

# **Financial Policies and Procedures for Small–Medium Membership Churches**

**Provided by:**  
*Church Administration Office*  
**South Carolina Baptist Convention**  
**190 Stoneridge Drive**  
**Columbia, SC 29210**

# **Financial Policies/Procedures Disclaimer**

- **The Financial Policies/Procedures are owned by the South Carolina Baptist Convention.**
- **The purpose of these Policies/Procedures is to aid a congregational/member-led church in creating or amending its current Financial Policies/Procedures. It is not intended to be the final form or instruction for a church Financial Policies/Procedures.**
- **Churches are encouraged to become a non-profit corporation through their State Secretary of State. Applications are available for Articles of Incorporation and may require Bylaws to accompany the application. Policies/Procedures are an appendage of the Bylaws.**
- **Churches may want to have a CPA review any proposed Financial Policies/Procedures.**
- **The South Carolina Baptist Convention does not have authority over the local church. These Policies/Procedures are provided as a tool at the request of the local church.**

**SMALL/MEDIUM MEMBERSHIP CHURCH  
FINANCIAL POLICIES/PROCEDURES**  
South Carolina Baptist Convention  
190 Stoneridge Drive  
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**Introduction**

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

Churches with member-led governance have the responsibility to protect the integrity and reputation of the church, the church treasurer, and those who are asked to handle money. Church treasurers are gifted and valuable resources of the church. Confidentiality is paramount while dealing with contributions. There are many unique and sometimes technical legal rules that apply to church finances. The regulations of the Internal Revenue Service and General Accepted Accounting Principles (**GAAP**) will be our guide. These Policies/Procedures can be adjusted for your church.

**Fiscal Year**

The fiscal year for all church finances shall be January 1 to December 31.

**Financial Officers Policy**

The Church shall elect annually such financial officers as may be essential to fulfill the financial management needs of the church including a treasurer and/or those established by the Articles of Incorporation/ Bylaws and such other officers such as a financial secretary, offering-counting committee/team, audit committee/team and investment committee/team as may be appropriate. The church shall, for each officer, establish their duties with job descriptions and assure they function within the financial policies of the church.

## SECTION ONE Duties and Responsibilities

### **Treasurer Policy (listed as a Church Officer –must be member of the church) even if a Financial Secretary is functioning.**

The treasurer is accountable to the congregation to disburse all funds received into the church treasury in a responsible and organized manner in accordance with the policies and procedures established by the church. The responsibilities of the treasurer are as follows:

1. To work according to the guidelines contained herein established by the church.
2. To supervise the disbursement of all money contributed to the local church budget, keeping accurate records of how money is spent.
3. To prepare accurate monthly financial reports indicating the financial well-being of the congregation.
4. To be knowledgeable about collecting, counting and recording procedures.
5. To participate in and report regularly to the appropriate committees/teams, officers, staff and congregational meetings.
6. To assure there are adequate records documenting the assets of the church for insurance and other purposes.
7. To make recommendations for the investment of funds.
8. To insure that all church property is appropriately covered by insurance for property and casualty and general liability losses.
9. To insure that all governmental taxes, reporting forms and regulations are met on a timely basis.
10. To be accountable to the congregation and its committees.
11. Coordinate issuing, monitoring and collection of church credit cards; including establishing credit card limits.

EXCLUSION: This position does not include reconciling financial statements.

### **Financial Secretary Policy**

The financial secretary position primarily receives the funds that come into the church treasury, records the funds, deposits the funds and forwards information about the deposit to the church treasurer. The responsibilities of the financial secretary are as follows:

1. To work according to the guidelines contained herein established by the church.
2. To receive funds from whatever source, providing permanent receipt in a numeric receipt pad, record them, and report them to the church treasurer, the church and its leadership as provided in church policies.
3. To collect offerings received during worship services at the conclusion of the programs/events, making certain that more than one person is involved in collecting and counting the money.
4. To ensure money is deposited in a bank as soon as possible after it is received. All deposits should be made within three (3) days of receipt.
5. To establish a procedure to collect and record money received through methods other than regular offering, including money received through the mail.
6. To produce individual charitable- gift receipts summaries of all donations received during a calendar year and mail within the first two weeks of January each year.
7. To be accountable to the congregation through its designated committees/teams, elected officers, and paid staff leadership.
8. To disburse all money contributed to the local church budget, keeping accurate records of how money is spent.

EXCLUSION: This position does not include reconciling financial statements.

