

# **Nolensville First United Methodist Church**

## **Financial Policies and Procedures 2015**

# Index

|                   |   |                |
|-------------------|---|----------------|
| <b>Section 1</b>  | <b>Sunday Offerings, Option A</b>       | <b>Page 3</b>  |
| <b>Section 1</b>  | <b>Sunday Offerings, Option B</b>       | <b>Page 4</b>  |
| <b>Section 2</b>  | <b>Special Offerings</b>                | <b>Page 5</b>  |
| <b>Section 3</b>  | <b>General Donations</b>                | <b>Page 5</b>  |
| <b>Section 4</b>  | <b>Bequests and Trusts</b>              | <b>Page 5</b>  |
| <b>Section 5</b>  | <b>Endowments</b>                       | <b>Page 5</b>  |
| <b>Section 6</b>  | <b>Securities</b>                       | <b>Page 5</b>  |
| <b>Section 7</b>  | <b>Memorials</b>                        | <b>Page 5</b>  |
| <b>Section 8</b>  | <b>Other Gifts</b>                      | <b>Page 5</b>  |
| <b>Section 9</b>  | <b>Restricted Gifts</b>                 | <b>Page 6</b>  |
| <b>Section 10</b> | <b>Other Income</b>                     | <b>Page 6</b>  |
| <b>Section 11</b> | <b>Communion Fund</b>                   | <b>Page 6</b>  |
| <b>Section 12</b> | <b>Reserve Fund</b>                     | <b>Page 6</b>  |
| <b>Section 13</b> | <b>Confidentiality of Contributions</b> | <b>Page 6</b>  |
| <b>Section 14</b> | <b>Disbursements</b>                    | <b>Page 7</b>  |
| <b>Section 15</b> | <b>Debit Cards</b>                      | <b>Page 7</b>  |
| <b>Section 16</b> | <b>Credit Cards</b>                     | <b>Page 8</b>  |
| <b>Section 17</b> | <b>Charge Accounts</b>                  | <b>Page 8</b>  |
| <b>Section 18</b> | <b>Budgets</b>                          | <b>Page 8</b>  |
| <b>Section 19</b> | <b>Software/Backup</b>                  | <b>Page 9</b>  |
| <b>Section 20</b> | <b>Financial Statements</b>             | <b>Page 8</b>  |
| <b>Section 21</b> | <b>Monthly Bank Reconciliation</b>      | <b>Page 9</b>  |
| <b>Section 22</b> | <b>Payroll</b>                          | <b>Page 9</b>  |
| <b>Section 23</b> | <b>Year-End Financial Review</b>        | <b>Page 9</b>  |
| <b>Section 24</b> | <b>Audits</b>                           | <b>Page 9</b>  |
| <b>Section 25</b> | <b>Dishonesty Insurance</b>             | <b>Page 9</b>  |
| <b>Section 26</b> | <b>Files and Record Retention</b>       | <b>Page 10</b> |

## **Section 1 – Sunday Offerings, Option A**

- a. The Head Usher, or his/her designee, and one Usher, not related to the Head Usher, will:
  1. Collect all offerings at each Service.
  2. Place the regular offering in the envelopes provided
  3. Place the collections from each special offering (i.e. Communion Offering) in a separate regular money envelope.
  4. Place the money for each special offering in envelopes provided for the Service from which they were collected.
  5. Seal the envelopes and place in the Depository outside the administrator's office.
  
- b. On the first business day following the Sunday Service, the Head Counter, or his/her designee, and a Counter, not related to the Head Counter will:
  1. Retrieve the sealed Deposit Envelopes from the depository outside the administrator's office, obtain the key from the financial administrator when both counters are present and take them to a secure location in the church building. Open each Deposit envelopes and separate the contents by checks, cash, and coin.
  2. Immediately stamp all checks "For Deposit Only".
  3. Count the offering and prepare a Contribution Balance Sheet (see Attachment A).
  4. Prepare a Deposit Slip for each account.
  5. Checks will be delivered to the financial administrator after they have been endorsed for processing via the remote check scanner located in the financial office and attached to the financial computer. (The financial administrator will balance the checks to the totals provided by the counters)
  6. The Counters will deliver the Deposit Slips and cash funds associated with each Deposit Slip to the Bank. (At no time will the Financial Administrator touch the Cash)
  
  7. The Counters will deliver a copy of each Deposit Slip, each Deposit Receipt, the Contribution Balance Sheet, and the Contribution Envelopes to the Financial Administrator.
  
