

**FINANCIAL MANUAL
GRACE PRESBYTERIAN CHURCH
Arlington, Texas
Approved September 11, 2012**

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I. INTRODUCTION

PURPOSE: The purpose of this manual is to provide within the general guidelines provided by the Book of Order of the Presbyterian Church (U.S.A.) , a detailed source of information for the financial activity of Grace Presbyterian Church (**GPC or the Church**) for the benefit of the congregation, staff and the members of the Session of GPC.

A. The Session is the ruling body for the local church. Its responsibilities are spelled out in the Section G-3.02 of the Book of Order. These responsibilities include the designation of church members to staff functions of the Church. These and other functions include the following as listed below.

1. Treasurer.
2. Check signatories.
3. Those authorized access to bank lock box.
4. Those authorized to access Texas Presbyterian Foundation.
5. Budget Committee.
6. Audit committee.

The Session shall designate these individuals in the January stated meeting for the current year.

B. The Book of Order requires the following minimum standard of procedures to be observed in financial matters:

1. (G-3.0205):

- a. The Session shall prepare and adopt a budget and determine the distribution of the congregation's benevolences. It shall authorize offerings for Christian purposes and shall account for the proceeds of such offerings and their disbursement. It shall provide full information to the congregation concerning its decisions in such matters.
- b. Those in charge of the various congregational funds in the Church shall report at least annually to the Session and more often when requested.
- c. All offerings shall be counted and recorded by at least two duly appointed persons, or by one fidelity bonded person.
- d. Financial books and records adequate to reflect all financial transactions shall be open to inspection by authorized church officers at reasonable times.
- e. Periodically, and in no case less than annually, reports of all financial activities shall be made available to the entity vested with financial oversight.
- f. The session shall elect a treasurer for such term as the session shall decide and shall supervise his or her work or delegate that supervision to a board of deacons or trustees.

2. G-3.0113:

A full financial review of all financial books and records shall be conducted every year by a public accountant or a committee of members versed in accounting procedures. Reviewers should not be related to the Treasurer.

C. ACCOUNTING DEFINITIONS: the following definitions are provided to assist those less conversant with accounting information. It will also be helpful in understanding financial statements available to them from the church management software. The church's financial management system in this document shall be denoted as **FMS**.

1. TWO SIDED ENTRY - DEBIT (DR) & CREDIT (CR): Debit amounts always equals the credit amount in transactions. The debit has a normal "plus" sign and the credit has a normal "minus" sign.

2. FUND - self balancing set of accounts set-up for a specific purpose. GPC uses only one fund, the General Fund. FMS has the capability for multiple funds and when the need arises, additional funds may be created.

3. FUND ACCOUNTING - used by not-for-profit entities including governments, charities, church organizations.

4. ASSETS - those properties owned by the church that have measurable value, i.e., bank accounts, land, buildings, furnishings, Investments, prepaids, etc.

5. LIABILITIES – these accounts that hold a claim on the future assets (usually cash) of the organization.

a. ACCOUNTS PAYABLE - expenses that have been recorded but not paid.

b. DESIGNATION - a liability account (account begins with a “2”) set up to hold income for a special purpose, e.g., A. Short Memorial. It is a memorial to a deceased member who had a love for music. The purpose of the memorial is to pay for special music or musicians that permit special music programs for Christmas and Easter seasons. The balance in a designation account carries from year to year. Although the donor specified a use for the designated funds, the Session makes a final determination for the use of these funds when the original purpose is vague or no longer valid.

c. SPECIAL OFFERINGS - contributions by members for special purposes usually approved by Session. Monies collected are forwarded to the appropriate agency such as Habitat or Grace Presbytery.

d. OUTSTANDING DEBT - lists debt outstanding as of January 1 of the current year. The current debt balance can be obtained by subtracting current principle expense from the debt liability balance.

e. FUND BALANCE - this term defines the value of the organization in this formula:

$$\text{FUND BALANCE} = \text{ASSETS} - \text{LIABILITIES}$$

6. BALANCE SHEET - a financial statement containing asset, liabilities and fund balance in the form of an equation:

$$\text{ASSETS} = \text{LIABILITIES} + \text{FUND BALANCE}$$

This is the same formula as 5e. above restated. This report continues from year to year and gives a picture of the financial status of the organization as of the date of the report. The “sign” convention for the balance sheet is confusing and to some difficult to understand. Assets are created by debiting an asset account leaving a “plus” sign. Liabilities are created by crediting a liability account and LEAVING A PLUS SIGN. So, the balance sheet looks like this, “ + minus + = +”. We have to remember that it really is “ASSETS minus LIABILITIES equals FUND BALANCE”. The result of this manner of presenting the balance sheet is that any journalized transactions affecting the liabilities must be considered carefully during preparation as an increase in liabilities requires a credit, and a decrease in liabilities requires a debit.

7. TREASURERS REPORT (also known as income statement or income and expense statement) - is an operating report showing current month and year-to-date financial activity. It also shows the monthly, year-to-date and annual budgets with percentages for monthly and annual expenses compared to their respective budgets. It covers a period of time from the beginning of the fiscal year to the current date on the report presenting the income, expenses and the income in excess of expenses or (less than expenses). As an equation: $\text{Income} - \text{Expenses} = \text{Net Income (Net Loss)}$. At the end of the fiscal year, this report closes to fund balance and starts over in the new fiscal year. All income and expense balances go to zero at that time. NOTE: the Treasurer’s Report attached to the monthly Letter to the Session does not include a line representing the differences between income and expenses. This special report generally uses the standard Treasurer’s Report format with this exception.

8. BUDGET - an estimate of future income and expenses used for planning purposes and as a guide for future operating activities.

9. INCOME - all moneys received for GPC operations. It includes contributions, loose offering, interest income, investment income, building use income, etc.

10. CONTRIBUTION - income that is donated by GPC members for normal operations of the church. It may be pledged or not. If not, it be may “designated” for a special purpose and recorded to a

designation account or it may be prepayment of a church activity such as youth trips, flowers, class books, etc.

11. EXPENSE - created when a bill is paid, employees are paid, a purchase is reimbursed.

12. JOURNAL ENTRY – a hand written document using the DR/CR format to enter transactions into the general ledger. Debits must equal credits. An adequate explanation is required with each transaction to explain its use. Each month's journal entries shall be numbered sequentially with the number in parentheses starting with (1). Journal entries prepared at year end after December activity is completed will be further identified with the journal entry number preceded with "YE".

13. RECOGNITION - there are two possible dates for recognition.

a. OCCURRENCE - the date when income and expenses occur - may be different from the date they are recorded. The date when the income is received by the church (Sunday) would be the date when the transaction "occurred". The date that it was entered in FMS would be the date when the transaction is "recorded".

b. RECORDED – for example, August activity would be completed (recorded) in calendar month September but would appear in the general ledger as having "occurred" on August 31.

14. CASH BASIS OF ACCOUNTING (as used by GPC):

- a. Income is recognized and recorded (entered in the general ledger) when received.
- b. Expenses are recognized and recorded when paid.

15. ACCOUNT NUMBERING CONVENTION: a seven digit account number is used by GPC in the FMS as follows:

- a. Numbers beginning with "1" are assets accounts,
- b. Numbers beginning with "2" are liability accounts,
- c. Numbers beginning with "3" are fund balance accounts,
- d. Numbers beginning with "4" are income accounts, and
- e. Numbers beginning with "5" are expense accounts.
- f. The additional digits have significance as shown below:
 - (1) **1.x00.500**: the first "x" is for grouping of asset accounts.
 - (2) **2.y00.100**: the "y" is for grouping of liability accounts,
 - (3) **3.z00.000**: the "z" is fund balance account.
 - (4) **4.u00.t00**: the "u" is for grouping of income accounts, the "t" is types of income within the groupings.
 - (5) **5.v00.s00**: the "v" if for groupings of expense accounts, the "s" is for expense items within the groupings.

16. PAYROLL - a separate module integrated with FMS accounting so that payroll expense, deductions, (withheld income taxes, FICA and Medicare taxes), and employer contributions to FICA and Medicare are posted to appropriate general ledger accounts. Additionally, the Payroll Module provides Tax Deposit Information, Quarterly IRS Form 941 reports, and Employee Form W-2 and summary Form W-3 at year end.

17. CONTRIBUTIONS - another module integrated with the FMS accounting so that all income can be directed to the appropriate account. To do this, the Contributions module has a 3 digit code that determines the destination of each item of income entered. For example, 101 is for Pledge Contributions and would direct the contribution to post to the operating bank Account 1.100.600 and to Account 4.100.100, Pledge Contributions.

18. MEMBERSHIP – this module is where information about members is recorded. Family member numbers are assigned to identify each individual as a member or visitor as appropriate. Envelope numbers must be assigned before contributions can be credited to an individual’s account.

19. VISITORS – module similar to the membership where information on visitors is entered.

20. PREPAIDS - These asset accounts (Prepaid Hazard and Liability Insurance and Worker’s Compensation Insurance) are paid for future periods. Each month’s expense is journalized to the appropriate expense account. The prepaid account is reduced by the same amount.

21. ACCRUAL - a word used to describe expenses (or income) that occurs in the current period (this month), but will not be paid until next month. The journal entry is prepared to recognize the expense (or income) in the current period and is reversed in the subsequent period when the expense (or income) is paid or income is recorded. This action is used infrequently and usually when a monthly invoice has not been received.

22. GENERAL LEDGER - the books of record for GPC. They include the (1) balance sheet, (2) treasurer’s report, (3) check register, (4) transaction journal and other reports available in the FMS “reports” menu.