### **Reconciliation Secretary Policy (volunteer position)**

1. Reconciliation Secretary is a separate role and is church approved.
2. Person may not be the Treasurer, Assistant Treasurer, Financial Secretary or a member of the immediate family of any of these.
3. Reconciliation of bank financial statement takes place at the church and records remain at the church.
4. A Reconciliation Report is provided to the Treasurer, Chairman of Finance Committee and Pastor.
5. Complies with internal controls set in the Financial Policies and Procedures adopted by the congregation.

### **Counting Committee/Team Procedures**

1. The counting committee/team will consist of a minimum of three (3) to five (5) church members elected annually.
2. Spouses and immediate family members shall not be on the Counting Committee/Team at the same time. (Immediate family members include grandparents, parents, children, spouse and grandchildren).
3. A counting committee/team of three (3) counting members will count all money received Sunday morning and Sunday night. Hereafter, this team will be referred to as "Counting Partners."
4. Counting Partners will rotate teams and individuals each month so that no two people are repeatedly on the same team.

## **SECTION TWO**

### **Counting and Depositing Procedures for Sunday Offerings**

*All contributions, based on the IRS "Pension Protection Act of 2006", must be substantiated with offering envelopes. Envelopes must be retained for seven years.*

#### **Counting and depositing money received *during* Sunday School/Bible Study**

1. Offering envelopes shall not be opened in the classroom or by any Sunday School teacher.
2. The class secretary records amount of offering on the face of the envelope on the Sunday School report (never opening the envelopes); then, gives the sealed offering envelopes and loose cash, along with the class report, to the General Secretary of the Sunday School.
3. The General Secretary of the Sunday School will record information from class reports and then give offering envelopes and loose cash to designated Counting Partners for that Sunday. From this time forward the Sunday School offering will always be in the presence of two or more people.
4. Duly elected Counting Partners can only open offering envelopes, count money, prepare deposit slips, and take deposits to the bank. Loose checks will have an offering envelope filled out in order for contribution credit to be issued. All checks must be stamped "For Deposit Only" and must include the church name, bank name and account number.
5. Each Envelope will be marked according to the contents:
  - "√" (check mark) - means a check was enclosed and the amount of the check and the amount noted on the envelope match.
  - A large "C" - means cash was enclosed and the amount of cash and the amount noted on the envelope match.

- A large “X” – means there is a mismatch between what was in envelope and what was reported on the envelope. When there is a mismatch, two Counting Partners must sign the envelope and note in RED the actual amount in the envelope and whether it is cash or check.
6. All money received will be deposited in the bank, rotated by the Counting Partners.
  7. Two of the designated Counting Partners (or designated people) will take the locked/sealed deposit bag to the bank within 2 days of receipt.
  8. People taking the deposit to the bank will park close to the church.
  9. The Counting Partners process the offering and will place offering in bank provided depository bags and secure it in full view of Counting Partners and other members.

***Counting and depositing money received during Worship Service***

1. At the end of the worship service, the Counting Partners for the day will:
  - Immediately retrieve the bank bag, pick up offering plates and take them to a secured room.
  - Count loose money, record it on offering report, and set it aside.
  - Each Envelope will be marked according to the contents:
    - “√” (check mark) – means a check was enclosed and the amount of the check and the amount noted on the envelope match.
    - A large “C” – means cash was enclosed and the amount of cash and the amount noted on the envelope match.
    - A large “X” – means there is a mismatch between what was in envelope and what was reported on the envelope. When there is a mismatch, two Counting Partners must sign the envelope and note in RED the actual amount in the envelope and whether it is cash or check.
  - Any contribution received that is for a service or product will have the offering envelope stamped “Not Tax Deductible” and notify donor gift is not tax deductible.
  - Total the amount of the money removed from the envelopes and the amount on the face of the envelopes – totals should agree.
  - Stamp all checks with “For Deposit Only” stamp.
  - Prepare the deposit slip and offering report in triplicate.
  - Attach the second copy of the deposit slip to the original of the offering report and file them in a locked file or safe at the church.
  - Place all money and deposit book in bank bag and seal/lock it in the presence of both Counting Partners with one person keeping the key (if applicable). Two of the designated Counting Partners (or designated people) will take the locked deposit bag to the bank within 2 days of receipt.

**Cash Policy**

- I. Checks will never, under any circumstances, be cashed out of Sunday offerings, weekday receipts or any other money.
- II. Checks will never be accepted that are made payable to “Cash.”

**Receipts Policy**

Unless noted, all receipts are considered non-restricted receipts and are to go into the general budget. Those gifts that are restricted (designated) may only be accepted if the Finance Committee has approved an account for the designation or approved with the church ministry plan (budget).