- g. The Financial Administrator, or his/her designee, will reconcile the amount deposited to the Contribution Balance Sheet, make the appropriate entries in the bank registers for each account, enter the information from the Contribution Envelopes in each member's record, and reconcile the entries made into the member records to the Contribution Balance Sheet.

## **Section 2 – Special Offerings**

Funds collected from special offerings for a specific mission or project (i.e. Habitat for Humanity, World Service, Miriam's Promise) shall be deposited and forwarded directly to the specific mission or project as soon as practicable. These funds shall never be used to pay the church's obligation or commitment to the mission or project. They will be identified as "Special Gifts" and will always be used for the purpose they were intended.

## **Section 3 – General Donations**

All gifts delivered to the church in person, received in the mail or given to a staff person outside the church should be delivered to the depository outside the Office Administrators Office as soon as possible. The Counters will include with the weekly deposits.

## **Section 4 – Bequests and Trusts**

“The Board of Trustees shall receive and administer all bequests made to the local church; shall receive and administer all trusts; and shall invest all trust funds of the local church in conformity with the laws of the country, state, or like political unit in which local church is located” (Discipline 2532.5).

## **Section 6 – Securities**

Securities received by the church are to be sold as soon as they are received. Securities should be given to the Church Administrator and arrangements made according to the donor. Securities will be dispersed to the appropriate accounts as specified by the donor. An appropriate receipt will be given to the donor.

## **Section 7 – Memorials**

All memorial gifts will be deposited in the Operating Checking Account it will be Designated a memorial fund and will only be used at the discretion of the Trustees. (With their Approval)

## **Section 8 – Other Gifts**

All gifts to the Church, other than those specifically addressed in this procedure will be managed by the Trustees in accordance with procedures approved by the Church Council. The Board of Trustees has the right to reject a gift if they find it not in the best interest of the church or in conflict with church policy.

## **Section 9 – Restricted Gifts**

- a. “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” (Discipline 258.4c)
- b. Restricted Gifts will be identified with a unique account number in the Operating Checking Account.
- c. Expenses for any General Budget area will be paid first from the Restricted Gifts; if Restricted Gifts are not available, the expenses will be paid from funds in the General Checking Account. For example, if funds are required to pay expenses for the Music Ministry and funds which have been restricted for the general area of Music Ministry are available, the restricted funds will be used before funds from the General Checking Account are used.
- d. In the event a Donor restricts his/her gift for a specific purpose (i.e. carpeting, speaker system, pew pads, etc.) the gift can not be used for any other purpose without the approval of the Donor.

## **Section 10 – Other Income**

The funds from Counseling, Preschool Reimbursements and Use of Properties shall be deposited and used as directed by the Finance Committee.

## **Section 11 – Communion Fund**

All funds collected at the Altar during Communion Services will be deposited into the Benevolence Checking Account. Funds deposited into this account are designated for helping individuals or families in a time of need or helping organizations that provide assistance to individuals or families in a time of need. The Minister of Congregational Care shall be responsible for the Communion Checking Account and all disbursements from this account must be approved by the Minister of Congregational Care.

## **Section 12 – Reserve Fund**

A Reserve Fund shall be maintained in a separate account and managed by the Finance Committee. Funds deposited into this account shall be transferred from the General Checking Account as directed by the Finance

Committee or from gifts designated for this account. The purpose of the Reserve Fund is to ensure funds are available to pay normal operating expenses and to fund special projects.

**Section 13 - Confidentiality of Contributions**

- a. Under no circumstances shall any person other than the Financial Administrator have access to or be authorized to review specific individual contribution records.
- b. Under no circumstances shall the Financial Administrator provide or discuss specific individual contribution information with any member of the staff or congregation.
- c. The Senior Pastor may require general information regarding individual giving when choosing leadership persons, during capital campaigns, or when a member has significantly changed his or her giving pattern. For example, when considering a person for a leadership position, the Financial Administrator can share with the Senior Pastor if that person gives below average, average, or above average in comparison with the overall congregation. Or, in a capital campaign, the Senior Pastor and campaign chairperson could ask for the top 50 giving units, but only in alphabetical order, not in order of their total gifts. If the Financial Administrator notices that a regular giver suddenly stops giving, that information can be passed on to the senior pastor for pastoral follow up. However, this kind of general information does not include specific contribution amounts.
- d. In the event there is a requirement to audit individual contribution records, the Auditor will be provided with whatever records he/she requires.

