the church's actual ministry may not be reflecting the ministry goals of the congregation.
- Reports of balances in Designated Funds and Restricted Funds(non-budget funds)
- Monthly and Annual Mortgage balance and balances on any other loans the congregation may have.

It is often not helpful to use the same report in all circumstances. In general, the report should provide less detail as the target audience of the report becomes larger. The purpose of this is not the hide information, but to provide the information that is needed in a form that the target audience can understand in the time that they can be expected to spend looking at the report.

Using this principle, the Finance Committee and the Pastor would receive a detailed report, perhaps even a list of checks and deposits; the Church board would receive a more summarized report, and the congregation would receive a report reduced to only three or four lines.

4.0 Implementation of Financial Controls

Financial controls are the means by which an organization's resources are directed, monitored, and measured. Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud and protecting the organization's resources, both physical and intangible. These internal control procedures reduce process variation, leading to more predictable outcomes.

4.1 Accounts Receivable

- Strive to ensure that all funds intended for the organization are received, promptly deposited, properly recorded, reconciled, and kept under adequate security.
- Receipt and disbursement functions should be handled separately and assigned to different individuals.
- Reconcile bank statements to the General Ledger on a monthly basis, by someone other than Treasurer and signed by that person.
- Support files are maintained in a secured area and restricted to appropriate personnel.

4.2 Accounts Payable / Purchasing

- Strive to ensure that funds are disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded. Any EFT other than mandated by the Conference must be set up by a trustee or member of Finance Committee.

At least three unrelated individuals should be responsible for the separate function of (1) check writing, (2) monthly bank statement reconciliation, and (3) the yearly audit.

- All expenditures over \$500 should require written quotes and the appropriate committee chair will approve the quote before action is taken. Trustee Chair should approve any request from the Capital Repairs/Expense/Money Market fund. Non-routine expenses must be approved prior to payment.

Check sequences and gaps are investigated

Bank statements are reconciled to the general ledger monthly and reviewed by management/or by our Consulting person.

Support files are maintained in a secured area and restricted to appropriate personnel.

4.3 Payroll

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Check sequences and gaps are investigated

Bank statements are reconciled to the general ledger monthly and reviewed by management.

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- Strive to ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursement is properly recorded and that related legal requirements (such as payroll tax deposits) are complied with.

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- Access to add, modify, and delete records from the employee master file are restricted to appropriate personnel.
- Support files are maintained in a secured area and restricted to appropriate personnel.

4.4 Financial Reporting

- Segregation of duties within the account reconciliation, journal posting, and management review/approval processes exist.
- A budgeting and forecasting process is established.
- The ability and/or access to post journal entries are limited to appropriate personnel.
- Reports to the Finance Committee should include the balance in every bank account.

4.5 Church Credit Card is kept at the Treasurers desk

Those that are authorized to use it are: Treasurer, Pastor, Assoc. Pastor, and Finance Chair
A quarterly review of the credit card statements should be ~~down~~^{done} by an independent party, possibly a member of the audit committee.

5.0 Offering Collections

Proper handling of funds donated to local churches is a critical responsibility, since these funds are vulnerable to the risks of theft or misappropriation. Collection of most church funds via the Sunday offering presents unique problems for ensuring their proper and secure handling. These funds, frequently dealt with by volunteers, contain checks, currency and loose coins. They are collected outside of bank hours and generally are counted and secured during or following a Sunday morning or holiday service. There are procedures in place for counting and depositing offerings received at worship services.

5.1 Sunday Collection Guidelines

- Immediately after the worship service has ended, two unrelated persons should place the offerings in a money bag (or bags) and take the bag(s) to the church office where the bag(s) are locked in the church safe.
- Remove any notes, attendance slips and prayer requests that were intended for the Pastor or the church office.
- Two unrelated people should always be present to handle the collected offerings. Their relationship should be devoid of any potential conflict of interest or incentives for collusion (as could exist with husband-wife, employer-employee, business partner, members of the same family, etc.). CPFU Methodist has counting procedures in place.

The same two unrelated people should not count the money every Sunday. There should be a rotation among counters.

- There should always be two persons handling the offering until is counted and multiple copies of the remittance document are distributed.
- The Monday following the church services, the CPFUMC Financial Secretary should complete the records of contributions and reconcile them against the entries in the cash book.
- Persons who handle church funds regularly are bonded as a regular part of the Conference insurance plan in which every church in the Rio Texas Conference participates.