23 FISCAL YEAR - the Church’s fiscal year coincides with the calendar year and ends on December 31.

C. METHODOLOGY: In the larger economic scheme of things, churches are considered to be “not-for-profit” organizations. Although different in a philosophical sense, “not-for-profit” (NFP) organizations share many characteristics of the profit-seeking organization, for example,

1. They are integral parts of the same economic system and utilize similar resources in accomplishing their purposes.
2. Both must acquire and convert scarce resources into their respective goods and services.
3. Financial management processes are essentially similar in both and each must have a viable information system – of which the accounting system is an integral part – if its managers and other interested persons or groups are to receive relevant and timely data for planning, directing, controlling and evaluating the use of its resources.
4. In as much as their resources are relatively scarce – however received – least-cost analysis and other control and evaluation techniques are essential to assuring that resources are utilized economically, effectively and efficiently. Expectation of income is the principal factor motivating investors to provide resources to profit-seeking enterprises. On the other hand, a NFP organization exists to provide certain goods and/or services to a community or society as a whole. There is no profit motive. The object of most not-for-profit organizations is to provide as many goods or as much service each year as their financial resources permit. The NFP organization typically operates on a year-to-year basis, raising such resources as they are able and expending them in serving their clientele.

D. In sum, whereas private businesses seek to increase wealth for the benefit of the owners, NFP organizations seek to expend their available financial resources for the benefit of their clientele.

II. CHURCH TREASURER

The Church Treasurer is the chief financial officer of the church. Accordingly, the responsibilities of the treasurer are found in the Book of Order and are listed in considerable detail. The listing, however, does not include all of the financial activities of the church as can be seen in the expanded list below.

Book of Order gives direction for Church Treasurer (G-3.0205):

1. The Treasurer is elected annually to the position by the session. His, or her, work is supervised by the session or by specific delegation of supervision to the board of deacons or trustees.
2. Session-elected treasurer shall be the central contact for all church financial activity.
3. Responsibilities include the following:
 - a. Overseeing the congregation's financial records.
 - b. Preparing accurate financial reports for the session and trustees.
 - c. Being involved in budgeting as directed by the session.
 - d. Anticipating financial problems.
 - e. Assuring that those in charge of various funds in the church report annually to the session.
 - f. Managing, safeguarding, and maintaining the congregation's financial resources.
 - g. Complying with governing bodies of the Church (Presbytery, Synod, or General Assembly) and governmental reporting requirements.
 - h. Scheduling and overseeing the annual review or audit.
 - i. Overseeing internal controls.

III. FINANCIAL REPORTING

Financial reporting is an important activity for any organization as it provides a tool for management to determine the success of their efforts to maximize benefits to the owners (for profit) or to members or clients of not-for-profit organizations.

REPORTING - The following format is used for routine reporting to the Session monthly and in modified form the congregation annually. Current income and expenses shall be reported monthly, other items shall be reported at least annually to the session. The Book of Order (G-3.0205) requires that the session provide full information to the congregation of its decisions. Therefore, the congregation shall receive a financial report on a periodic basis.

1. **FINANCIAL STATEMENTS** –the Book of Order requires “Financial books and records adequate to reflect all financial transactions shall be kept and shall be open to inspection by authorized church officers at reasonable times. Accordingly, financial statements presented to the Session and the membership shall be understandable, concise, inclusive, comparative, and timely. A transmittal letter addressed to the Session shall be prepared summarizing the significant points in the financial statements. It is signed by the Treasurer. The standard financial statements are the Balance Sheet and Treasurer’s Report (Statement of Income and Expenses) supplemented on the transmittal letter with a Cash Flow analysis and debt status summary, if appropriate. A discussion of this reports follows:

a. **TRANSMITTAL LETTER** - highlights leading indicators from the attached financial statements.

(1) **CASH POSITION** - shows uncommitted cash for past 4 months compared to previous month.

(2) **INCOME VS. EXPENSES** - budgeted and actual - current month (CM) and year-to-date (YTD)

(3) **CASH BALANCE COMPARED TO JANUARY 1** – current compared to beginning of year.

(4) **CASH FLOW ANALYSIS** - To determine the following:

(a) **Sources of Resources:**

- i. Contributions.
- ii. Non-pledge income
- iii. Allowance for investment appreciation (not a cash item).
- iv. Other.

(b) **Uses of resources:**

- i. Operating expenses.
- ii. Debt service.
- iii. Changers in assets other than cash.
- iv. Changes in Liabilities (sign change)

(c) **Net increase (decrease)** in resources should equal change in cash balance change for the month.

(5) **DEBT SUMMARY** – includes previous balance, current reduction and ending balance for each loan.

(6) **DEBT COVENANTS** --covenants in our loan contracts require we maintain certain levels of cash and/or income versus specified debt levels and debt service expenses.

(7) ACTIVITY COMPARISON FROM PRECEDING YEARS – shows cash balance for current month for current and three preceding years. Also, shows budget and actual current and year-to-date values for current month and same month for three preceding years.

b. BALANCE SHEET - shows financial status at one point in time.

(1) ASSETS - LIABILITIES = FUND BALANCE

(2) ASSETS = bank balances + prepaids (paid in advance - insurance) + investments + fixed assets (property, plant, furnishings, and equipment)

(3) LIABILITIES = payable accounts - tax deposits for Social Security, Medicare and withheld payroll taxes + designations + special offerings + debt. Normal credit balances shown as pluses.

(4) FUND BALANCE = assets - liabilities. Also, normal credit balances show as pluses.

c. TREASURER'S REPORT (INCOME AND EXPENSE STATEMENT) – contains a summary of actual income and expenses by line item for the current month and year-to-date and budget by line item for current month, year-to-date and annually. Percentages of actual-to-budget are also shown for monthly and annual activity.

(1) CONTRIBUTIONS - amounts received in the current month and year-to-date for the various categories listed by account number.

(2) EXPENSES - amounts spent in the current month and year-to-date in the listed categories by account number through disbursements.

(3) INCOME OVER(UNDER) EXPENSES - “bottom line” for the accounting period which is usually one month for GPC. This line is included on the standard report produced by FMS. The report attached to this letter is a special FMS report and this line is not included.

(4) SIGN CONVENTION - contributions which are the credit part of the transaction are normally shown positive. The other part of the transaction is a debit to cash (bank account). Expenses are the debit part of the disbursement and are shown positive. The offset is a credit or reduction to cash (bank account). **EXCEPTIONS** - on occasion, negatives will show up in various parts of Balance Sheet or Treasurer's Report. These transactions may include transfers between accounts, disbursements from liability or asset accounts, etc. Their explanation should be available to the Session when the Finance liaison is delivering his oral report on the monthly financial reports.

(5) BUDGET - estimated income and expenses prepared by ministries, compiled by the Finance Ministry, approved by the Session and presented in monthly, YTD and annual budget columns.

IV. **AUDIT OR FINANCIAL REVIEW**

According to the Book of Order G-3.0113, "A full financial review of all books and records shall be conducted every year by a public accountant or committee of members versed in accounting procedures. Reviewers should not be related to the treasurer(s)".

A standing audit committee shall be established for the church. This group shall establish the scope of the audit for the prior year. Its membership shall include but not be limited to: members with audit/accounting experience, session liaison to administration, at least one trustee, and others as appropriate. The committee shall have a minimum of 3 members appointed for a term of office determined by the session during the stated meeting each January. The Treasurer will not be a member but will facilitate the work of the committee.

A. AUDIT - an external audit is done by an independent auditor or an accounting firm and accomplished in accordance with Generally Accepting Auditing Standards. The scope of the audit includes all aspects of the church's financial operation. It would involve collecting and evaluating evidence to formulate an independent, professional opinion about assertions made by management. This is an expensive and time consuming undertaking.

B. FINANCIAL REVIEW - a review consists principally of inquiry of management personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. It does deal with cash receipts and disbursements, but does not issue a position paper. A financial review is not as extensive as an audit, and likewise, not as costly.

C. INTERNAL AUDIT - an internal audit is normally conducted by a committee of members of the church. Church sessions shall establish an audit committee in conformity with the by-laws of the church and the laws of the state. This should be done in a systematic manner by the best qualified individuals available within or to the congregation.

D. OTHER - Those congregations with large trust accounts and/or large real estate holdings or those proposing to build or expand their facilities by loans on the property will find that an external audit by a qualified auditing firm may be required and is to their advantage.

E. REFLECTION - Before deciding which style of audit to have, it should be understood that neither the compensated auditor nor the volunteer team is able to guarantee the accuracy of the financial records. The auditors are only able to review the financial data supplied to them and from that issue an opinion that the balance sheet and statement of operations and assertions made by management fairly represent the conditions of the church and related organizations.

F. AUDIT PLANNING - In order to plan an adequate audit, the scope of the audit for the previous year(s) shall be determined by the audit committee.

1. In considering the scope of the annual audit of GPC financial activities, certain areas should be included every year because of their importance and frequency of the activity of the Church. These include the following:

a. **IRS TAX DEPOSITS AND QUARTERLY FORM 941 REPORTS:** Records shall be reviewed to determine that all tax deposits were prepared correctly and deposited on time. Records shall also be reviewed to determine that quarterly IRS Forms 941 were prepared and filed by appropriate deadlines.

b. **PETTY CASH:** As soon as practical after the close of the books for the period to be audited, a member of the committee shall physically reconcile the petty cash, review petty cash disbursement

documents for accuracy and review petty cash re-imbursement procedures for compliance with policy.

c. **TERMS OF CALL:** the Terms of Call shall be reviewed for congregational approval and accurate application of the approved terms.

d. **VERIFICATION OF BANK STATEMENTS:** Bank account reconciliations shall be verified for accuracy and the completion of appropriate action to correct those items needing correction.

e. **IRS Forms W-2 and W-3:** The Form W-2 is the individual's tax deduction report and must be printed from payroll records and made available to the individual by the end by January 31 for the previous year. The W-2 is the sole source of information each year determining the individual's earnings and contributions for Social Security. The Form W-3 is the transmittal form used when W-2s are forwarded to the Social Security Administration by the end of February for the previous year.