**Section 14 - Disbursements**

- a. All disbursements must be supported by an approved invoice, an approved Disbursement Authorization Form (see Attachment B), or a Contribution Balance Sheet (see Sections 1 and 2). Persons authorized to approve disbursements are as follows:

| <u>Expense Area</u>                       | <u>Person Authorized to Approve</u>  |
|---|--------------------------------------|
| Contractual Obligations (see Note 1)      | Trustees                             |
| Normal Operating Expenses (see Note 2)    | Trustees                             |
| Expense Reports/Reimbursements            |                                      |
| Senior Pastor                             | Chairperson - SPRC                   |
| Staff Members (see Note 3)                | Chairperson- SPRC                    |
| Volunteers (Note 3)                       | Chairperson or Staff Member of area  |
| Nurture & Outreach                        | Chairperson of Evangelisim           |
| Worship - Music Ministry, Sound and Media | Director of Music                    |
| Worship – Supplies                        | Office Administrator                 |
| Worship – Substitute Pulpit               | Senior Pastor                        |
| Staff Travel & Continuing Education       | Senior Pastor                        |
| Salaries, 403B Plan, Payroll Taxes        | Chairperson - Staff Parish Committee |
| Facility & Vehicle Maintenance/Repairs    | Chairperson - Trustees               |
| Youth Expenditures                        | Minister of Youth                    |
| General Operating Supplies                | Office Administrator                 |
| Computer Hardware and Software            | Office Administrator                 |
| Unbudgeted Special Expenditures           | Finance Committee                    |

Note 1: Invoices supported by an executed contract for ongoing services.

Note 2: Recurring expenses such as Telephone, Electric, Water, Gas, etc.

Note 3: If all receipts are not attached, the Chairperson of Staff Parrish Relations must approve the expense reimbursement.

- b. Individuals who use their personal automobile while conducting official, authorized activities for the church shall be reimbursed at the rate set forth by the Internal Revenue Service.
- c. In the event a payment must be made for a service and an invoice for that service will not be received, a Disbursement Authorization Form must be completed and approved by the person who requested the service. For example, if the Pastor arranges for a guest speaker and the guest speaker is to be paid, then the Pastor must submit a completed Disbursement Authorization Form; if the Chairperson of the Trustees arranges for a member of the church to mow the yard and that person is to be compensated, then the Chairperson of the Trustees must submit a completed Disbursement Authorization Form.
- d. The Financial Administrator, or his/her designee, will prepare all checks.
- e. All checks must be signed by the Church Treasurer or an Assistant Treasurer. Under no circumstances shall the Financial Administrator (person who prepares the checks) be authorized to sign checks.
- f. It is the responsibility of the person signing a check to verify that the disbursement has been approved by an authorized person and the required supporting documentation is attached to the check stub.
- g. A blank, signed check should never be given to an individual.

## **Section 15 – Debit Cards**

Under no circumstances will Debit Cards be issued on any account.

## **Section 16 – Credit Cards**

- a. A credit card will be provided, upon request, to the Pastor, the Church Secretary and each paid department head (Music, Youth, Education, Congregational Care, and Children).
- b. Each credit card will be a separate account and the person to whom the card has been provided shall utilize the card only for church related expenses in their area and will be responsible for turning over a signed receipt for each charge to the Financial Administrator.
- c. Each charge receipt must identify the budget account number.
- d. Upon receipt of an invoice, the Financial Administrator will reconcile the charges.
- e. In the event the invoice cannot be reconciled with the receipts, the cardholder must provide a written statement to the Financial Administrator explaining all charges that cannot be reconciled.
- f. Monthly, the Chairman of Staff Parrish will review the charges on each account and discuss any questionable charges with the cardholder. Upon completion of the review, the Chairperson of the Staff Parrish Committee or his/her designee will approve the face of the invoice.

## **Section 17 – Charge Accounts**

- a. A Church Charge Account is an account with a vendor where purchases are charged and multiple persons may charge purchases to the account – Lowe’s, OfficeMax, Wal-Mart, Sam’s, Kroger’s, etc.
- b. A list of “authorized users” must be approved by the Finance Committee and provided to the Vendor.
- c. For each charge, a signed receipt must be given to the Financial Administrator.
- d. The Financial Administrator will reconcile the monthly invoice with signed receipts.
- e. In the event the invoice cannot be reconciled the Financial Administrator must attach a written statement explaining all charges that cannot be reconciled.
- f. Periodically, but not less than quarterly, the Finance Committee will review the charges on each account and discuss any questionable charges with the person making the charge. Upon completion of the review, the Chairperson of the Finance Committee or his/her designee will sign the face of the invoice.

