

Grace United Methodist Church - Des Moines
Financial Guidelines and Policies

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OVERVIEW

Grace United Methodist Church (GUMC), Des Moines, Iowa, operates as a religious organization with a 501(c) (3) non-profitable charitable status. GUMC is dependent on charitable giving and therefore must act responsibly and ethically in all financial transactions of the church. Effective stewardship of church resources is central to the ongoing operations of Grace.

The purpose of developing these guidelines is to establish clear, comprehensive policies that safeguard the use of church funds. The goals are:

- To assure responsible stewardship of resources for ministry
- To assure compliance with legal duties
- To give clear direction so the day-to-day financial activities are transparent and collaborative

The Finance System of the church includes the processes of raising, managing, and dispensing the financial resources so the mission and vision of the congregation can be achieved. The primary responsibilities of the Finance Committee are to develop the annual financial plan, manage and report on the overall financial status of GUMC

It is the intent of GUMC leadership to abide by the current rules and regulations of the Internal Revenue Code, Internal Revenue Service, and other appropriate governing bodies.

The Committee on Finance establishes, reviews and updates written financial policies to provide the basis for the Finance System and document the internal controls.

FINANCIAL SYSTEM

Basis of Accounting

GUMC operates a full cash basis fund accounting system. Revenues are recorded when received and expenditures are recorded when disbursed.

Fiscal Year

The fiscal year begins on January 1 and ends on December 31.

Chart of Accounts

The General Ledger Chart of Accounts contains a listing of all descriptive account numbers being used in recording financial transactions of GUMC. The Chart of Accounts is currently maintained on the Shelby Systems software.

Fund Accounting

Non-profit organizations utilize fund accounting since the focus is on accountability rather than profit. Fund accounting is a system that groups assets and liabilities according to the specific purpose for which they are used. The goal is to track unrestricted and restricted funds.

Financial Reporting

The financial reports should provide timely, accurate information that addresses the following areas:

1. How do receipts and expenses impact the cash balance?
2. How does actual income compare to budgeted income?
3. How do actual expenditures compare to budgeted expenditures?
4. How do actual income/expense compare by month? YTD?
5. How do capital expenses compare to capital income?
6. Loan, restricted and designated fund balances.

A detailed accounting of monthly revenues and expenditures are to be prepared and presented to staff and ministry leaders for their review. This should include the Balance Sheet and Income Statement as required by Statement of Financial Accounting Standards 117. FASB has also issued Topic 958 which utilizes two categories of net assets: Net Assets without Restriction and Net Assets with Donor Restriction. If Year End Financials are requested from an outside entity GUMC may be required to comply

with this format. Financial statements are to be produced from a software system.

Internal Controls

GUMC financial internal controls are a system of processes and procedures to assure separation of duties between initiation and authorization of transactions as well as physical controls of assets and recordkeeping that prevent or deter potential misappropriations of assets. Internal controls fall into two categories as listed below.

Active Controls

1. Signature on check requests
2. Original voucher
3. Limit accounts to one bank
4. Limit on credit cards
5. Two signatures required for checks written in excess of \$1,000
6. Passwords
7. Back-ups
8. Segregation of Duties—SOD means that there are procedures that mandate duties that must be divided among several persons so that no one person or group can obtain cash by fraud.
 - 8.1. Cash receipt counting must have 2-3 counters at all events where monies are collected.
 - 8.2. Counters must be unrelated members.
 - 8.3. Family members may not count together.
 - 8.4. Staff, Finance Chairperson and Treasurer cannot be counters.
 - 8.5. All deposits must go through counters.
 - 8.6. All checks must have proper documentation
 - 8.7. Employees cannot be check signers.
 - 8.8. Periodic review by one or two members of Finance Committee to review check stock sequence; physical review of check backings and credit card transactions.
 - 8.9. Copy of all bank, safety deposit box and investment signatories must be on file at church office and should be updated annually.
 - 8.10. The use of ATMs or means other than checks to withdraw cash from GUMC bank accounts will not be permitted.

