

1. Accounting Policies

In order for you to do the tasks required in your position as Congregational Treasurer it is essential that you have the support and instruction from your council when it comes to financial matters. Congregational Treasurers should never let themselves be put in a position where they alone are making decisions or developing policies regarding the finances of the congregation. It is crucial that your congregational council or finance committee develop a written set of accounting policies for their treasurer. The accounting policies could cover such things as:

- Where are the congregation's funds kept?
- Who has signing authority on the accounts?
- What are the procedures for handling offerings?
- What is the budget process?
- Who can enter into a contract or purchase agreement on behalf of the congregation?
- Who can authorize bills for payment?
- Who can actually issue payment for expenses incurred?
- Who can do the treasurer's job in the event the treasurer is unavailable?
- What financial reports are needed? How often should they be submitted?
- How are designated gifts handled?
- How is event income handled?
- What is the priority of payments? Who gets paid first each month?
- How are payment levels determined?
- How are general fund cash shortfalls handled?
- How are general fund cash surpluses handled?
- What level of cash must be kept liquid? How can the rest be invested?
- What type of investments can be acquired?
- Who can open new restricted funds? How and when should restricted funds be closed out?
- Are there written procedures for a new treasurer?

These questions and many more are the sorts of questions that should be answered by the collective wisdom of your congregation's finance committee or council.

You as Treasurer should see to it that the congregation operates within the guidelines established, but you should not be taking it upon yourself

to make these types of decisions on your own. Please urge your council or finance committee to put the accounting policies in writing – both for your benefit and for the protection of the congregation.

The following pages illustrate one such set of policies for a smaller congregation.

XXX Lutheran Church

Adopted April 3, 2002

I. PREFACE

XXX Lutheran Church is entrusted by God with financial and material resources to carry out the work of the church. It is the intention of the Congregation to be good and faithful stewards, using such resources wisely and with care.

It is the intention of the Congregation to be a responsible partner with the other congregations of the Northwest Washington Synod of the Evangelical Lutheran Church in America; with the ELCA churchwide organization; and with other congregations, agencies, or institutions with which it is involved in shared ministry.

The Congregation Council is the board of directors for the Congregation and is guided by the Congregation's constitution. These financial policies have been developed to give further guidance regarding the use of financial resources.

II. GENERAL PROVISIONS

A. FINANCE COMMITTEE

1. The Finance Committee shall be a standing committee of the Congregation.
2. The Finance Committee is comprised of the Congregation Treasurer, the Congregation Financial Secretary, and other members as may be appointed by the Congregation Council.
3. The Finance Committee shall meet every odd month, and additionally as the need arises for specific or urgent matters.
4. The functions of the Finance Committee shall include the following:
 - a. Gather and compile information for the development of the general fund budget.
 - b. Monitor income and expenditures in relation to the general fund budget, these financial policies, and actions of the Congregation Council.
 - c. Serve as a resource to the Congregation Council, Committees, and the Church office.
 - d. Review and recommend revisions to these financial policies.

B. LOCATION OF FUNDS

1. **BANK ACCOUNTS** - With approval of the Congregation Council, the Congregation Treasurer shall be responsible for opening and closing bank accounts. The current approved bank accounts are listed in Appendix 1.

2. SIGNING AUTHORITY - The Congregation Treasurer, Congregation President, Congregation Vice President, and Congregation Secretary are authorized to sign on bank accounts. Exceptions shall be only with the approval of the Congregation Council. Checks shall only require one signature to be valid.
3. AUXILIARY ORGANIZATIONS - An auxiliary organization may keep its funds in separate bank accounts for the auxiliary organization. Such funds shall be accounted for in accordance with policies and procedures established by the auxiliary organization. If total receipts during the year exceed \$500, a financial report, with supporting documentation, shall be submitted for audit.