## **Section 18 – Budgets**

- a. The annual budget will be prepared, reviewed, and approved independently of the Stewardship campaign each year.
- b. No later than October 28<sup>th</sup>, each Committee will compile and submit their budget for the following year to the Financial Administrator. The budget should reflect all expenditures required to meet the objectives of the Committee and large expenditures such as insurance payments, Cantata expenses, youth trips, etc. should be identified by month.
- c. No later than November 1<sup>st</sup>, The Financial Administrator will consolidate the budgets and submit the consolidated church budget to the Chairperson of the Finance Committee.
- d. No later than November 15<sup>th</sup>, the Finance Committee will review the budget for reasonableness, discuss recommended changes with the appropriate committee(s), make agreed upon changes, establish the income criteria required to support the budget, and approve the budget.
- e. No later than December 10<sup>th</sup>, the Finance Committee will present the budget to the Church Council for review and approval (Discipline 258.4). The Church Council must approve the annual budget by December 31<sup>st</sup>.
- f. No later than February 28<sup>th</sup> (see Section 23), the Finance Committee will meet, compare the year-end balances, the results of the Stewardship campaign, and the designated gifts to the income criteria established, and determine if revisions to the budget are required. If revisions to the budget are required, they must be submitted to the Church Council for approval (Discipline 258.4f).

### **Section 19 – Software/Backup**

- a. Financial records will be established and maintained on approved financial software.
- b. All checks and financial reports will be generated from the software
- c. A backup of all computer files will be created after each use of the system – at all times one copy of the backed up files must be stored offsite.

### **Section 20 – Financial Statements**

The Financial Administrator shall prepare Monthly Financial Statements in a format approved by the Finance Committee. The Financial Statements will be prepared and forwarded to each member of the Finance Committee as soon as possible after the monthly reconciliation of each bank account has been accomplished.

### **Section 21 – Monthly Bank Reconciliations**

The Financial Administrator will reconcile all checking accounts within the month of receipt of the Bank Statement. Evidence of the reconciliation shall be a Reconciliation Report, prepared by the Business Administrator, filed with each Bank Statement.

### **Section 22 – Payroll**

The church payroll processing shall be outsourced to a Payroll Processing Service Provider approved by the Staff Parish Committee. The Service Provider will produce all payroll checks and payroll reports. The Financial Administrator, or his/her designee, shall provide the necessary Payroll information to the Service Provider from the salary and benefit data as approved by the Staff Parish Committee.

### **Section 23 – Year-End Financial Review**

At the first meeting of each year, which shall be held no later than February 28<sup>th</sup>, the Finance Committee will:

- a. Review the year-end financial statements
- b. Review the final stewardship campaign report

- c. Consider any “Special Funding Requests” from committees
- d. Review the Audit Report
- e. Determine if adjustments to the budget need to be presented to the Church Council
- f. Determine if funds can be transferred to the Reserve Account

### **Section 24 – Audits**

Each July, the Finance Committee shall engage a firm to audit the previous year’s financial activity. Upon completion of the Audit the Auditor will present the Audit Report to the Finance Committee. Each Audit must include an analysis of each transaction (not a sampling) and must address the following areas:

- a. Approved supporting documentation for each disbursement.
- b. Comparison of amounts and payees – check versus supporting documentation.
- c. Reconciliation of contributions and deposits.
- d. Verification that the staff has been paid as approved by the Staff Parish Committee.
- e. Reconciliation of all withdrawals or transfers from all bank accounts
- f. Compliance with financial policies and procedures

### **Section 25 – Dishonesty Insurance**

Employee Dishonesty Insurance in the amount of \$50,000 must be carried on all employees and volunteers who collect or disburse funds.

### **Section 26 – Files and Record Retention**

The following files will be maintained for each Bank Account:

- a. Official Bank Documents – Agreements, Covenants, copies of signature cards, etc.
- b. Bank Statements – Bank Statement with check images and reconciliation report attached.
- c. Disbursements (Checks) – Check stub w/supporting documentation attached – check# sequence.
- d. Disbursements (Electronic) – Supporting documentation – date sequence
- e. Deposits – Receipt with supporting documentation attached.

Financial records will be retained as defined below:

- a. giving records, invoices, bank statements, financial statements, ledgers (posting journals) - 7 years
- b. tax information, payroll information – permanently
- c. offering envelopes – 1 year