**SECTION THREE**  
**Cash Policy and Receipts Policy**

*Monies received on days other than Sunday*

**Payments and Offering Procedure**

- I. A numbered receipt book in triplicate is used for all money and checks received during the week. All three (3) copies are required to void a receipt.
- II. Fundraiser and activity payment money.
  - A. All cash and checks from fundraising events
    1. Two people count the money and write a signed receipt indicating fundraising event and amount.
    2. The money is placed in a bank bag along with two copies of the receipt secured/locked in the presence of both people preparing deposit.
    3. One person keeps the key (if applicable) and receipt book. Both people place bank bag in night deposit box at the bank or vault.
    4. Designated, authorized people go to bank (if appropriate), open bag, and verify money matches receipt, and make deposit.
    5. All money received is deposited in bank within seventy-two hours of collection.
  - B. All cash and checks received by church officers and staff
    1. People receiving money or checks will write a numeric receipt using church approved receipt book indicating purpose for money, amount, sign receipt, and then give or mail the original receipt to donor.
    2. The second copy of the receipt, money, and/or check will be given to the Chairman of the Counting Partners for depositing process.
    3. Staff members are not to keep money in their offices. All receipts are to be placed in the office/church safe/secure location for processing by the Counting Partners.

**SECTION FOUR**  
**Special Collections Policy**

**Fundraisers & Youth/Children Collections Policy**

All fundraisers and/or solicitations by a member/church group/organization must be approved by the Finance Committee prior to launching the campaign. All funds collected must go through the counting procedures. Members and guests may not be approached individually to contribute prior to, during, or after a worship service or meeting. All promotions must be handled in the bulletin, newsletter, website or multi-media with a designated location for the fundraiser with receipts and authorized personnel on hand to handle the funds. When personal services are rendered, charitable contribution credit WILL NOT be given.

Members and guests of the congregation are not to be solicited for funds (offering/sell of an item) without the approval of the Finance Committee or by the church. Boys and girls often want to sell items to members and guests for school or other organizations. This may only be done when:

- a. The child/youth requests a date on the calendar to set up a display
- b. The display location is assigned to the child/youth by the church secretary
- c. The child/youth may only solicit at the display
- d. No funds will be handled by the church – this is only a service to the child/youth

**Special “Love” and Other Special Offerings Earmarked for Individuals (Policy)**

The Finance Committee, elected leadership and staff shall familiarize themselves with the provisions of the Internal Revenue Code in regard both to generally earmarked gifts and

especially where solicited gifts are to be given to specific individuals. Where such gifts may be made, but would not qualify as charitable gifts for tax purposes, donors will be so advised and the church will not issue receipts or letters of acknowledgement unless they note such gifts are not qualified charitable gifts. All offerings must go through the church books. When gifts are received for a specific individual (exception - mission trip approved by church) these gifts are taxable to the recipient.

When gifts are received in which contribution credit is expected, these gifts must be presented without individual designation-“no strings attached” (i.e.: mission trip account, benevolent account, etc); to be treated as a charitable gift. The church must exercise full administrative control of the gift.

**Special Notation on Revival and Love Offering:**

A “love offering” is for the person/group in which the offering is being collected. Church expenses are not taken from the love offering. When the church budgets a revival/meeting and elects to take an offering to defer costs, this offering is not to be called a “love offering.” A church may elect to have a “revival offering” to defray costs of the meeting (both honorarium and expenses, etc). Revival expenses could be a line item in the church budget and revival offerings received to fulfill the expenditures of the event.

**SECTION FIVE**  
**Cash Accounts Procedures**

- I. The church votes on people authorized to sign checks.
  - A. Two signatures are required.
  - B. No more than one person in a family is authorized to sign checks.
  - C. No more than one staff member will be authorized to sign checks.
  - D. Checks must not be signed and left blank.
  - E. People signing checks review and initial all bills/invoices before signing checks. The person is accountable for checks signed and should question anything irregular.
  - F. Team Leaders/committee members, and staff may not expend church funds with a vendor in which an immediate family member of the team leader/committee or staff would benefit as a result of the business/transaction.
- II. Reconciliation of bank/investment accounts.
  - A. The Finance Committee designates a person to reconcile all bank accounts on a monthly basis (need duties in “Duties” section). This person will not handle any money, deposits, approve bills, or sign checks. The Finance Committee does periodic reviews of the reconciled statements and compares to the financial reports provided by the Financial Secretary/Treasurer.
  - B. All checking accounts are reconciled monthly.
  - C. Savings accounts and certificates of deposit are reconciled upon receipt of statements.
- III. Bank Controls
  - A. The bank is notified in writing annually:
    1. Never cash checks made payable to the church.
    2. A letter of authorization from the Church Treasurer or Trustee Chairman is required to open new accounts in the church’s name with church’s tax number.

