Policy and Procedures Financial Manual

Suggestions for a "Church Financial Policy"

A publication of the Mississippi Baptist Convention Board.

A ministry of the "Cooperative Program"

Introduction

We worship through our tithes and offerings. It is a biblical truth that everything we have belongs to God. We are stewards of God's grace and His benevolence.

Churches have the responsibility to protect the integrity and reputation of the church and the church treasurer. Church treasurers are gifted and valuable resources of the church, especially when they are volunteers. Confidentiality is paramount while dealing with contributions. The regulations of the Internal Revenue Service are our guide. There are many unique and sometimes technical legal rules that apply to church finances.

It is highly recommended that all churches write a "Church Financial Policy," adopt the policy, and follow procedures that help maintain the church's spiritual and financial integrity. This publication is intended to provide basic financial guidelines for churches and church treasurers as well as providing assistance to churches in forming their own "Church Financial Policy." Use this publication only as a guide.

Cash

I. **Checks will never under any circumstances be cashed out of Sunday offerings, weekday receipts, or any other money.**
II. **Bank will be notified in writing never to cash checks made payable to the church.**
III. **Checks will never be made payable to "Cash."**

IV. **All bank accounts using the church's name and/or tax number will be reported on the financial reports.**
V. **At no point is a staff member to have cash in his/her desk. All monies are to be given to financial secretary/church treasurer.**

Receipts

Counting Committee

I. **The Counting Committee will consist of three (3) to five (5) church members elected annually.**
II. **Spouses and immediate family members shall not be on the Counting Committee at the same time. Immediate family members include grandparents, parents, children, and grandchildren.**
III. **A Counting Committee team of two (2) Counting Committee members will count all money received Sunday morning and Sunday night. Hereafter, this team will be referred to as "Counting Partners."**
IV. **Counting Partners will rotate teams and individuals each week so that no two persons are repeatedly on the same team.**

Counting and depositing money received on Sunday

I. **Duly elected Counting Partners only can open offering envelopes, count money, prepare deposit slips, and take deposits to the bank.**
II. **All money received will be deposited in bank.**
III. **One of the designated Counting Partners will take the locked deposit bag to the bank immediately after deposit is prepared.**
IV. **Person taking the deposit to the bank will park in designated parking place close to the church.**

Sunday School and Worship Service offerings

I. Offering envelopes shall not be opened in the classroom or by any Sunday School officer.

II. The class secretary records amount of offering on the face of the envelope on the Sunday School report (never opening the envelopes) and gives the sealed offering envelopes and loose cash along with the class report to the General Secretary of the Sunday School.

III. The General Secretary of the Sunday School will record information from class reports and then give offering envelopes and loose cash to designated Counting Partners for that Sunday. From this time forward the Sunday School offering will always be in the presence of two or more persons.

IV. The Counting Partners will place the Sunday School offering in a locked bank bag and place it on the communion table in full view of Counting Partners and other members.

V. At the end of the worship service, the Counting Partners for the day will …

- **A. Immediately retrieve the locked bank bag, pick up offering plates, and take them to a secured room,**
- **B. Count loose money, record it on offering report, and set it aside,**
- **C. Open offering envelopes, verify the amount on the front of envelopes matches the amount removed from the envelope, and make notation in red ink of any discrepancies. Both Counting Partners will initial any changes,**
- **D. Stamp envelopes and checks with “Not Tax-deductible” when applicable and notify donor gift is not tax-deductible. Charitable contributions must comply with IRS rules and regulations.**

  The following resources are available to assist in clarifying gifts that are not tax-deductible: “Ministers Tax Guide” for Southern Baptist Ministers (published annually by GuideStone

Financial Resources, SBC) and "Church & Clergy Tax Guide" by Richard R. Hammar (published annually, 1.800.222.1841).

E. Total the amount of the money removed from the envelopes and the amount on the face of the envelope and be sure the two balance,
F. Stamp all checks with "For Deposit Only" stamp,
G. Prepare the deposit slip and offering report in triplicate,
H. Attach the second copy of the deposit slip to the original of the offering report and file them in locked file at the church,
I. Place all money and deposit book in locking bank bag and lock it in the presence of both Counting Partners with one person keeping the key and the other taking the locked deposit bag to deposit it in the bank.