2. The next group of areas to be audited at least once every three years include the following:

a. **CASH RECEIPTS:** The committee shall review the procedures used to record receipts (Cash Accounting Procedure), how the Sunday offering is counted and deposit slips prepared. Time is very important in recording receipts. A random test shall be made to determine if the funds have been deposited and recorded on a timely basis. A test shall also be made when designated funds are received to insure that they are properly credited and disbursed according to the wishes of the donor. Several of the individual contribution records shall be tested to determine if all contributions have been properly recorded.

b. **CASH DISBURSEMENTS:** Copies of the budget adopted by the session for the period being examined shall be reviewed for application to the financial statements. Agreements for staff shall be reviewed to determine if the full obligation of the commitment has been met, i.e. all pension and/or annuity premiums paid and continuing education allowance paid or escrowed.

c. **DEBT AMORTIZATION:** To help in determining the financial condition of the congregation, the amortization schedule for all debts of the congregation shall be reviewed to determine that payments have been made on time, and a written verification obtained from the lender to insure that the balances shown on the church records agree with those of the lender.

d. **MEMBER GIVING STATEMENTS:** the Giving Statements are very important records for the Church and the member. The member uses the Giving Statement as documentation to the Internal Revenue Service that reported contributions to the Church were in fact received by the Church. The statement must contain the following statement: "No goods or services were provided to you by the Church in connection with any contribution, or their value was insignificant or consisted entirely of intangible religious benefits". Besides the annual giving statement which shall be in the member's hands by the end of January, a statement shall be prepared and mailed to members at the end of the third quarter (September) for the members to review and identify errors, if any, which need to be corrected before the end of the year.

3. The final group of areas to be audited at least once every five years include the following:

a. **SECURITIES AND INVESTMENTS:** If the congregation has securities and investments, an annual inventory shall be made and be a part of the audit report so that all securities and other financial instruments are accounted for at least once each year. The committee should also determine that all coupons on bonds, etc. have been redeemed.

b. **INSURANCE POLICIES:** the Board of Trustees of Grace Presbyterian Church has been charged with the responsibility for review of the Church's insurance program (hazard, liability and worker's

compensation) and evaluation of bids for the coverage by insurance companies to determine the adequacy of the coverage and the reasonableness of the premiums being paid.

c. **ASSET RECORDS:** The asset records of the Church must be maintained accurately for several reasons including the following:

- (1). verification of items lost in case of a fire or other catastrophic loss to the Church's property.
- (2). accountability for the physical property of the church.
- (3). evaluation of physical assets for insurance purposes.

G. AUDIT REPORT: After the committee has completed their various assigned tasks, the committee shall meet as a whole and review the work of each member, and prepare a report to the session advising the Session of the findings. This shall include any recommendations for improvements or elimination of observed practices that do not follow established procedures or leaves the church open to fraud or loss of assets.

H. AUDIT IMPORTANCE: The audit of the accounts of the congregation is necessary and important

1. to determine the financial condition of the congregation and
2. to give the members confidence that the assets of the Church are being handled in a professional manner.

I. COMPLETED AUDIT: When the report of the audit committee is received by the Session, the report has been included in the Session minutes, and the assignments of any recommendations for change in methods have been made, there shall be words of gratitude expressed to the audit committee, not only in the session minutes, but also in the *Gracevine* which goes to each member family.

J. OTHER CONSIDERATIONS: Audit committees may also recommend the audit of management procedures and remind the Session of other items such as personnel policies, church usage policies, by-laws, etc., which may need to be reviewed and updated from time-to-time.

V. INTERNAL CONTROLS

Segregation of duties and communication to Session/Trustees and financial personnel is basic to internal controls. It is important to have a system of checks and balances for good internal control in any operation. Income functions should be handled separately from the disbursement functions. All offerings shall be handled by someone other than the person who writes the checks. Every transaction shall be authorized, initiated, approved, executed and recorded. The following is a list internal controls that should be in place for the entire organization.

- A. ENDOWMENTS AND GIFTS:** Approved policy by Session for endowments and gifts the church is willing to accept.
- B. EXPENSE REIMBURSEMENT PLAN:** Approved policy by Session for expense reimbursement.
- C. COUNTING WEEKLY CONTRIBUTIONS:** Authorized procedure by Session for counting contributions.
- D. SEPARATION OF DUTIES:** No one person should handle all aspects of a transaction from beginning to end.
- E. CASH HANDLING:** Deposit all cash receipts immediately, record all cash receipts immediately.
- F. PAYMENTS:** Make payments by serial numbered checks except for very small transactions that may be handled through petty cash. If petty cash is used, there must be a receipt for the money expended and the petty cash reconciled at least monthly.
- G. RECONCILIATIONS:** Reconcile bank account monthly.
- H. SUBSIDIARY LEDGERS:** Balance subsidiary ledgers, if used, to general ledger accounts on a regular basis.
- I. REVIEW FINANCIAL STATEMENTS:** Review comparative financial statements in sufficient detail every month to disclose significant variations in revenue and expenses.
- J. REVIEW BANK STATEMENTS:** Open and review bank statements and cancelled checks by someone who is not a payee or authorized to write checks
- K. UNUSUAL ITEMS:** Investigate unusual items, such as checks to unfamiliar vendors, checks for large amounts and checks to employees or other insiders
- L. IDENTIFICATION NUMBERING:** Use, if appropriate, serial numbers on sales, invoice numbers on purchases and numbers on, checks, tickets, purchase orders, receiving reports and debit or credit memos.
- M. DEPOSIT SLIPS:** Use duplicate deposit tickets and retain copy in the office.
- O. DEPOSITS:** Deposits, if prepared, on Sunday shall be made on Monday or as soon as banks are open if Monday is a holiday.
- P. BUDGETS:** Use budget or forecast to detect whether goals are achieved. Investigate differences – what happened and why.
- Q. RECORDS:** Retain records as appropriate for record type. See Record Keeping Chapter in this manual.

VI. RECORD RETENTION

PURPOSE: Establish guidelines for retention and/or destruction of church records.

RESPONSIBILITIES: It shall be the responsibility fo the Administrative Ministry to ensure that the procedures hereon are followed.

SECURITY: All records of a sensitive nature, for example, payroll, Forms W-2, contributions, child protection forms, etc., where an individual's name may be connected to a Social Security Number, payroll information, contribution amounts must be secured under locks with controlled access.

PROCEDURES: The following procedures shall apply for the retention of records and disposition of records at Grace Presbyterian Church.

A. The following retention periods shall be followed for the records listed:

1. Permanent records: These include records which are a permanent part of the history of the Church and shall be stored in fire-proof containers; have a statutory basis in law; or are required by the Presbyterian Church, USA.

- a. All records relating to payroll activity. This includes time sheets, check requests, canceled checks, check registers.
- b. All records related to building construction.
- c. Copies of Forms W-2 and filing Forms W-3.
- d. Copies of Forms 1099 and filing Forms 1096.
- e. Copies of payroll tax deposit records; monthly and quarterly.
- f. Copies of monthly financial statements.
- g. Copies of asset records including model numbers, serial numbers and journal entries recording asset information.
- h. Session minutes.
- i. Membership records.
- j. Ordination records.
- k. Church charter, by Laws, Texas non-profit authorization, IRS 501.3.(c) documentation.
- l. copies of employee IRS Forms W-4.
- m. Other records of a permanent nature.

2. Records retained ten (10) years:

- a. Ministry minutes.

3. Records retained 7 years:

- a. Account payables records.
- b. Copies of congregations giving records.
- c. Copies of Texas Presbyterian Foundation's investment records held for GPC.
- d. Copies of background checks after activity ends.
- e. Monthly contribution records (worksheets and check copies).

4. Records retained for three (3) years:

- a. Pledge cards.
- b. Service bulletins.
- c. Copies of annual individual giving records.
- d. VERIFY child protection background check forms.

e. Copies of *Gracevine*.

5. **Music related items** as long as appropriate for the items (responsibility of music director and staff members):
 - a. Printed music for choirs.
 - b. "Permission to reprint" forms as long as music copies to which they pertain are held by the Church.
 - c. Original documentation for musical instruments and equipment to include sales receipts, assembly instructions and operating instructions should be kept so long as the church owns the equipment.
6. **Records retained until out of date**, no longer serviceable or there is no reasonable reason for retaining:
 - a. Quarterly giving records.
 - b. Insurance policies.
 - c. Copies of loans and associated documentation.
 - d. Attendance records from the sanctuary.
 - e. Copies of documentation for grounds and building equipment including sales receipts, assembly instructions, owners operating instructions, etc.

B. **Cross shredding** shall be used as the means of disposal. Paper clips and clamps shall be removed prior to shredding. Either one can cause serious damage to shredding equipment. Staples need not be removed.

C. **As files are removed** from storage for disposal, the files remaining may be consolidated so that fewer boxes are required.

D. **All boxes shall be labeled** with their contents and disposal date, if appropriate.

E. **The Church may maintain a safety deposit box.** If this is the case, the Session shall annually designate individuals who will have access to this storage unit. This information shall be made available to the bank where the box is located.