Passive Controls

1. Focused audit on internal controls which is done with conference reports.
2. Periodic audit as determined by Finance Committee
3. Stored backup of receipts that match and trace deposits and checks
4. Financial procedures are reviewed and updated every three years.

Financial Software

GUMC utilizes a national automated management software system specifically designed for churches. The current software system includes a payroll module that interfaces with general ledger activity.

FINANCIAL INSTITUTIONS/BANKING

Bank Depositories

It is the policy of GUMC that all church financial assets other than real property be deposited with reputable financial institutions (such as federally insured) which provide regular, clear, and auditable reports.

1. A list of GUMC bank accounts is maintained and regularly reviewed.
2. Bank accounts and authorized check signers are reviewed and approved annually.
3. GUMC maintains bank accounts for the General Fund, Restricted Funds and Pre/School.
4. GUMC maintains an account with Vanguard.

All accounts using the church Federal ID or name will be reported on the financials.

Brokerage Accounts

GUMC maintains a broker account with local Raymond James representative. The account is used to convert donor stock contributions to cash assets. The policy is to sell the investment as soon as all paperwork is in order and to deposit funds per donor's written instructions.

GUMC has an account with Vanguard. This account was established to build equity with the long-term intent to use the earnings for various restricted projects. Current signors on this account are the Chair of Trustees and Treasurer. Vanguard fund balance is reflected in accounts 12130 and 12140. Procedures for administration of the account are the responsibility of the finance committee.

Stale Dated Checks

Outstanding checks are considered stale dated after 6 months. The check will be reissued, or funds returned to the correct account after consultation with the person/staff that issued original check request. This policy ensures compliance with State of Iowa Lost Property Reporting.

Safe Deposit Box

The safe deposit box is currently maintained at Bankers Trust bank. Keys are located at????? Signers are ????. Documents held in safe box include:

ANNUAL BUDGET

The Finance Committee is charged with general oversight of budgeting and monitoring income and expenses. A budget is the framework of the church's financial plan that reflects specific amounts of money allocated from anticipated income to support its ministries during the program year. The budget forms the basis for reporting fiscal stewardship to the church.

In summary, the Finance Committee:

1. Is responsible for assembling the annual spending plan each year.
2. is charged with responsibility for developing and implementing plans that will meet the budget adopted by the Administrative Council.
3. will seek budget requests/recommendations from all program areas, staff, and lay leaders for the programs and activities in their areas.
4. All staff salary and personnel related items are submitted by the Staff Parish Relations Committee and Preschool Committee for approval by the finance committee and Administrative Council.

The proposed budget plan will include a plan for revenue, expenditures, and debt service.

The budget approved by the Administrative Council is authorization to the Financial Secretary to record and expend funds in accordance with the budget.

Staff, program chairs, lay leaders and members are responsible for operating within the budget approved for their area.

Stewardship Campaign

A stewardship campaign is an essential part of the financial plan at Grace. Its purpose is to provide a focused program of giving to the congregation to allow each member to prayerfully consider their individual commitments to the mission of GUMC for the coming fiscal year.

Timeline

Budget preparation and approval will be based on the following schedule:

1. August – Finance Committee reviews current year activity, discusses any concerns and establishes general budget priorities for next fiscal budget.
2. September – Staff, User Groups, submit next year budget requests. Staff Parish makes recommendation for personnel compensation package. Personnel recommendations and program area budget requests are reviewed.
3. October – Stewardship Campaign begins and continues through November.
4. November – Preliminary budget is compiled.
5. December – Final budget recommendations submitted to Administrative Council for approval. After approval, budget is entered into Shelby accounting module.

CASH ACCOUNTS PROCEDURES

Check Signing

The Finance Committee is responsible for annually approving all check signers.

- Check signers should not be related to each other either by blood or marriage.
- Authorized signers should never sign a check for themselves or another family member.
- Checks may never be signed blank.
- Persons signing checks must be diligent in exercising their fiduciary responsibilities by careful review and examination of invoices and supporting documentation of each check. The signer is accountable for checks signed and should question anything that appears to be irregular.
- Checks over pre-determined amount require two signatures.
- Checks should never be signed that are payable to “cash” or bearer.
- Blank check stock is to be retained in locked cabinet when not being used.