Weekday payments and offering

I. *A numbered receipt book in triplicate will be used for all money and checks received during the week. All three (3) copies are required to void a receipt.*
II. Fundraiser and activity payment money
   A. All cash and checks from fundraising event
      1. Two persons will count the money and write a receipt indicating fundraising event and amount.
      2. The money will be placed in locking bank bag along with two copies of the receipt and locked in the presence of both persons preparing deposit.
      3. One person will keep the key and receipt book, and the other will place bank bag in night deposit box.
      4. Designated person will go to bank, open bag, verify money matches receipt, and make deposit.
      5. All money received will be deposited in bank within twenty-four hours.
   B. All cash and checks received by church officers and staff:

1. **Person receiving money or check will write a receipt indicating purpose for money and the amount, sign receipt, and then give or mail the original receipt to donor.**
2. **The second copy of the receipt and the money and/or check will be given to the Chairman of the Counting Committee for depositing process on Sunday.**
3. **At no point is a staff member to have petty cash in his/her desk.**

***Expenditures* -**

Checking Account

- **I. The church will vote on persons authorized to sign checks.**
  - **A. Two signatures will be required.**
  - **B. No more than one person in a family will be authorized to sign checks.**
  - **C. No more than one staff member will be authorized to sign checks.**
  - **D. Checks will not be signed blank.**
  - **E. Persons signing checks will review and initial all bills/invoices before signing checks. This person is accountable for checks signed and should question anything irregular.**
- **II. Reconciliation of bank accounts**
  - **A. The church will designate a person to reconcile all bank accounts. This person will not handle any money/deposits, approve bills, or sign checks.**
  - **B. All checking accounts will be reconciled monthly.**
  - **C. Savings accounts and certificates of deposit will be reconciled upon receipt of statements.**
- **III. Bank Control**
  - **A. The bank will be notified in writing:**
    1. **Never cash a check payable to the church.**
    2. **A letter of authorization from the church is required to open new accounts in the church's name with church's tax number.**

3. **A letter of authorization from the church is required before any changes are made to the present accounts in the church's name with the church's tax number.**

B. The bank will send the bank statements directly to the church-designated person designated for reconciling.

IV. Authorization to approve bill payment

A. The church will vote on persons authorized to approve payment of bills. These persons will be knowledgeable of the budget and will question anything irregular, as they will be accountable for bills they approve.

B. Supervisors will approve payment of hourly wage persons before paychecks are written.

Disbursements

I. Budget Expenses

A. Receiving merchandise
All merchandise received will be verified with the invoice or packing slip and signed by person receiving merchandise. This invoice or packing slip is then attached to the statement.

B. Approval for payment of bills
Church-designated person will approve all bills before they are paid. Bills will be stamped "Approved" and signed by person approving payment.

C. Verification of all mission gifts and other designated gifts

1. **Each month the person designated to reconcile bank statements will verify amount of the checks for mission gifts and designated gifts against amount shown in financial report.**

D. Salaries

1. **Ordained and non-ordained employees will be paid according to amount set up in current budget.**
2. **The Personnel Committee will decide employee or self-employed classification of persons hired according to guidelines set forth in the current SBC "Ministers Tax Guide" (GuideStone Financial Resources of the SBC)**

section entitled “Determine whether each church worker is an employee or self-employed.”

3. **Any bonus, anniversary/birthday gift, etc., given to an employee is taxable when given from the church.**

E. Hourly Pay

1. **Employee will keep a written record of the time spent working, sign time sheet approving time, and then give to supervisor for approval.**
2. **Supervisor will verify time and approve payment of time sheet before paycheck is written.**
3. **The property of this corporation is irrevocably dedicated to religious and charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer, or member thereof or to the benefit of any private person.**

F. Benefits

Any benefits, such as insurance and retirement paid directly to an employee, will be reported as taxable income.

1. **Retirement**
   - **(a) The church will pay ____% of wages for all full-time employees (ordained and non-ordained) to “Church Retirement Plan” –GuideStone Financial Resources of the Southern Baptist Convention. Ten percent of salary and housing allowance is suggested. Contact MBCB or GuideStone Financial Resources, SBC, for details.**
   - **(b) 403 (b) Retirement plans must be in document form as of 1/1/10. Each church is to determine the guidelines in accordance with the Internal Revenue Service. Contact GuideStone Financial Resources, SBC.**
2. **Medical Insurance**
   - **(a) The church will pay (to the insurance company) for church-approved medical insurance policy on all full-time employees (ordained and non-ordained) according to church policy. Also, consider term life**

and disability insurance. IRS states this plan must be in writing.