VII. RESOURCE MANAGEMENT:

The church has physical assets which must be safeguarded and maintained. Those in charge of the various funds in the church shall report at least annually to the session, and more often when requested as follows:

A. BUILDING AND GROUNDS – The building and grounds (four plus acres) are the physical plant for the church, These Assets house the congregation of Grace Presbyterian Church and all of the activity it encompasses. The assets also include furniture and ground, building and playground equipment,

B. FINANCIAL – includes the bank accounts and investments. To protect these assets, the following minimum standards of financial procedure shall be observed:

1. Counting and recording of all offerings by at least two duly appointed person.
2. Keeping of adequate books and records to reflect all financial transactions, open to inspection by authorized church officers at reasonable times.
3. Reporting of the financial activities to the Session periodically and to the congregation at least annually.
4. Reviewing all books and records relating to finances once each year by a public accountant or public accounting firm or a committee of members versed in accounting procedures. Such auditors should not be related to the treasurer.
5. Performing bank account reconciliation monthly.

C. TERMINOLOGY - this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.

VIII. MONEY COUNTING PROCEDURES

The Finance Ministry assigns two volunteer church members, not related by marriage or otherwise, to count the offerings, contribution and collections.

A. Volunteers shall:

1. **receive** at least two training periods with an experienced counter before being assigned as counter.
2. **check** regularly the quarterly counter schedule displayed on the wall in the office workroom.
3. **be provided a copy** of the quarterly schedule.
4. **observe** the current week counters listed in the Worship Service Bulletin.
5. **inform** the Finance Ministry of dates when they will not be available.
6. **arrange** for a replacement when not available for an assigned date.
7. **update** the displayed quarterly schedule to reflect the name of the replacement counter.

B. Procedures for Sunday Services:

1. **The early service ushers** shall dump offering plates into a basket and place it in the bottom of the pulpit.
2. **After the late service**, a counter shall gather the offering from both services and proceeds to the office work room.
3. **The basket or plates** shall be returned to the chancel area by the counters before leaving the Church.
4. **The bank bag**, worksheet, deposit slip, endorsement stamp and other supplies are available in the top drawer to the right of the file cabinets.
5. **Only one Collection Worksheet** shall be used for each deposit.
6. **Checks, money orders and cashier's checks** are all treated as checks. All shall be endorsed, copied and recorded on the deposit slip.
7. **Loose currency** shall be kept separate from currency in envelopes until all currency has been identified and recorded on the worksheet. It shall be counted and recorded on the column for "CURRENCY" and on the line for "Loose Offering".
8. **All loose coins** in the collection shall be recorded in the column for "COINS and on the line for "Children's Offering".
9. **Envelopes containing currency and/or coins** shall be set aside during the separation of the collection. If the envelope has an envelope number or member name on it, the amount in the envelope shall be recorded to that member, by name or number. The amount of money and "CASH" shall be hand written on the envelope. On the worksheet the contribution in a standard offering envelope shall be recorded as "Cash-in-Envelope". If it were a special offering, for example, "One Great Hour of Sharing", the worksheet line "Other" shall be used writing in "OGHS" and the amount of the offering in the currency and/or coin

column. When all currency/coins in envelopes have been recorded, all currency shall be combined and added to one total for currency and the same for coins. The "CURRENCY" section at the bottom of the worksheet page shall be used to record the currency by denomination. The "COIN" section shall be the same.

10. **Unsigned checks** shall be kept separate, put in an envelope, and placed in the Treasurer's mail box. Do not list them on the deposit slip.

11. **When copying checks**, the copier shall be set to reduce the checks to sixty-five (65) percent. This permits copying eight (8) checks to a page.

12. **Separate the currency and coin collection** into the following categories and record on the worksheet writing in descriptive words when an "Other" line is used:

- a. Cash –in-envelopes.
- b. Loose Offering.
- c. Children's offering.
- d. Other.

13. Checks:

- a. Make copies.
- b. Stamp endorsement.
- c. Record on deposit slip.
- d. Add the total on the deposit slip, add the total of respective checks from copies of checks, compare totals. If totals agree, set aside deposit slip, listed checks and adding machine tape. This deposit slip is in balance. Do the same with a second deposit slip. Combine the totals from the deposit slips with the coins and currency for total deposit. Complete the worksheet numbers and deposit slip.
- e. Words on the memo line shall be consistent with the grouping of the checks. For example, a number of checks are in the collection in a group for a single purpose. The memo line for all checks in the group should have the same explanation. The checks could be deposits for a youth trip. If the explanation is not on all of the checks on the "memo" line, it shall be written in where it is lacking so that money will be applied to the correct account.

14. Deposit:

- a. If there are more than fifty one dollar bills, fifty shall be bound with a fifty dollar wrapper.
- b. Use a rubber band to hold all currency together.
- c. Roll coins by denomination if there is sufficient number to make a full roll. Except those rolled, coins shall be placed in the deposit bag loose.
- d. Use a rubber band to hold checks and deposit slips together.
- e. Put deposit in the bank bag and lock in safe.

15. Safeguarding the Deposit:

- a. The safe shall be unlocked. If it is locked, place the deposit bag in a locked file cabinet.
- b. Open the safe drawer and place the bank bag containing the deposit in the drawer.
- c. Close the drawer. The lever on the drawer may need to be rotated to enable drawer to close. The drawer should latch when closed.
- d. Rotate the dial more than two full turns counter-clockwise to complete the locking sequence.

16. Collection Worksheet:

- a. Both counters shall sign the Collection Worksheet.
- b. All documentation related to the deposit shall be paper clipped to the collection sheet. This includes envelopes which contained cash, notes or letters explaining the application of the moneys deposited. The worksheet package shall include the following:
 - (1) The Collection Worksheet.
 - (2) Copies of all the checks. The number of checks copied should equal the number of checks deposited.
 - (3) Copies of the deposit slips.
 - (4) Originals of envelopes containing cash.
 - (5) Notes or explanations for application of moneys in the collection.

GRACE PRESBYTERIAN CHURCH

COLLECTIONS WORKSHEET

DATE _____

COUNTER _____

COUNTER _____

	<u>CURRENCY</u>	<u>COIN</u>	<u>CHECKS</u>
CASH IN ENVELOPES	_____	_____	
LOOSE OFFERING	_____	_____	
CHILDREN'S OFFERING	_____	_____	
SPECIAL OFFERING _____	_____	_____	
OTHER _____	_____	_____	
OTHER _____	_____	_____	
OTHER _____	_____	_____	
SUBTOTAL	_____	_____	_____
		TOTAL DEPOSIT (1)	_____

COINS

CURRENCY

1.00 X ____ EQUALS _____

100 X ____ EQUALS _____

.50 X ____ EQUALS _____

50 X ____ EQUALS _____

.25 X ____ EQUALS _____

20 X ____ EQUALS _____

.10 X ____ EQUALS _____

10 X ____ EQUALS _____

.05 X ____ EQUALS _____

5 X ____ EQUALS _____

.01 X ____ EQUALS _____

1 X ____ EQUALS _____

TOTAL COINS _____

TOTAL CURRENCY _____

DEPOSIT TALLEY

CHECK TOTAL _____

CURRENCY TOTAL _____

COIN TOTAL _____

DEPOSIT TOTAL _____ **MUST AGREE WITH (1) ABOVE**

IX. DESIGNATED FUNDS

Donors give money to the Church with various intentions for its use. A large portion of donated funds are used to operate the Church including personnel costs, utilities, debt payment, maintenance, supplies, ministry and mission support, etc. There are other donations where the donor lists a specific use of the donated money other than general operations. The intention then could be for a special offering such as One Great Hour of Sharing, employee bonus, Pentecost and others. When these occasions arise, the donation is coded to a "designation account" when it is entered in Church Financial System. As explained early in this manual, a designation account is used to hold funds donated in the current period for use in a later period. This money could be donated this month for use next month or next year. A designated account is numbered as a 2.700.xxx which groups them as "liabilities" on the Balance Sheet. The significance of this is that balances in the designation accounts carry from year-to-year.

The Session has the final approval for use of these funds. This comes into play when funds are remaining when the original purpose of the designation no longer exists. Normally, this happens when the project is completed. The remaining funds can be dedicated by Session to some other worthwhile project.

If there is an intention to use some designated funds, the information shall be noted on the check request. So, if the Choir Director wants to hire a few musicians to fill out his plan for a Christmas cantata, the check request for payment to each of them, shall indicate on the parenthesis line underneath the first expense line the designation account 2.700.210, A. Short Memorial. The moneys held in this account were donated in memory of a member and dedicated to paying for quality additions to the Church's music programs.

The Church's bookkeeper shall review all accounts payable documents each month to determine if:

- A. **all payments are recorded in FMS,**
- B. **correct coding** is used for the expense accounts, and
- C. **a designation account is used.** If a designation account is used, a journal entry shall be made transferring an amount from the designation account to 4.100.107, Designation Transfers. This amount is equal to the amount charged to an expense account on the first expense account line of the check request. Now we have income matching the expense for that transaction. Both the income and the expense are being specifically recognized on the Treasurer's Report.
- D. **new designated funds** using Account Set-up needs to be established in the general ledger.
- E. **retirement of designated funds is necessary.** Once all funds are expended for a specified purpose and/or the project is complete, the designation Account number shall be deleted.

X. CASH DISBURSEMENTS

It is the policy of Grace Presbyterian Church to establish, maintain and monitor procedures to properly receive, record, safeguard, and account for the proper use of cash assets. These procedures include the authorization for cash disbursements and the establishment, maintenance, and reconciliation of all bank accounts.

A. PURPOSE: to accomplish the above the following guidelines are established:

1. Establish the method for opening, closing or modifying bank accounts,
2. Provide controls for check authorization and check signing.
3. Provide for the reconciliation of bank accounts,
4. Establish the method for investing excess and/or idle cash balances, and
5. Provide controls for petty cash.