3. A letter of authorization from the Church Treasurer or Trustee Chairman is required before any changes are made to the present accounts in the church's name with the church's tax (EIN) number.
- B. The bank sends the bank statements directly to the church office (by name of church) designated for reconciling and never to an individuals home.
- C. All bank accounts must be established by using the church's name and/or tax identification number. All accounts should be reported on the financial reports.

## SECTION SIX Disbursement Procedures

### I. Budget Expenses

Authorization to approve bill payment.

The line item of the church ministry plan (budget) has assigned to it the name(s) of those authorized to make decisions related to the line item. These individuals are knowledgeable of the position of the budget and should question anything irregular, as they are accountable for bills they approve.

#### A. Receiving merchandise

1. All merchandise received is verified with the invoice or packing slip and signed by person(s) receiving merchandise. This invoice or packing slip is then attached to the statement.
2. All purchases of budgeted items over \$50 must have prior approval of the individual responsible for that line item of the budget and approved by the designee of the Finance Committee.

#### B. Approval for payments of bills.

Church designated person (Church approved Team Leader/Group Leader/Ministry Leader Committee Chair), along with the Chair of the Finance Committee or Pastor, approves all bills before they are paid. Bills will be stamped "Approved" and signed by people approving payment. The Finance Committee reviews all bills paid on a monthly basis.

#### C. Verification of all mission gifts and other designated gifts.

1. Each month the person designated to reconcile bank statements verifies amount of the checks for mission gifts and designated gifts against amount shown in financial report and in accordance with any special accounts.

#### D. Salaries

1. Ordained and non-ordained employees are paid according to amount set up in current church budget.
2. The Personnel Committee decides employee or self-employed classification of person hired according to guidelines set forth in the current SBC "Ministers Tax Guide," (GuideStone Financial Resources of the SBC) section entitled "Determine whether each church worker is an employee or self-employed."

#### E. Hourly Pay

1. All employees keep written record of their time spent working, sign time sheets approving time, and then give to their supervisor for approval.
2. Supervisors will verify time and approve payment of time sheet before paycheck is written. Any daily, out-of-the-ordinary work schedule will require supervisor's initials.

#### F. Benefits

Any benefits, such as insurance and retirement paid directly to an employee, are

reported as taxable income. Love gifts given by the church are also reported as taxable income.

1. Retirement

The church pays a percent of wages for full-time employees (ordained and non-ordained) to “Church Retirement Plan” – GuideStone Financial Resources of the Southern Baptist Convention. Amount is determined annually by the budget. Ten percent of salary (and housing allowance) is suggested. Contact Retirement and Insurance Services Office of the South Carolina Baptist Convention for details.

2. Medical Insurance

The church pays (to the insurance company) the church approved medical insurance policy on all full-time employees (ordained and non-ordained) according to church policy. Also, consider term life and disability insurance. This plan is to be in writing. Contact Retirement and Insurance Services Office of the South Carolina Baptist Convention for details.

3. Paid Time Off: The Personnel Committee approves payment of Paid Time Off for both ordained and non-ordained personnel.

4. The bookkeeper or Financial Secretary keeps a record of available Paid Time Off.

G. Credit Cards

1. Two business credit cards may be acquired with the Finance Committee approved limit for church authorized purposes (suggestion: One card with limit of \$500 for local use and one card with a higher limit for travel and larger purchases).

2. The credit cards are kept in the church office; people getting a credit card must sign an in and out log with the time allotted for use determined by the need.

3. Receipts are required at the time the credit cards are turned in.

4. Credit cards are used for church business only – no exceptions.

5. Receipts must be approved and reconciled with statement before payment is made.

6. After reconciliation the new balance is paid in full to avoid paying a finance charge.

7. Use of church credit card is the total responsibility of the user.

8. Church staff may have credit cards issued with names on it with appropriate spending limits. The Church Treasurer may terminate staff credit cards in case of abuse by notifying the bank.

H. Petty Cash

The church will not maintain Petty Cash for security reasons.