3. Vacation and Sick Pay
   (a) The Personnel Committee will approve payment of vacation and sick pay for both ordained and non-ordained personnel.
   (b) The bookkeeper will keep a record of available vacation and sick days as well as vacation/sick days taken.

G. Credit Cards

1. Two business credit cards will be acquired with the church-approved limit for church-authorized purposes.
2. The credit cards will be kept in the church office with person getting credit card signing in and out on log.
3. Receipts will be required at the time the credit card is turned in.
4. Credit cards will be used for church business only.
5. Receipts must be approved and reconciled with statement before payment is made.
6. After reconciliation the new balance will be paid in full to avoid paying a finance charge.

H. Petty Cash

1. The church-approved amount for petty cash will be reported on the financial reports as an asset under cash.
2. A numbered petty cash voucher will be required for each disbursement regardless of how small. This voucher must be dated, signed by person receiving the cash as well as the person issuing the cash, and must have receipt or bill attached for processing.
3. Reconcile petty cash before reimbursing it. For petty to balance, the total of petty cash vouchers plus any cash must equal total amount of church-approved petty cash.
4. Person reconciling bank statement should also reconcile petty cash each month.
5. Church staff is never to have petty cash in his/her desk.

Reimbursements

A church-designated person must approve all reimbursements before payment is made. **(Reimbursements and allowances are not the same! Reimbursements are totally separate from an employee's salary.)**

I. Business Reimbursement

A. <u>Substantiated</u> (documented) business expenses of employees will be reimbursed from the budgeted church funds in accordance with church-approved reimbursement policy and limit set up in Budget. Required substantiation for business expenses is paid receipts for all purchases and paid receipts with names of persons involved along with purpose for all hospitality receipts. This includes expenses for: convention/conferences, library, continuing education, hospitality, and ministry travel. A computer is considered either a personal item of the employee or church property. When the item is deemed church property, then the church must pay the (monthly) expenses to the provider and reimbursement is not allowed; if not church property, the employee must pay for the item from salary.

Note: A cell phone is considered personal property and is not reimbursable. (See Hammar's text.)

Note the difference between accountable reimbursements and benefits. Benefits include medical insurance, term life, retirement, etc. These are not reimbursable items. Medical insurance is paid to the carrier and is stated in a medical policy.

II. Travel Reimbursement

A. Employees are reimbursed from the budgeted church funds for business-related travel per mile at the stated IRS rate as stipulated in church reimbursement policy. A mileage log is required for verification of mileage. (Note: The IRS can change the mileage rate annually or more often. See Compensation Planning Guide, GuideStone.)

III. Budget reimbursement

A. **Budgeted expense items for the church purchased by staff or church members will be reimbursed up to limit stipulated in the budget upon presentation of a paid receipt. (Among the items that can be reimbursed include: library, convention/conferences, continuing education, and hospitality expenses. Health insurance and cell phones are not included in this list.)**

Contribution Records

All designated accounts and purpose for account will be approved by the church and recorded in the Church Minutes.

I. **Total contribution postings must always equal "Total envelopes" on offering report.**

II. **Designated Accounts**

A. **Tax-deductible designated gifts:**

1. **All gifts designated for church approved projects (not individuals) will be recorded as tax-deductible gifts.**

B. **Not tax-deductible designated gifts:**

1. **All gifts designated for an individual will be recorded as not tax-deductible.**

The following resources are available to assist in clarifying gifts that are not tax-deductible: "Ministers Tax Guide" for Southern Baptist Ministers (published annually by GuideStone Financial Resources, SBC) and "Church & Clergy Tax Guide ______ (current year)" by Richard R. Hammar (published annually by Christianity Today, 1.800.222.1841).