B. DEFINITIONS:

1. FUND: a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

2. APPROPRIATED FUNDS: those moneys under the control of the Session and for which an annual budget is prepared. This includes the General Operating and Building Funds and other Funds as the need may arise.

C. BANK ACCOUNTS:

1. ACTIVITY: the opening, closing or modification of a bank account requires the approval of Session and the execution of Corporate Resolution by the Board of Trustees. All bank account resolutions shall be reviewed by the Finance Ministry and at least one Trustee prior to their presentation to Session.

2. SIGNATORIES: there shall be a minimum of three and a maximum of six signatories on any bank account as approved by the Session. Neither the requester nor the approving authority can sign the check. Each January the Finance Ministry will review the list of check signers and recommend changes to Session. If no changes are necessary, a negative report should be rendered.

3. CHECK AUTHENTICATION: all checks require manual signatures by two approved check signatories.

4. CHECK CONTROL: all checks shall be pre-numbered and kept in a locked and secured location. A review should be performed at least monthly by someone independent of the check writing function to insure that none of the unused checks have been removed. A manual log shall be maintained each month as checks are used including date, check number, payee, amount and indicated void status if appropriate.

5. RECONCILIATION: all bank accounts shall be reconciled to the general ledger monthly. The reconciliation shall be accomplished by an individual independent of cash receipting, cash disbursing or check signing functions. The reconciliation shall be reviewed by the Treasurer and all reconciling items requiring adjustment to the general ledger shall be made prior to the next monthly closing.

6. PETTY CASH: a petty cash fund may be established by the Session in an amount not to exceed one hundred dollars subject to the following rules:

a. CUSTODIAN: a custodian shall be appointed by the Treasurer and shall maintain the petty cash fund in a locked cash box.

b. DISBURSEMENT: reimbursement of expenses from the petty cash shall require the use of a voucher with attached receipts for the amount spent. A Check Request form may be used for this purpose.

c. REIMBURSEMENT: reimbursement of the petty cash fund shall require a check request prepared by the custodian indicating expense accounts which will be charged with expenses listed and documented. The Treasurer shall review and approve all requests for reimbursement.

7. PER DIEM: the purpose of this section is to outline the policy concerning reimbursement of out-of-pocket expenses incurred by church members or employees while representing the Church. It shall be assumed that in most instances individuals will be responsible for their own expenses and may seek reimbursement upon return.

a. ADVANCES: if advance expense assistance is needed, arrangements with the Pastor shall be made prior to the expenditure.

b. TRIPS: trips which involve significant travel expense and/or overnight lodging, shall be approved and funded by Session prior to the trip being taken. If an advance is issued, receipts and all unspent funds shall be returned.

c. REIMBURSEMENT: reimbursement of expenses shall require presentation of receipts. Mileage expenses shall be reimbursed based upon the Internal Revenue Service allowances for this type of activity (primary business or volunteer). The maximum meal allowance shall be \$14.00 plus tip. If an advance was issued, receipts and unspent funds shall be returned. The following procedures apply when requesting reimbursement.

(1) PRIOR APPROVAL: Session shall approve the purchase ahead of time when purchase is made. If the person making the purchase is a staff member, approval must be obtained from the Treasurer or Personnel Liaison before the purchase is made.

(2) CHECK REQUEST: The traveler shall obtain and complete a check request. The request shall be approved by Session Liaison or Treasurer. It contains four major parts.

(a) The top part contains information on the individual or organization to whom the check will be written.

(b) The next part contains information listing the amount to be paid and the account number(s) to which the expense is to be charged. More than one expense number may be used. Under the first expense line there is a line in parenthesis where a designation shall be written if appropriate.

(c) The next part contains space for an explanation of the expense, appropriate dates, invoice numbers, etc. The information although brief shall be sufficient to provide an adequate explanation for the use of the check being requested. Invoice numbers if available, shall be listed.

(d) The final line of the form includes spaces for signatures for the requester and the approval authority and check number and person issuing the check. The approval authority is Session Liaison for that ministry or in his (her) absence the Clerk of Session or the Pastor.

(3) RECEIPTS: All receipts covered by the check request shall be attached. No checks will be issued without receipts. If receipts are lost, GPC expresses thanks for the donation.

(4) CHECK ISSUANCE: Traveler shall submit check request when completed and approved to the Church Administrative Assistant for check issuance.

(5) SALES TAX: As a non-profit entity, GPC is not required to pay sales tax and will, therefore, not reimburse payment of sales taxes on purchases. The vendor may require a copy of the letter from the Texas State Comptrollers Office listing the GPC tax exempt number. Copies are available in the office.

d. CHURCH SUPPLIES: All persons responsible for ordering supplies or charging supplies ordered to GPC accounts shall follow this procedure:

(1) APPROVAL: Session Liaison shall approve purchases before placing the order.

(2) CHECK REQUEST: Traveler shall return check request to Administrative Assistant for verification of purchases with invoice and/or shipping documents for payment.

e. CHURCH CREDIT CARDS: the issuance and use of Church credit cards is covered in Chapter XI of this manual.

REQUEST FOR CHECK

Date _____

Form prepared July 2006

Payable to _____	
Address _____	
City _____	State _____ Zip _____
Total Payment	\$ _____
Amount \$ _____	Charge to Acct _____
(If appropriate, designated account _____)	
Amount \$ _____	_____
Amount \$ _____	_____
For _____	
Requested by	Approved by
	Check Issued by Check No.

XI. CREDIT CARD PROGRAM

This program applies to all credit cards issued in the name of Grace Presbyterian Church. The Grace Presbyterian Church Credit Card (GPCCC) program has been designed and developed to provide employees and others with the ability to purchase small-dollar, non-strategic goods through the use of a company credit card. The use of credit cards have enhanced reporting, user specific controls, centralized billing and other unique features. COSTCO cards have been received from that company and are currently in use by GPC. VISA cards have been issued by Compass Bank, the Church's banking organization.

A. The Church is liable for all charges made by the card holders on their church credit cards. All individual cardholder accounts are billed separately by cardholder name to the Church as follows:

1. For the VISA cards, the Church is invoiced monthly with current card activity listed. Compass Bank on the payment due date debits the Church's bank account for the account balance on that date. Information provided includes card number and holder name. There is no payment due from the cardholder.
2. For the COSTCO cards, the Church is invoiced monthly with current card activity listed. The Church must issue payment to arrive at the remit-to-address prior to the due date in order to avoid late payment penalties.

B. THE GRACE PRESBYTERIAN CHURCH CREDIT CARDS ARE ONLY TO BE USED FOR QUALIFIED CHURCH BUSINESS TRANSACTIONS: Personal use of the cards is strictly prohibited and is grounds for disciplinary action. All transactions are subject to review. The card is the property of the Church, not the cardholder. The card may be canceled at any time for any reason at the discretion of the Church.

C. The Purchasing Process: The GPCCC program delegates the authority to the individual to purchase certain types of goods through the use of a VISA/MASTER CARD or COSTCO credit card. The purchase of items costing more than five hundred dollars (\$500.00) must be approved by the Session (inclusion of specific items in the annual budget is approval) . The cardholder's purchasing process using the card follows:

1. The cardholder shall determine there is a need to purchase goods on behalf of the Church.
2. Once the need is identified, the cardholder shall determine if the required goods can be purchased using the Church's credit card;
 - a. Is the cost of the item(s) within the budget guidelines?
 - b. Is the cost of the item (s) within the cardholder's card limit?
 - c. Does the vender accept the Church's cards? (When possible, select the vendor that accepts the Church's Cards.
 - (1) If "YES" is the responses to each of the above questions, the cardholder shall use the GPCBC for the transaction.
 - (2) If "NO" is the response to any of the above questions, the cardholder shall use another company approved payment method, i.e., check, cash, charge account.The cardholder makes the purchase using the Church's credit card in person, by phone, by fax, by mail, or on the internet.

D. Purchase Methods:

1. The cardholder may make the transaction in person at the vendor location. The cardholder shall always obtain a detailed receipt at the point of sale. In most cases, the cardholder will also take direct delivery of the purchased goods at this point.
2. The cardholder shall follow the process detailed below if the transaction is made one of the approved methods. In these instances, the goods and the detailed receipt will be shipped the cardholder's address or picked up from the vendor by another employee.
 - a. The cardholder shall give the vendor their card account number, card expiration date, and name as it appears on the their Church credit card .
 - b. The cardholder shall always request that a sales receipt detailing the items purchased be included with the shipped or picked up goods. (The receipt shall include detail of the items purchased). Under no circumstances should a cardholder loan, share, or otherwise allow another person use his or her Church credit card. Only the cardholder whose name appears on the card is authorized to use the card.

E. Receipt Retention:

It is the cardholder's responsibility to obtain a detailed receipt for all of their Church credit card transactions. These receipts shall be turned into the office as soon as possible after the purchase. Information identifying the account number to be used for the purchase shall be noted at the office at this time, either by writing it on the receipt or a a sticky note attached to the receipt.

F. Monthly Statement Reconciliation Process:

The Church will receive a consolidated statement with brief transaction detail for each cardholder. The Church office shall reconcile each statement against available receipts. The reconciliation process is to ensure that all amounts are proper and that all transactions are valid. This will be done within 5-7 days after receipt of the statement. A check request shall be prepared with each transaction coded to the correct general ledger account and approval obtained from the appropriate functional area approval authority. NO delay is permitted as the payment is due 25 days from the billing date.