C. CASH RECEIPTS PROCEDURES

1. Two person teams (not members of the same family or household) shall weekly be identified by the Financial Secretary to be Tellers responsible for counting and depositing all offerings and other moneys received by the Congregation. As a precaution, the Treasurer is not eligible to be a Teller.
2. Moneys received in the church office during the week, together with envelopes and any accompanying paperwork, shall be kept in a safe place until the following Sunday at which time they shall be counted with the regular Sunday offering. Checks shall immediately be endorsed with a stamp "For deposit only" to the Congregation checking account.
3. For tax purposes, moneys received during the first week of January shall be designated as either December or January receipts based upon postmark, check date, and/or other evidence of timing of the payment.
4. The offerings and other receipts shall be counted in the church building following worship services at which an offering is received. If counters are unable to count immediately following the service, the offering shall be placed a safe place and counted in the church building as soon as possible.
5. The team shall separate all cash and checks from the offering envelopes. The amount of money in each offering envelope shall be compared with the amount written on the envelope. If no amount is stated on the envelope or if the amount of money in the envelope is different from the amount listed on the envelope, the counters shall write the correct amount on the envelope and circle and initial it.
6. All checks shall be endorsed by a stamp "For deposit only" to the Congregation checking account.
7. Checks and cash must be deposited intact, as actually received. Cash shall not be exchanged for personal check.
8. The team shall prepare two copies of the Bank Deposit Slip (original with one carbon copy) and shall prepare and sign the Offering Tally Sheet.
9. The Tellers shall place the offering envelopes and other records of contribution in the Congregation Financial Secretary's box in the church office.

- 10 The Tellers shall deposit in the bank the cash and checks with the original of the Bank Deposit Slip. The deposit shall be made as soon as possible.
- 11 The Congregation Treasurer shall verify that all deposits are properly reflected in the bank account and are recorded in the books of the Congregation.
- 12 The Congregation Financial Secretary shall make a record of cash gifts from each member. Cumulative year-to-date statements shall be made available to the respective members semi-annually. The statements shall include information required by the donor to claim the appropriate deduction for income tax purposes.

D. AUTHORIZATION TO ISSUE PAYMENT

1. Upon receipt of appropriate documentation, the Congregation Treasurer, Congregation President, Congregation Vice President, and Congregation Secretary have authority to issue payment from Congregation funds. A check signer shall not issue a check to oneself or to a member of ones family or household.
2. Invoices and/or check requests, prior to being submitted for payment, must be signed by a person authorized to make commitments on behalf of the Congregation. Such signature indicates that material has been properly received; that the services have been performed; that a proper commitment has been made for future services; that the request is in carrying out direction from an approved budget or through Congregation Council action. The documentation must include either:
 - a. Original receipt which includes description(s) with an explanation giving evidence that the expense is consistent with the budget and with indication of the appropriate account to be charged; or
 - b. Signature of another person authorized to make such commitments on behalf of the Congregation with an explanation giving evidence that the expense is consistent with the budget and with indication of the appropriate account to be charged.
3. In the event any of the documentation is incomplete or otherwise inadequate, or if the Congregation Treasurer or other payer has any question as to the appropriateness of an invoice or request for payment, the Treasurer or other payer shall obtain approval of the Congregation Council prior to issuing payment.
4. In lieu of a two-signature check system, the Pastor or his/her designee shall review the cancelled checks that are received monthly from the bank prior to the Treasurer's receiving them. In the event an unusual check is observed, the Treasurer is to be contacted for an explanation, and if that explanation is unsatisfactory, the matter should be brought to the attention of the Congregation Council for discussion.

E. CONTRACTS AND PURCHASE AGREEMENTS

All financial commitments of \$500 or more or with periods exceeding twelve months shall be stated in a written and signed contract or purchase agreement prior to execution. A contract or purchase agreement shall be defined as an agreement between the Congregation and one or more parties for the purpose of acquiring services or personal or real property. It includes the disposition or exchange of personal or real property.

1. APPROVAL - A contract or purchase agreement must be approved by the Congregation Council if its non-cancelable term exceeds twelve months or if the contract or purchase agreement charge will cause a budget allocation to be exceeded.
2. SIGNING AUTHORITY - Congregation Officers have signing authority for the Congregation.
3. CONTRACT AND PURCHASE AGREEMENT COMMUNICATION - A copy of any executed contract or purchase agreement shall be sent to the Church office for use by the Congregation officers in financial planning, activity awareness, and record retention.
4. FINANCIAL ANALYSIS - Contracts and purchase agreements in excess of \$2,000 involving financial formulas for final pricing, buy versus lease options, or payment plan alternatives shall be reviewed with the Congregation Treasurer or designee before being signed.