6.0 Handling Church Funds

It is important that the church uses the budget effectively. The Finance Committee and the Church Council should regularly examine the actual expenditures in relation to the budget and understand any significant deviations. Frequent and constant probing often uncovers potentially serious problems. This means Financial Reports must be produced regularly. Monthly is best, and quarterly is an absolute must.

Competent and careful handling of church funds is critical in establishing confidence among church members that their donations will be used as intended for the ministries of their congregation.

The establishment of appropriate safeguards and procedures for handling church funds will assist persons responsible for those funds and also protect the work of the local church in general.

Some guidelines to use when handling funds are as follows:

- In smaller churches, the Treasurer is generally responsible for preparing the checks. An authorized signer will sign all checks written.
 - Blank checks should never be pre-signed.
 - Any repairs or expenses outside the normal utilities (non-routine expenses) \$1000 or more must have signature of committee chair before payment will be processed.

7.0 Outstanding Checks

7.1 28 TAC Section 25.90. Escheat Account:

The Bank holding the outstanding check for more than 3 years must turn the amount on the check over to the state.

Failure to turn the money over to the state can incur a penalty of the value of the asset plus 10%.

All holder reports and payments are due November 1st of every year. The cutoff date for reviewing your records is June 30th. The state does not have the statutory authority to grant extensions on the payment of your report.

7.2 Reporting Methods

Reports with 10 or more records should be reported electronically. Texas uses the reporting format developed by the National Association of Unclaimed Property Administrators (NAUPA). Your files may also be submitted using any of the methods listed below.

- o Internet
- o Diskette
- o CD Rom
- o Magnetic Tape Reel
- o Magnetic Tape Cartridge (3480 or 3490)
Paper Report Form 53-105

Regardless of the method you select for sending your electronic file, it must first be created in the NAUPA format.

All holders are required to retain records of unclaimed property for 10 years after the property has been reported.

7.3 Delivery of Report and Payment:

All checks should be made payable to the Texas Comptroller of Public Accounts-Unclaimed Property.

Securities should be registered to the Comptroller of Public Accounts, Federal Identification Number 74-600089

7.4 Unclaimed property

Unclaimed property can be any financial asset that appears to have been abandoned by the owner for 3 years or more. The owner's whereabouts are unknown and the property has been inactive on the book of the reporting company between 3 and 5 years.

8.0 Bank Reconciliations

A church's general ledger account Cash contains a record of the transactions that involve its checking account. The bank also creates a record of the church's checking account when it processes the church's checks, deposits, service charges, and other items. Soon after each month ends the bank usually mails a bank statement to the church. The bank statement lists the activity in the bank account during the recent month as well as the balance in the bank

account.

When the church receives its bank statement, the church should verify that the amounts on the bank statement are consistent or compatible with the amounts in the church's Cash account in its general ledger and vice versa.

8.1 Benefits

The benefit of reconciling the bank statement is knowing that the amount of Cash reported by the church (church's books) is consistent with the amount of cash shown in the bank's records.

8.2 Importance of Timing

- **Take stock of your finances each month:** Reconcile your bank accounts to ensure that the "official" record the bank has matches with your records.
- **Identifying fraudulent transactions:** An in-depth look at your account statement may provide you with the ability to identify fraudulent transactions that you may not notice with a cursory glance.
- **Controlling Expenditures:** While reconciling your bank account can be great for helping you identify irregularities and inconsistencies in your transactions, it can also be a good way to help you face up to your spending. When you have to go through and acknowledge every single item, it forces you to see exactly where you are spending your money, and where you can make appropriate changes.

8.3 Common mistakes encountered while reconciling accounts:

- **Bank errors:** are mistakes made by the bank. Bank errors could include the bank recording an incorrect amount, entering an amount that does not belong on a church's bank statement, or omitting an amount from a church's bank statement. The church should notify the bank of its errors. Depending on the error, the correction could *increase or decrease the balance shown on the bank statement*. (Since the church did not make the error, the church's records are not changed.)
- **Errors in the church's Cash account:** result from the church entering an incorrect amount, entering a transaction that does not belong in the account, or omitting a transaction that should be in the account. Since the church made these errors, the correction of the error will be either an increase or a decrease to the balance in the Cash account on the church's books.