C. **Retention of offering envelopes:**

1. **Retain all offering envelopes for five (5) years after date of annual statement.**

D. **Closing Designated Account Funds: (example "Piano Fund") is cleared at end of the year in which the money was used (as the fund was designed). All remaining money is moved to the "General Fund."**

III. **Payment for purchases**

A. Payment for any purchases, such as fundraisers, suppers, etc., will not be recorded as contributions.

IV. Contributions Statements

A. Quarterly contribution statements will be mailed to donors by the last day of the first month following the quarter. (Small congregations may consider annual statements.) See Hammar's text for details.

B. Annual contribution statements will be mailed to donors by the 31st of January each year.

V. Non-monetary or tangible gifts

A. A statement on church letterhead stationary will be sent promptly to person giving non-monetary gift stating the following:

1. **Name and address of person giving gift,**
2. **Detailed description of the item including age and condition,**
3. **Date the gift is received at the church.**

B. Note: the value of the property will not be stated on this statement, as it is the donor's responsibility to get the appraised value amount to be used for tax purposes.

C. Contribution of auto is handled differently, see Hammar's text.

VI. Fund raising

A. The church will not provide charitable contribution statements for fund-raising events.

VII. Contributions

A. The church retains the right to determine how to spend any contribution that is for a purpose not already church-approved.

Financial Policy Review

The purpose of a Financial Policy Review is to evaluate how well the adopted policies are being observed and if the implemented policies are efficiently achieving the desired purpose. Properly conducted annual reviews can reinforce adopted policies, reveal weaknesses in implementing policies, and expose policies that may not be effective.

I. A Financial Policy Review will be performed annually without notification to persons involved in implementing policies. The persons performing review will randomly select three months for the review.

II. Committee

- **A. The church will elect a committee of three persons to perform Financial Policy Review.**
- **B. A report of the review will be first shared with the Stewardship or Finance Committee and the Personnel Committee and then with persons implementing policies.**

III. Cash

- **A. Review cancelled checks in the bank statements to verify no checks were made payable to “Cash.”**
- **B. Look at checks payable to the church to verify they were deposited and not cashed.**

IV. Bank Accounts

- **A. Once a year write a letter to banks with which you do business and request a list of accounts with balances using your church’s name and/or tax number. Verify these accounts against accounts being reported on financial reports.**

V. Receipts

- **A. Review rotation list for Counting Partners to make sure teams and individuals are being rotated each week.**
- **B. Confirm the Counting Partner taking the deposit bag to the bank does not have key in his or her possession while deposit is in his or her custody.**
- **C. Ascertain Sunday School class secretaries are not opening offering envelopes in class and the general secretary is not opening offering envelopes when compiling weekly report.**
- **D. Compare Offering Report to:**
  1. **Total report to amount of deposit.**
  2. **Total of envelope offerings to total amount posted.**
- **E. Review procedure for canceling checks with “For Deposit Only” and “Not Tax-Deductible” to make certain all policies are being properly implemented.**
- **F. Make sure the Sunday School offering is placed in a locked bank deposit bag and placed on the “Communion Table”**

during worship service each Sunday and that the "Counting Partners" pickup bag and money from offering plates promptly at the end of the service.

G. Verify the bank deposit bag is locked in the presence of at least two persons with one keeping the key and the other taking the deposit bag to the bank.

<u>Weekday payments and offering</u>

H. Ascertain a receipt is written for all fundraiser money and that it matches deposit.

I. Make certain a receipt is written for all incoming money and the original receipt was given or mailed to the donor.

J. Confirm all money receipted was promptly deposited.

VI. Expenditures

A. Make certain all bank statements are reconciled and are reconciled by person designated by church.

B. Review all paid bills for written or stamped approval of payment.

C. Verify designated person reconciling bank statement has also confirmed that amounts of the checks for mission gifts and designated gifts match amounts shown in financial report.

D. Check all time sheets for supervisor's approval signature.

E. Examine all reimbursements for business expenses to ascertain proper receipts have been submitted for payment.

F. Check reimbursements for mileage to verify mileage log meets requirements.

VII. Contribution Records

A. Make sure offering envelopes and contribution statements properly identify non tax-deductible and tax-deductible contributions.

"Suggestion: Churches 'bond' the Church Treasurer and all individuals who handle money." (From a retired IRS auditor)

***Disclaimer:* This publication is designed to provide assistance to churches in forming their own "Church Financial Policy." It is intended to provide accurate information in regard to the subject**

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