Any transaction for which there is no receipt shall be noted and brought to the attention of the individual card holder for resolution. The individual card holder may be subject to payment for the transaction if no receipt is presented. Any problems noted during the reconciliation process should be resolved as follows:

1. If the cardholder **is missing a receipt**, the cardholder shall first contact the vendor and request another copy of the receipt. In most cases, the vendor should be able to provide this documentation. In those instances when the vendor is unable to provide another copy, the cardholder shall contact and receive a copy from VISA or COSTCO. This process takes approximately 4 – 6 weeks and there may be a charge for this service. The process is time consuming and cumbersome and. Therefore, all cardholders are strongly encouraged to make every effort to obtain all receipts, keep them, and turn them in to the office.
2. If the cardholder notes **a difference with the amount of the transaction**, he (she) shall first attempt to resolve the discrepancy with the vendor. In most cases, the issue can be resolved at this level and the vendor issues a credit to resolve an over charge. An under charge would probably result in a canceled transaction and the correct price being entered and receipt issued. However, if the issue cannot be resolved between the cardholder and the vendor, the transaction shall be immediately disputed through the issuing bank or COSTCO customer service.
3. If the cardholder notes **a transaction that is unrecognized or appears fraudulent**, the transaction shall be immediately disputed.

4. If the cardholder **disputes a transaction**, all receipts shall be submitted to the Church office as described above.

G. Prohibited Transactions. Under no circumstances shall any of the following transactions occur using the Church credit card:

1. **Cash or cash type** transaction.
2. **Contracts** requiring Church authorization (leases).
3. **Any purchase over five hundred dollars** (\$500.00) including but not limited to electronic equipment, computers, computer equipment, cellular phones and accessories, unless pre-authorized by Session.
4. **Gifts, donations, or other contributions** to individuals or organizations.
5. **Personal purchases.**
6. **Purchases above the card's limit and transaction dollar limits.** Splitting a large dollar purchase into multiple small transactions for purposes of circumventing the dollar limits is strictly prohibited.

H. Violations and Consequences. The Church credit cards are a purchasing tool extended to users by the Church. It is expected that users will use them responsibly and within the guidelines of the program. The Church will seek restitution for an inappropriate transactions made with the cards. Fraudulent or intentional misuse of the cards may result in appropriate consequences up to and including termination for employees.

All cardholder transactions are subject to review by the Finance Ministry, the Church Audit Committee and the Church auditor.

The following actions violate the terms of the cardholder Agreement:

1. **Use of the cards for personal purchases.**
2. **Use of the cards to obtain cash or for** cash type transactions.
3. **Split a single transaction** into multiple transactions to evade single purchase dollar limit.
4. **Prohibited and inappropriate** purchases.
5. **Failure to submit documentation** in a timely manner with proper Session Liaison approval.

I. Any or all of the following actions may result from violating the terms of the Cardholder agreement:

1. **Written warning** may be given to the card holder.
2. The cardholders' Church credit **card may be suspended.**
3. The cardholder's Church credit **card may be terminated.**
4. **Termination** (employee only).
5. **Payroll deduction** on next payroll for inappropriate purchases.

6. Civil or criminal prosecution.

J. In the event of willful or neglectful violations of the terms of the Business Card Policies and Procedures as acknowledged by the employee's or member's signed acceptance, the Church shall take any recovery action deemed appropriate which is permitted by law.

K. Vendor Surcharges on Church Credit Card Purchases. Under no circumstances shall a vendor apply a surcharge or any other price increase to the amount based on the payment for the purchase by use of a Church credit card. This business practice is strictly prohibited by the vendor's contract with VISA and COSTCO's business practice. Any attempts by a vendor to apply this type of surcharge shall be reported to VISA Card Customer or COSTCO Card Customer Service immediately.

L. Sales Tax. Under no circumstances shall a cardholder pay a sales tax for purchased items. Please carry sales tax form with you. Some vendors are already set up to handle tax exempt transactions (Home Depot – use Church telephone number 817-468-0868). You may ask the vendor customer service if the Church is set-up as tax exempt in their system. In smaller stores, ask for a tax exempt form. They should have appropriate forms available to fill out. If the vendor sales person asks, there is NO state assigned “number” for an organization that qualifies for tax exempt purchases. Paying a sales tax on a credit card transaction for the Church could result in personal liability to pay such tax. Vendors may require a copy of the State of Texas letter wherein GPC is identified with a state tax exempt number . Copies are available in the church office.

M. Receipt for Card. The attached form shall used to document the acceptance of the Church credit card by the cardholder. By his or her signature, the cardholder:

1. Acknowledges receipt of his or her Church credit card number.
2. Acknowledges the credit card limit for his or her Church credit card.
3. Acknowledges that he or she has read that portion of the Church Finance Manual which covers the issuance and use of Church credit cards and understands it's content.
4. Agrees to abide by the policies and procedures established in the Credit Card portion of the Church Finance Manual.
5. Accepts responsibility for proper use and security for his or her Church credit card.
6. Agrees to return the Church credit card to the Church if the cardholder:
 - (a) no longer has a need for use of the card.
 - (b) terminates his or her employment or membership with the Church.
7. Agrees to immediately notify the Church if hi or her Church credit card is lost.
8. Agrees to immediately notify the Church if he or she suspects fraudulent use of the Church credit card by another person not authorized to use it.
9. Agrees to immediately return his or her Church credit card to the Church if requested to do so by the Church Treasurer, Pastor, or Clerk of Session.

This receipt will be signed and dated by the cardholder in front a witness who is not related to the cardholder. The witness will also sign and date this receipt signifying his observation of the cardholder's signature.

XII. FRAUD RISK ASSESSMENT

The initial phase of a fraud risk assessment is identifying areas fraud could occur in your Church. There are two types of fraud: fraudulent financial reporting and misappropriation of assets. Fraudulent financial reporting is the risk that financial statements will be intentionally misstated, also referred to as "cooking the books." Misappropriation of assets is the risk that entity assets will be stolen or misused. The identification process shall be conducted by management and reviewed by relevant oversight bodies (i.e. Session, Audit Committee, and Finance Ministry). In order to identify the Church's vulnerabilities to these types of fraud, it is suggested that the Church consider the following. Note that some of these items may or may not apply to GPC. In addition, do not let these ideas limit your evaluation. This information is given as a guideline to begin self-assessment.

A. Control Environment:

1. How does the Church set a tone that emphasizes integrity and ethical behavior?
2. Is there a written employee code of conduct?
3. Are employees capable, qualified?

B. Fraudulent Financial Reporting:

1. Are **employee salaries** based on financial performance measures?
2. What **accounts or transaction** classes are most susceptible to manipulation?
3. Are there any known **internal control weaknesses** that would allow fraudulent financial reporting to occur and remain undetected?
4. How are **accounts or transaction classes** most likely to be fraudulently misstated?
5. How **could potential fraudulent** financial reporting be concealed?
6. Consider areas that the Church's financial statements could be misstated.

C. Cash:

1. Overstating cash receipts.
2. Failing to record disbursements.
3. Cash counters writing checks to the church and taking cash from collections.

D. Accounts receivables/sales:

1. Creating fictitious sales transactions.
2. Recognizing revenues that should be deferred.
3. Failing to record sales returns.
4. Understating allowance for doubtful accounts.

E. Property and equipment:

1. Capitalizing period costs.
2. Understating depreciation (if applicable).
3. Failing to record asset dispositions.

F. Accounts payable:

1. Understating amounts owed to vendors.
2. Using fake vendors to write checks from fake invoices

G. Notes Payable:

1. Recording loan proceeds as contributions.
2. Misclassifying currently maturing debt as long-term.
3. Failure to disclose pledged assets.
4. Failure to disclose status and details of loan covenants.

H. Misappropriation of Assets.

1. What assets of the Church are susceptible to misappropriation?
2. What individuals in the Church have the opportunity to misappropriate assets?
3. Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
4. How could assets be stolen?
5. How could potential misappropriation of assets be concealed?
6. Consider which assets of the Church are susceptible to fraud.

I. Cash:

1. Stealing cash on hand.
2. Forging checks received.
3. Altering bank deposits.
4. Lapping.

M. Inventory/fixed assets.

1. Stealing assets.
2. Ordering goods for personal use.

N. Cash disbursements:

1. Paying personal bills with Church's funds.
2. Paying fictitious vendors and pocketing funds.

O. Borrowings:

1. Diverting loan proceeds for personal use.
2. Unauthorized borrowing.

P. Payroll:

1. Fictitious employees/terminated employees on payroll records and pocketing funds.
2. Overstating hours worked.
3. Embezzling payroll withholdings.

Q. Are motivating factors for misappropriation of assets present?

1. Employees with financial pressures.
2. Work-related pressures:
 - a. Salaries are too low.
 - b. Employees not appreciated.
 - c. Employees passed over for raise/promotion.
 - d. Anticipated lay-offs.

R. Reviewing identified fraud risk areas is the second phase of a fraud risk assessment. Evaluate the procedures related to the identified risk and consider the following:

1. The procedures by which transactions are approved, initiated, recorded, processed and reported.
2. Policies and procedures in place including controls intended to safeguard the Church's assets.
3. Personnel involved with the identified area including designated backup personnel.
4. What records and documents are involved? How are the documents filed or stored?
5. How is authorization indicated?
6. Are applicable procedures always followed? If not, why?
7. Documentation relating to the policies and procedures

S. Modify or Implement Controls: after completing phase two, the Church shall consider whether the controls/procedures in place are adequate. If not, decide how the controls/procedures shall be modified in order to protect the Church from fraudulent activity. Controls can either be preventive or detective. Preventive controls are designed to keep fraud from occurring while detective controls are designed to detect fraud soon after it has occurred. Locking blank check stock and having someone independent of tithes and offerings counting and recording opening mail and preparing deposit slips are examples of preventive controls. Detective controls include having an independent employee reconcile the bank account and periodically having

an independent employee pass out payroll checks. Once the procedures are reviewed and modified, ensure that the procedures are formally documented.