Reconciliation of Accounts

- The Financial Secretary reconciles bank accounts on a monthly basis.
- Credit card statements are to be reconciled monthly.
- Bank statements are to be sent directly to the church address and not to an individual’s home address.
- Statements for all savings, investment and/or certificate of deposit accounts shall be requested quarterly if not being received automatically and should be reconciled within 10 days of receipt.
- Bank Controls
- A letter of authorization from the church treasurer or chair of finance shall be required to open new accounts in the church’s name with the church’s tax identification number.
- A letter of authorization from the church treasurer or chair of finance is required before any changes are made to the present accounts in the church’s name with the church’s tax identification number.

- The bank is to send account statements to the church office and never to an individual's home.
- All accounts must be established using the church's name and tax identification number.
- A list of names on signature cards for all bank accounts must be kept on file at the church office, updated annually and presented to the Finance Committee for approval.

Restricted Gifts

A gift that a donor stipulates must be used for a specific purpose is, "in fund accounting" deemed to be a "restricted" gift. Often, these gifts are referred to as "designated" gifts. There are three types of designated gifts – solicited, unsolicited and memorials.

- Solicited designated funds are those for which there is a congregational wide effort to request and collect funds for a specific purpose.
- Unsolicited designated funds are those that have been given for a specific purpose, but no approved campaign is in progress.
- Memorials are those contributions given in memory or honor of someone.

Reserve Funds

The purpose of a reserve fund policy for GUMC is to ensure the stability of its mission, programs, and ongoing operations. The finance committee is responsible for developing this policy.

Sources of Income

GUMC has several sources of income as described below. Giving methods include traditional pledge and envelope/cash offerings as well as electronic automated payment methods. All monies turned into the church office shall be restricted to a locked cabinet until deposited.

Worship Services/Mailed Contributions/Donations

Ushers will receive or collect offerings in the services the church holds on Sundays or other special events such as Christmas Eve that regularly collect monies. All receipts will be combined and deposited in the church office immediately following the collection and then counted in the next

regularly scheduled session in accordance with the procedures established by the Finance Committee.

- All collections are to be counted, recorded, and prepared for bank deposit.
- All collections must have at least two persons overseeing the counting procedures.
- Offering envelopes are to be opened only by counters.

Contributions Received By Mail

Generally, funds received through the mail will not be easily identifiable on the envelope. When the envelope is opened, and it is determined that contribution funds are enclosed then the funds are to be deposited in the locked cabinet with the following information listed:

- Name of Contribution
- Amount received
- Designation use/purpose
- Date received

Automatic Bank Deposits

Grace United Methodist Church accepts credit card and ACH transactions for donations and payments from donors. These transactions are processed and managed through Vanco Services. Vanco offers safeguards to avoid misuse of contributions.

Fund Raising

Fund raising is the solicitation of funds from church congregation for any purpose other than the operating budget with the exclusion of denominational wide special offerings. All proposed fundraising activities must be approved by Administrative Council to avoid conflict with the church-wide stewardship campaign or with any other fundraising events.

Gifts of Marketable Securities

The church maintains a brokerage account for the receipt and low-cost liquidation of gifts of marketable securities. Outright gifts of securities shall be sold as soon as reasonably practical to avoid the church from being placed in the position of assuming market risk. The broker is directed to immediately convert any security to cash and then issue a check made payable to Grace United Methodist Church of Des Moines. Upon receipt of the check, the gift is recorded as a contribution.

Cash Policy

Checks will never, under any circumstances, be cashed out of worship service offerings or any other church receipts. Checks will not be accepted if they are made payable to cash. Two party checks will not be accepted.

CHURCH RECEIPTS POLICY

Giving is an act of worship and GUMC is blessed with a generous congregation whose gifts of cash, tangible assets and service to Grace reflect a deep understanding of stewardship. The primary objective of this Receipts (Gifts) Acceptance Policy is to describe the type of gifts that GUMC can accept and how those gifts will be utilized in compliance with the Book of Discipline as well as all applicable laws.