F. FINANCIAL REPORTING

1. FINANCIAL STATEMENTS - The Congregation Treasurer shall make written report of all financial transactions to the Congregation Council monthly and to the Annual Congregation Meeting in the form of the following financial statements :
 - a. Summary of Fund Activity (Budget Summary)
 - b. Assets and Liabilities (Net Worth)
 - c. Receipts and Disbursements (Cash Flow)
2. FISCAL YEAR - Financial reporting for the Congregation shall be from July 1st through June 30th.
3. METHOD OF REPORTING - Financial reporting shall be on the cash basis, i.e. income is recognized when cash is received and expenses are recognized when cash is disbursed.
4. REVENUE CUTOFF
 - a. The Congregation Financial Secretary shall record moneys received during the first week of January as either December or January receipts based upon postmark, check date, and/or other evidence of timing of the payment.
 - b. The Congregation Treasurer shall record as a "deposit in transit" any moneys received during the first week in January determined to be December income.
5. EXPENDITURE CUTOFF - Moneys disbursed shall be recorded as of the check date.

G. INSURANCE

The Finance Committee in conjunction with the Property Committee shall procure and annually review property and liability insurance coverage and Board and Professional Liability coverage.

III. SOURCES OF INCOME

A. UNDESIGNATED RECEIPTS

Undesignated receipts shall be placed in the general fund.

B. PASSTHROUGH GIFTS

1. Passthrough gifts are those which have been designated by the donor to be passed along to another non-profit agency.
2. Passthrough gifts shall normally be paid monthly, in full, to the designees.
3. If the Congregation Treasurer has any question regarding the appropriateness of the Congregation collecting gifts for a particular designee, the Congregation Treasurer shall consult with the Congregation Council before forwarding those gifts.

C. DESIGNATED GIFTS

1. Designated gifts are those given to the Congregation for a special purpose.
2. Designated gifts for Congregation use with restrictive provisions shall be placed in a fund that the Congregation Treasurer has established for that purpose.
3. The Congregation reserves the right of acceptance or refusal of designated gifts. In the event that the Congregation Council decides not to accept the gift for the restrictive purpose, the Council shall direct the Financial Secretary to contact the donor(s) for instructions regarding the disposition of the gift.
4. Designated gifts given for items already in the Budget, (e.g. Building/Mortgage,) may be used in place of General Funds for that Budget item.
5. The status of Designated Gifts shall be reviewed regularly by the Finance Committee. Gifts that are not in keeping with current mission goals, congregational planning, or practicality may be referred to the Congregational Council for recommended action.

D. GIFTS-IN-KIND

1. DEFINITION - Gifts-in-kind are any gifts of goods and property other than cash or checks.
2. ACCEPTANCE - The acceptance of gifts-in-kind by the Congregation shall be reviewed by the Congregation Council on an individual basis. The intent of the Congregation is to accept all bona fide gifts that directly or through liquidation may be beneficial to the purpose of the Congregation. The Congregation shall consult with qualified person(s) within and/or outside the organization, as necessary, to determine the gift's potential benefit to the Congregation.
3. LIQUIDATION - Liquidation of gifts-in-kind shall occur as soon as reasonable unless, upon review by the Congregation Council, a different decision is made regarding a specific gift-in-kind as to its purpose, usefulness, and length of ownership. Paramount in any such evaluation and/or liquidation of a gift-in-kind shall be its usefulness in fulfilling the purpose of the Congregation.

5. ACKNOWLEDGEMENT - The Congregation Financial Secretary shall acknowledge gifts-in-kind with the date of and description of the gift. The Congregation shall not be involved in any manner with setting the monetary value to the donor of gifts-in-kind.

E. INVESTMENT INCOME

When practical, investment income shall be allocated to the fund generating the income. All other investment income shall be credited to the general fund.

F. EVENT INCOME

Special event income shall be credited to the same restricted fund as designated for the recording and control of event costs. Income and expenses from minor events may be offset within the general fund. Designated offerings received during an event shall be disbursed to the authorized designees.

G. MISCELLANEOUS INCOME

All other income, unless otherwise directed by the Congregation Council, shall be placed in the general fund.

IV. GENERAL FUND

A. SOURCES OF INCOME

The general fund shall receive all income not specifically allocated to another fund.