T. Monitoring Implementation/Effectiveness: The last phase in the fraud risk assessment is monitoring the policies and procedures designed to prevent and deter fraudulent activity. Periodically the Church shall verify that employees are following the policies. This is also an appropriate time to monitor the effectiveness of the policies and make any needed adjustments to the procedures. We suggest this monitoring process be performed at least once a year. After the monitoring process is complete, document the date, findings, and any adjustments made to the procedures.

XIII. STEWARDSHIP

A stewardship program is usually undertaken by a church to determine the amount of money expected to be contributed by the congregation for the following year. With this knowledge the Session can plan the level of expense activity that can support the missions and ministries of the church.

A. According to the Book of Order, G-3.0113 , “the session shall prepare and adopt a budget to support the church’s mission within an area”.

B. How is this done? The church shall challenge the people of God with the privilege of responsible Christian stewardship of money and time and talents, developing effective ways for encouraging and gathering the offerings of the people and assuring that all offerings are distributed to the objects toward which they were contributed.

C. What steps are necessary? The church shall establish the annual budget, determine the distribution of the church’s income and approve special offerings for Christian purposes, providing full information to the congregation of its decisions in such matters.

D. Stewardship:

1. The education of the congregation in year-around stewardship is the responsibility of the session who may delegate the responsibility to the Stewardship Ministry.
2. There are a number of resources available for use by the people involved in stewardship education.
3. The Stewardship Ministry may find, *A Guide to Year-round Financial Stewardship Planning*, useful in planning a strategy for the forthcoming year.
4. The Treasurer may assist with financial information when the stewardship committee is planning a pledge campaign. Interpretation of the financial information concerning the current year in comparison to the prior year(s) may offer valuable information in planning and budgeting.

E. The Stewardship Ministry shall early in the year begin gathering a group of interested members of the congregation to organize and administer the annual stewardship program. The following dates may be helpful in developing such a program:

1. March 31 – membership of the Stewardship Ministry is established and a moderator determined.
2. June 30 – survey of stewardship methodology completed and preferred method selected and submitted to the Session for approval.
3. September 30 – details of method worked out and plan ready to initiate action with congregation.
4. October and half of November – stewardship program in action with the congregation.
5. November 30 – Stewardship Program for year completed, numbers tabulated and made available to Budget Committee.

XIV. BUDGETING

The treasurer may assist in the preparation of the church budget. A budget is a formal document which shows the projected income for the following year and the projected uses of income. Another way of saying it is that a budget shows a plan for programming based on available resources. It shall be realistic and anticipate the unexpected. A church budget can be viewed as an expression of the goals of a congregation translated into dollars and aligned in priority order. Since the expected income often is unknown at the time of the budget process, it is prudent to encourage close scrutiny of both new and on-going programs. A properly developed budget, continually updated, and used effectively, is a strong asset for an organization.

A. Beneficial results:

1. Reduced emotional spending.
2. Improved impact of mission dollars.
3. Avoidance of unintentional diversion of dollars to low priority causes.
4. Increased congregational participation and commitment.
5. Monitored spending.
6. Rational adjustment to meet unexpected situations.

B. The effectiveness of a budget in the long run depends upon two factors:

1. the thoroughness of the planning upon which it is developed and
2. the diligence with which it is used.

C. Budget Development:

1. **Budget Committee:** in January of each year a Budget Committee shall be established by the Session upon recommendation of the Finance Ministry. Membership shall include persons with a financial background. The Treasurer may be a member. The Vision and Facilities Ministries shall be represented as shall other ministries as appropriate. The moderator for this committee shall be determined by the membership of the committee. In addition to the information provided in item 2. Below, other areas for consideration are included in items 3 through 13.

2. **The function of this committee** is to develop a written report for the Session's use containing the guidelines for the following year's budget by considering, but not limited to, the following areas:

- a. **membership** growth,
- b. **facilities** changes,
- c. **community** outreach,
- d. **facility** repairs/replacement,

- e. **equipment** purchase and/or repairs,
- f. **staff changes** (additions, deletions or hour changes),
- g. **information technology** additions/deletions,
- h. **storage** demands, and
- i. **program** additions/deletions.

3. **The Vision Ministry** personnel shall make plans for the future to ensure the health and life of the congregation and these plans shall be shared with the Budget Committee early in the budget process.

4. **Program planning** will be an ongoing process which shall project both short and long-range goals (Suggestion of 1 year, 3 year and 5 year goals). These goals are for contributions, programs and operations. This process includes the evaluation on an annual basis of what goals were met, what programs need to be changed and what the goals for the future will be. It is important that the recipients of mission dollars be evaluated for the continuing or increased need for funds. Mission giving can be an excellent form of mission education for the congregation and may encourage increased participation from the members of the congregation. The ministries responsible for recommending the mission budget shall have a firm conviction of what the goals of mission giving should be for the congregation and by what steps they believe that these goals can be reached. It is important for the Mission Ministry to study the Presbytery, Synod and General Assembly mission needs as well as those of local organizations.

5. **Goals** are recommended to ministries for action. Ministries make budget requests to the Budget Committee.

6. **The Finance Ministry** shall project the income for the New Year based on current giving, membership, and other sources of income such as investment income and rental income. The Finance Ministry shall also compile the expense budget from information provided by the individual ministries. The Ministry shall organize the development and flow of information from the Sessions Ministries to the Finance Ministry from which the expense budget will be compiled.

7. **The annual stewardship drive** is the period during which the stewardship plan for the following year is presented to the congregation, pledges are received and recorded and the following year's budget is presented to Session. Stewardship is considered in Chapter XIII of this manual.

8. **The Personnel Ministry** holds annual reviews and recommends salary packages for all personnel to the Finance Ministry. The congregation shall approve terms-of-call for the pastor.

9. **Using the goals** that were set, committee requests, personnel recommendations along with the budget projections and pledges, the Finance Ministry forms a budget.

10. **The proposed budget** goes to the session for approval for all items except the clergy terms of call (salary packages) which must be approved by the congregation.

11. **The congregation** approves the terms of call at a called Congregational Meeting, usually the annual meeting held in January or early February.

12. **Once the budget** and terms of call are approved, the budget is set for the New Year.

13. It is advisable for the Session to continue monitoring the budget through the regular financial reports from the Treasurer. Developing a budget without solid program planning is fruitless. The annual budget shall communicate the goals, hopes and dreams of the congregation. The approved budget shall be presented to the congregation for information only.

XV. INVESTMENTS

The Board of Trustees of Grace Presbyterian Church shall be responsibility for the Church’s investment program. Accordingly, each January the Session shall designate Trustees authorized access to the Church’s investments held by the Texas Presbyterian Foundation (TPF) or other organization. These names will be forwarded to the TPF/other organization following approval by the Session. The term of years for which access is to be provided should be included.

It is necessary that a permanent record be kept of the receipt of gifts and the terms of the bequest regardless of the sum of money involved. This shall also appear in the session minutes. An on-going record, clearly delineating the use of the funds derived from the investment of the capital, shall also become a part of the permanent records of the church.

A. The record of gifts should maintain the following information:

1. Type of gift:
2. Restricted: YES ___ NO ___
3. Designated: YES ___ NO ___
4. Fund Name:
5. Date Created:
6. Value:
7. Given by Whom:
8. Address:
9. Phone #:

B. Definition and Accounting Requirements:

1. To endow means to furnish with an income. The wishes of the donors should be scrupulously followed to fulfill all legal requirements pertaining to Endowment Funds held by a not-for-profit organization.
2. **Endowment or Restricted Funds (Indicate if Endowment, Restricted or Designated Funds) -**
 - (a) **Special Instructions:** “The principal and interest in this fund is restricted for maintenance of/ for the _____ Presbyterian Church and its successors. “
 - (b) **Example:** “The Jane and John Doe Fund were established on June 15, 1996 by the daughter and son-in-law of Jane and John Doe as a memorial. The principal and interest in this fund is restricted for maintenance expenses for the building of the _____ Presbyterian Church.”
 - (c) **Investment Statements of Philosophy, Policy and Guidelines** shall be adopted by the trustees and session.
3. **Investment of the funds may be**
 - (a) entrusted to the trustees which reports regularly to Session:
 - (b) held in trust by a local bank; or
 - (c) deposited in various trust funds of the Texas Presbyterian Foundation which offers investment management services.

B. Prior to assignment, however, a clear statement of investment purpose and goals shall be adopted by the trustees or session. Listed below are some investment vehicles (good quality vehicles should be used to protect the capital invested):

1. The Texas Presbyterian Foundation can be used for any size of investment and term.
2. Certificate of Deposit in banks and/or savings and loans.

3. Money Market Certificates (rates based on Treasury bill).
4. Debt issues (debentures, bonds or convertibles of major corporations).
5. Government issues (Treasury Bills, Treasury Bonds, etc.).
6. Government Agency issues (International Bank for Reconstruction and Development, Federal
7. National Mortgage Association, etc.).

C. NOTE: The type of investment vehicles chosen by the church would depend on the following variables:

1. length of time the funds will be invested [what is the time-frame before the money may be needed],
2. how much risk the church is willing to take,
3. whether the principal will remain intact,
4. the wishes of the donor,
5. the philosophy and policies of the church (make sure that any mutual funds did not invest in funds that your church may be opposed to, i.e. tobacco, alcohol, abortion, etc.). Make sure you fully understand the penalties for early withdrawal prior to putting money into any investment. On the form that you have for each fund, make sure that it clearly states who has permission to invest and withdraw funds. ALWAYS insist on having at least two persons to withdraw funds.
6. the availability of funds to the Church in case of urgent need.