The focus is to protect GUMC's status as a 501(c)(3) charitable organization and help to ensure that members/donors gifts to Grace are deductible as contributions for U.S. federal income tax purposes. GUMC intends to use the gifts as directed by the donor, but donors must be aware that GUMC retains the right to determine how the funds will be used for gifts to be deemed tax deductible.

Gift Categories

Unrestricted Gifts: Unrestricted gifts are donations made to GUMC without stipulation by the donor. These gifts account for most of the receipts and are added to the general operating fund. The budget is funded mainly through such unrestricted gifts which allows GUMC to fund its most pressing needs and expenses of its ministry.

Restricted Gifts: A gift that a donor stipulates must be used for a specific purpose is, "in fund accounting" deemed to be a "restricted" gift. Often, these gifts are referred to as "designated" gifts. The Book of Discipline states that Contributions designated for specific causes and objects shall be promptly forwarded according to the intent of the donor and shall not be used for any other purpose. This is a trust with the donor.

It is important to evaluate unsolicited gifts that may not further the mission of the church. It is the responsibility of Trustees and/or Administrative Council to accept or decline the gift.

There are three types of designated gifts – solicited, unsolicited and memorials.

Solicited Designated Funds

Solicited designated funds include those activities and items approved by the Senior Pastor and/or the Administrative Council as well as those

special offerings requested by the District or Conference. Any request for solicitation of designated gifts should be accompanied by a plan for disposition of excess contributions. Collected designated funds shall be given to the counters for accounting purposes and entered in a subaccount of Designated Funds General Ledger that clearly states the intended purpose of the funds.

Unsolicited Designated Funds

Unsolicited designated funds are those funds for which no request has been made of the general congregation for contributions. Unsolicited designated funds shall be given to the counters for accounting purposes and be entered into a sub-account of the designated funds. This sub-account shall state the intended purpose of the funds.

In the absence of approved plans for the designated funds, these funds shall be utilized before drawing on the general fund budget. The Financial Secretary shall ensure that the funds are expended accordingly.

Memorial Fund

Grace United Methodist Church has adopted this Memorial/Gift Policy in our effort to assist individuals making gifts to the church in their own names or in memory or honor of a loved one. The purpose of the GUMC Memorial Fund is to provide one way of enabling friends and family to remember departed loved ones through a gift to the church.

The Finance Committee shall establish a "Memorial Gifts Fund" for receiving and accounting for designated gifts given in memory of members and others associated with GUMC or its friends. All gifts given in memory of an individual will be deposited into the Memorial Fund unless the donor has specifically stated the memorial gift is to be used for another existing restricted fund.

Donors planning to make a special one-time memorial gift will contact the Senior Pastor and The Chair of Trustees to discuss the potential gift and its acceptance by GUMC. Cost of maintenance, repair or appropriateness to church may pose a financial burden to the church.

The Memorial Committee is charged with developing a list of suitable memorial gifts in all price ranges in consultation with various church committees to be shared with the family. The list of suitable memorials

shall be reviewed at the January Administrative Council meeting each year. If any memorial is suggested at some future time that is not on the list, it must be approved by the Administrative Council.

Once memorial gift has been identified, funds should be transferred from Memorial Fund to respective account.

Memorial Funds that have not been expended within 12 months following the death or the last receipt of funds, shall be considered as undesignated funds. Family should be contacted one last time to determine best use, but the Memorial Committee should make recommendation as to the best use of unspent funds.