B. AUTHORIZATION OF EXPENDITURES

1. Expenditures from the general fund which are within the allocation in the budget approved by the Congregation shall have been made by an authorized party as listed below.
 - a. Compensation and related taxes and benefits, contractual obligations, and benevolences are pre-authorized as budgeted.
 - b. Congregation Council may authorize expenditures for insurance, office equipment, furnishings, conferences and conventions, and other expenditures not otherwise designated.
 - c. Parish ministry committees may authorize expenditures to carry out the functions of their respective committees.
 - d. The Pastor may authorize expenditures for parish ministry committees, office supplies, substitute pulpit supply, special benevolences, and monthly mileage.
 - e. The Property Committee may authorize expenditures for compensation to the Custodian, utilities, maintenance, repairs, contracted services.
 - f. The Worship and Music Committee may authorize expenditures for altar supplies, accompanists, worship materials, printed music, and compensation for a Nursery Attendant.

F. LOANS

No loans shall be made from the general fund.

G. INVESTMENTS

1. INSURED ACCOUNTS - All moneys in the general fund shall be held in insured accounts unless the Congregation Council authorizations investment in a specific uninsured fund.
2. FINANCIAL INSTRUMENTS - The Congregation shall not hold securities or financial instruments in the general fund which bear a risk of loss of principal. Gifts of such instruments shall be liquidated as soon as possible.

V. OTHER FUNDS

Separate policies for memorial funds, capital improvement funds, endowment funds, etc. may be written as required.

VI. BUDGET DEVELOPMENT PROCESS

A. BALANCED BUDGET

The general fund budget proposed to the Congregation at its annual meeting shall be a balanced budget based on realistic income projections. Projected revenues shall equal anticipated expenditures, except where transfers to or from a contingency fund are included.

B. REQUESTS

All requests for general fund budget allocation shall be submitted in written form and signed by the requester. Data from the present and prior years shall accompany the request.

C. BUDGET DEVELOPMENT SCHEDULE

1. April – Congregation Treasurer shall announce in newsletters and bulletins:
 - a. that budget submissions will be due on or about June 1st.
 - b. the date and time of the June Congregation annual meeting as set by the Congregation Council.
2. May - Committees shall prepare requests for budget allocation using current year-to-date actual expenditures with projections for the remainder of the year and estimated requirements for new programs.
3. June - Finance Committee shall:
 - a. receive all requests for budget allocation from committees and other appropriate sources;
 - b. in conjunction with the Stewardship Ministry group, project income for the following year;

- c. prepare a draft budget.
4. June - Finance Committee shall present to the Congregation Council a draft budget including projected income and all requests for budget allocation. The Congregation Council shall act upon the draft budget.
5. June – The Congregation Council shall move the adoption of the proposed budget at the Annual Congregation Meeting. The Finance Committee shall be prepared to present information relative to the proposed budget at that Congregation Meeting.

VII. ANNUAL AUDIT

A. AUDIT COMMITTEE

The Congregation Council shall appoint an Audit Committee of three members. At least one of the Audit Committee members shall be a member of the Congregation Council.

B. RESPONSIBILITY

The Audit Committee shall audit the records of the Congregation Treasurer and of all parish organizations handling funds for a 12-month period ending April 30th for that fiscal year. A report of these audits shall be made to the Congregation at the annual meeting.

C. PROCEDURES

The Audit Committee shall perform the audit procedures listed below together with such other tests and procedures as the Committee deems necessary. In performing the audit tests and procedures, the committee may use sampling techniques. The Committee shall:

1. Verify balances of all assets (e.g. cash) listed on the financial statements.
2. Verify balances of all liabilities.
3. Verify that the Treasurer's records of receipts are completely and accurately summarized in the financial statements, both in total and by individual fund or according to any restrictions.
4. Verify that all checks or other withdrawals from accounts are completely and accurately recorded in the financial statements, including the account to which the expenditure is charged.
5. Verify that all expenditures are appropriately authorized.
6. Verify math in all financial statements.

VIII. OTHER MISCELLANEOUS PROVISIONS

A. CONGREGATION EVENTS

When the Congregation sponsors an event, prior to such event, the committee planning the event shall estimate potential gains or losses and shall communicate this to the Congregation Council. Advance registrations shall be encouraged.

B. MULTI-CONGREGATION EVENTS

This Congregation with one or more other congregations may sponsor a joint event. Prior to the event, the joint committee planning the event shall agree on the basis for the distribution of estimated gains and potential losses. This Congregation's representative(s) on the joint planning committee shall communicate the agreement to this Congregation's Council and appropriate Committee. Advance registrations and payments shall be encouraged.