D . Suggestions of Statements of Philosophy, Policy and Guidelines:

1. Philosophy - In recognition of the trustee responsibility for the funds of the church committed to their care, members of the trustees are guided by the following philosophy:
 “ All resources shall be handled with gratitude to God in the spirit of Christian Stewardship; with appreciation to those who made the funds available and in accordance with their wishes to the extent specified by them; with concern for those for whose good the money is to be used; and with commitment to employ the money in such a way that its use will improve the quality of life. “
2. Policy: Unless otherwise specifically directed in the instrument by which property, real or personal is received, the trustees are authorized to invest and reinvest the property.

E. Guidelines:

1. Include statement of basic objective.
2. Funds shall be invested as promptly as possible.
3. Full advantage shall be taken of the tax exempt status of the church.
4. Funds shall be invested in issues generally of larger corporations, highest rated quality commercial paper, corporate bonds and government obligations and good quality common and preferred stock.
5. Ratio of equities to fixed income securities shall be maintained consistent with the purpose and goals of various funds.
6. Funds shall not be invested in corporations inconsistent with the stand of the church on products harmful to persons or the social environment.
7. Statements of Investment Philosophy, Policy and Guidelines shall be reviewed annually.

XVI. PAYROLL

The payroll activity is accomplished by the Church individual using the Payroll module in the FMS software. It is a fully integrated program with payroll expenses and withholdings flowing to the appropriate general ledger accounts. The Payroll program includes the following:

A. Reporting capability:

1. Report for monthly tax deposit.
2. Quarterly IRS Form 941 report.
3. IRS Form Individual Form W-2 .
4. IRS Form W-3 Transmittal.
5. Other Forms.

B. Checking printing:

1. Manual.
2. Automatic using printer.

C. Hourly employees:

1. Child care attendants:

- a. Scheduled by contractor as needed by the Church and paid by the Church.
- b. Paid based on time sheet at an hourly rate specified by contractor.
- c. Paid monthly.
- d. Cut off for time sheet is the 25th of the month. Any time after the 25th goes to next month.

2. Pay period:

- a. Paid once or twice a month at individual's request. Monthly pay is encouraged.
- b. Paid hourly rate as recommended by Personnel Ministry and approved by Session.

D. Salary employees:

1. Paid monthly.
2. Salary recommended by Personnel Ministry to Session and approved by the Session.

E. Pastor:

1. Salary recommended by Personnel Ministry to Congregation at annual meeting for approval.
2. Approved by a majority of a quorum of the congregation.
3. Paid monthly.

F. Payday schedule:

1. If employee is paid twice a month, the mid month payday shall be on the 15th except February in the years where the month length is 28 days, payday would be on the 14th of the month.
2. If an employee is paid once a month, payday shall be the last day of the month.
3. If the last day of the month falls on a Saturday, payday shall be Friday; if it falls on a Friday holiday, payday will be Thursday. If the last day of the month falls on Sunday or a Monday holiday, payday shall be on the following Monday or Tuesday, as the case may be.

XVII. INSURANCE AND BONDING

Churches are to provide for the management of the property of the church, including determination of the appropriate use of church buildings and facilities, and to “obtain property and liability insurance coverage to protect the facilities, programs, and elected and appointed officers” (Book of Order G-3.0112). The session has delegated the risk management responsibility to the Board of Trustees. The scope of their responsibility includes the following:

- A. review annually the churches insurance program including worker’s compensation,
- B. if there is to be a carrier change, recommend to the session the name of the carrier and the reason(s) for the change,
- C. if there is a new carrier or a previous carrier retains the contract for the following year, execute the document(s) to activate with the new carrier or continue the coverage with previous carrier, and
- D. initiate a check request for payment of the premium.

The role of the church is changing and with it the need for leadership to review ways to provide adequate insurance for all property damage, accident and liability situations. Today, the church is the hub of diverse activities including fund raising events, preschool programs, social action groups, scouts and other meetings.

Congregations are involved in many off-premises activities such as camps, excursions, tours, outings and retreats, many which require the use of buses and other motorized equipment. In addition there is the exposure to vandalism, riots, bombings and arson.

With all this involvement, the church has increased liability. The task of adequately insuring the church against many situations becomes complicated.

The Board of Trustees shall look for a company committed to serving the church field which can provide the stability, continuity and counseling that may be lost due to turnover of board membership over the years. This company should be one which can provide the highly specialized coverage needed by churches.

- A. **Every insurance company will require the following information** for both quotes and coverage:
 - 1. A listing of all real properties owned by the church including: church property, meeting hall, and any other church-owned properties such as athletic facilities, investment properties, food stands, building sites, storage buildings, etc., including square footage, material structure, etc. Often this is accomplished by the insurance agent touring the facility with a church representative.
 - 2. An inventory of all items within those properties, even those that are not the property of the church such as the minister’s personal library and any office furniture.
 - 3. An inventory of all church-owned vehicles, including recreational vehicles and buses.
 - 4. A list of all employees, both full-time and part-time, with approximate annual salary and primary function.
 - 5. A list of all church activities throughout the year, including functions of all church affiliates such as women’s and men’s groups, youth and school organizations, older adult groups, Scout groups, Meals-On-Wheels distribution site, community meetings, etc.
- B. **Once the insurance representative has this list** and makes a thorough evaluation of church property, the Church shall receive a cost proposal for the coverage and a premium quotation.
- C. **The valuation of your building and contents is critical.** It is important that building coverage be adequate to cover replacement costs in case of total loss by fire, windstorm, or other insured perils.

PURCHASING REPLACEMENT COST INSURANCE IS VITAL TO THE FINANCIAL HEALTH OF A CHURCH.

D. **Contents should be insured** adequately to protect the initial investment, less depreciation.

E. Most companies offer a basic “**Multi-Peril**” policy for property and liability with optional coverage to provide protection for the specific needs of the individual church. Thus, only those coverage’s actually needed are purchased, and any extraneous coverage and cost can be eliminated.

F. **Different kinds of coverage available.**

1. Property hazard Insurance.
2. General Liability.
3. Sexual Misconduct Liability.
4. Pastoral Professional Liability.
5. Worker’s Compensation.
6. Umbrella Liability.
7. Minister’s Personal Liability.
8. Employee or Volunteer Dishonesty.
9. Automobile Liability and damage.
10. Directors and Officers.
11. Employment Practices Liability.

G. **Other types of insurance to consider.** Consider purchasing this additional coverage if your situation warrants it and it is not included in the Church’s current policy.

1. Off-Premise Insurance which covers church property in transit, during storage or while out for repair.
2. Sprinkler Leakage
3. Money and Securities, Broad Form – All Risk
4. Construction, Newly Acquired Property – Ideal for churches with rapid growth or redevelopment patterns, or which receive property from estates.
5. Personal Injury Liability – Protection in cases such as libel, slander, and false arrest suits, or invasion of privacy suits.
6. Non-Owned Automobile Insurance
7. Recreational Vehicle Insurance
8. Teachers Liability Endorsement
9. Flood Insurance
10. Uninsured motorist.

Transportation for church members is a safety concern for the church as well as those who are driving. The Church shall current on Federal Bus Regulations and any warnings issued by the National Highway Traffic Safety Administration (NHTSA) such as the “Rollover Risk of 15 passenger vans.”

XVIII. CONTRIBUTIONS

There are all sorts of ways to contribute assets to a Church. This chapter is provided to clarify and provide guidance on the various possibilities.

A. Monetary contributions:

1. **Contributions that have been pledged** – these are the amounts donated to the church for normal operations that the individual has pledged for the current operating year. These are classified as “Pledge Contributions”.
2. **Contribution that has not been pledged** or otherwise designated – treated as “Non-Pledge Contribution”.
3. **Collected currencies loose in the collection plate** are classified as “Loose Offering”.
4. **Collected coins loose in the collection plate** are classified as “Children’s Mission”.
5. **Designated offering** – this offering has on the “memo line” a specific intended use for the donated funds. These funds will be placed in a “designation account – 2.700.xxx” for use as intended by the donor.
6. **Memorial offering** – similar to a designated offering except that a person’s name would be included and the intended use of the funds. This can also be “in honor of” for a living person as well as “in memory of” for a deceased person.

B. Non-monetary contributions:

1. **Stock donations:** a certificate for a specific number of shares is normally donated with the ownership on the back of the certificate indicating that the certificate is being assigned to the church. The assignment is then signed by the original owner of the certificate. It may need to be witnessed by a Notary. The church through a brokerage firm has the certificate converted to cash by sale of the stock shares. The proceeds of the sale less any commissions or fees is sent to the church. If the member does not have a certificate, it can be obtained through a member’s brokerage or the company who originally issued the stock.
2. **Mutual funds:** an account shall be set up in the Church’s name at the respective mutual fund and the donated mutual funds transferred to this account. When the Church receives a statement verifying this action, a decision can be made to retain the funds in the account or liquidate the account with the proceeds sent to the church or transferred to the Church’s bank account.
3. **Non-investment quality items:** furnishings – for example, a table; this can be donated to the church, who in turn, issues a form acknowledging the donation, including a description, signed by a church official. The donor must determine the value of the donated item. If it is new, the purchase receipt should suffice for this purpose. If it is used, the donor must determine the fair market value by other means.
4. **Reimbursement of a purchase:** after receiving a reimbursement for a purchased item for the church, the individual may endorse the check to the church and receive recognition of a cash contribution.

C. Other: the donation of labor hours cannot be converted to a dollar amount and recorded as a cash donation for an individual. It is against IRS rules and it cannot be accommodated in the accounting system.