DISBURSEMENTS

Payment Authorizations

- The annual budget is the vehicle whereby the church establishes its intentions of how the church's funds are to be spent. While there will be things that arise unexpectedly, it is important to practice good stewardship of the funds entrusted to GUMC. Spending control is important.
- The set amounts for the staff salaries and benefits are a trust made to the pastors and staff. It is vital to maintain proper payment of these commitments. Any benefits such as insurance and retirement paid directly to an employee are reported as taxable income.
- For other expenses of the church, the budget needs to act as a guide. Committee chairpersons are responsible for monitoring the budget. It is also the chair's responsibility to ensure that their committee members do not make any expenditures which have not been approved by the chair in advance.
- All disbursements are to be supported by adequate documentation that clearly establishes the legitimacy of the payment to be made.
- Out-of-pocket expense at times are necessary for members of a team. Original receipts with signature reimbursements are to be given to Office Manager with ten business days of the date of purchase. Reimbursement request must be given to chairperson for signature approval prior to submission Office Manager.
- Except for payroll, every check must be based on a written invoice, receipt or check request. Checks may not be made payable to cash.
- Payroll advances will not be issued.
- Church credit cards are issued as a matter of convenience. Per a IRS regulations, only church expenses may be charged to a church credit card. Receipts must be obtained and reconciled with the credit card statement.

PASTOR DISCRETIONARY FUND

The pastor's discretionary fund is intended to give the Senior Pastor discretion and authority within limits to provide financial support to persons in need.

No checks shall be made to cash. Every effort shall be made to write the check to agency or merchant for goods or services.

Funds may not be used to benefit the Senior Pastor or their immediate family members.

FINANCIAL REPORTING

Mortgage loan debt, while not required to be shown in liability section of the balance sheet, shall be footnoted as a significant payable so that all readers are aware of the debt.

Account balances for interest-bearing accounts shall be updated at least quarterly on the balance sheet. For year-end financial statements, the balance shall reflect December 31 account balances.

Statement of Contributions

Statements of contributions will be prepared and mailed to identified donors at the end of March, June, September, November, and December. At any other time by request of donor, a statement may be prepared detailing all contributions to date. The Financial Secretary shall maintain discreet confidentiality in all matters relating to personal contributions.

Per IRS guidelines, all contributions must be received or postmarked no later than December 31 to be included in that year's revenue.

Contributions not received or postmarked by December 31 will be included in the subsequent reporting period.

EXPENSE POLICY

Employee and non-employee Expense Reimbursement

Mileage-IRS Rate

Meal Allowance- actual

Accountable Plan

The clergy accountable plan includes annual conference, professional expense and continuing education.

Payroll

GUMC issues direct deposit payroll twice a month.

Salaried employees are paid 1/24 of annual salary twice a month.

Hourly employees are paid rate times hours worked twice a month.

The payroll module is used to track hours worked, sick leave and vacation.

BUSINESS POLICY

Insurance

GUMC will maintain adequate property and liability coverage to assure church resources are properly protected. Insurance coverage should be reviewed as needed to include property added or deleted from inventory. GUMC shall maintain adequate workers compensation insurance.

Regulatory Requirements

The Financial Secretary is responsible to assure GUMC is following all governmental regulations including:

- Payroll Tax Withholdings (state and federal)
- Quarterly Tax Returns (state and federal)
- Annual Tax Filings (W-2 and 1099)
- Workforce safety reporting

Conference Report

Financial Secretary and Treasurer are responsible for completing church annual financial data reports.

Service Contracts

GUMC will enter into service contracts for maintenance, inspection and monitoring of facilities. Contracts shall be on file for regularly performed services. Trustees will make recommendations, review and approve the contract.

Selection of Vendors

A potential conflict of interest is presumed if the purchase of goods or services involves a member or staff of GUMC, their family or friends. In these situations, an affected decision maker should recuse themselves. The Finance Team or Trustees should review and approve the purchase.

Unbudgeted Expenditures

Unbudgeted expenditures, not coming from a designated Trustee Fund exceeding \$2,500 are subject to finance committee approval. Unbudgeted expenditures are unplanned expenses to the GUMC overall budget.

Quote/Bid Requirements

Any purchase exceeding \$2,500 must be supported by a minimum of three bids from responsible bidders (licensed and insured) that have performed “like” work in the past. The awarded vendor will be chosen by whom provides the best value (not always the cheapest price).

Document Retention Financials

See attachment

Immediate Family Member

Defined to include spouse, children (natural, adoptive, or step), parents and siblings whether or not living in same household.