I. Purchases of \$1000 or greater whether budgeted or not, the purchases of equipment, supplies (other than curriculum or food service), repairs, and/or construction are to have three quotes provided before a purchase is to be made. If the purchase is not in the budget, advance authorization from the Finance Committee must be obtained. Items budgeted must have authorization from the Treasurer or chairman of the Finance Committee prior to committing the funds.

J. Levels of authorization - Procedure

a. Pastor may authorize budget expenditures up to \$500

b. Paid church staff (25 hours a week or greater) may authorize budget expenditures up to \$300

c. Pastor with the Chair of the Finance Committee may authorize budget expenditures up to \$1000

d. Pastor, with the Deacon Chair, and with Chair of the Finance Committee (all three agreeing) may authorize non budget expenditures from a non-restricted reserve account up to \$3000, with the Finance Committee being informed in writing of the decision within seven business days of the decision.

- e. Pastor, with the Deacon Chair, and with Full Finance Committee (all three agreeing) may authorize non budget expenditures from a non-restricted reserve account up to \$5000, with the Church being informed in writing of the decision within seven business days of the decision.
- f. In an emergency, with the consent of two-thirds of the Finance Committee, the pastor, treasurer and deacon chair all agreeing; the treasurer may expend funds beyond the budget for any line item up to \$1,000 for operational contingencies, and up to \$5,000 for emergency repairs. This provision is intended only to be utilized when the need is sufficiently compelling and there is inadequate time to secure congregational approval.  
When this authority is utilized, the Finance Committee shall advise the church of its action in the next congregational business meeting or special called business meeting duly notified.

2. Disbursements from Restricted (Designated) Accounts - Policy

- A. A disbursement from a restricted account may only be for what the funds were received.
- B. A Restricted Account may not be overdrawn for any reason.
- C. Restricted Accounts should be zeroed out in a timely manner.
- D. When a Restricted Account has a “sister” general budget account, the funds from the restricted account must first be used before using funds from the general budget account.
- E. Remaining funds after expenditure of designated item (see Section Seven – A)

**Non-Employee Payments**

A church shall file form 1099 MISC for each person to whom it pays \$600 or more annually in rents or payments for services. (Secure a W-9 on all payees).

**SECTION SEVEN  
Designated Funds**

**Designated Funds Policy**

- A. The Finance Committee or church in conference may establish such designated funds and accounts as may further the ministry of the church, and shall for all such funds assure separate accounting and reporting. Because designated funds may ONLY be used for the designated purpose, it is advisable to use broad categories (i.e.: Music Ministry rather than Organ Fund, Foreign Mission Trip rather Romania Mission Trip) so any unused fund balances may be used for other similar projects.
  - 1. Should at any time in the future the church vote to close this fund, all remaining monies in the fund go into the general budget of church.
  - 2. In promoting designated offerings, the Disclaimer must be printed to reserve the right to move funds from designated account to general budget.
- B. The church, through its officers, shall establish one or more separate bank accounts for such designated funds. These accounts are separate from the general fund, but may combine multiple designated funds in one account so long as separate accounting is made.

- C. No designated funds shall be received by the church except where the church has approved, either upon the establishment of the annual church ministry plan [budget], or established the fund and its related project or activity. Gifts with unapproved designations may be returned, or may at the discretion of the Finance Committee be held conditionally until the church can assess whether it wished to establish such an approved designated fund.
- D. Members wishing to give designated funds not currently established should consult with the: Finance Committee Chair, Treasurer, Trustees or Pastor to request the church's consideration of their preferred designation and any alternatives.
- E. Designated funds, which do not have a disclaimer, shall be restricted solely for the designated use and may not be diverted to other purposes without the written authorization of the donor(s).
- F. The Treasurer and/or Finance Committee shall provide an annual report to the church on the status of all designated funds including new receipts and expenditures.
- G. All accounts are noted on the chart of accounts presented to the church quarterly.
- H. Gifts other than cash/checks (physical property) must be referred to the Trustees for review before accepting on behalf of the church.
- I. Not every gift may be accepted (i.e.: cash with conditions/designations or property).
- J. Interest funds from the designated accounts are to be credited to the Cash Reserve Designated account for general use.

## SECTION EIGHT

### Mission Projects Funds

#### Mission Project Fund Policy

1. Adult Participant or Minor Participant – Church Pays Total Expense – Church receives no contributions from Participant or Others
  - No tax consequences
2. Adult Participant – Church Pays Total Expense – Church receives contributions from Participant and/or Non-participant for Total Expense
  - Contributions are deductible and can be listed on church giving statements if the trip involves “no significant element of personal pleasure, recreation, or vacation”.
3. Adult Participant – Participant Pays Total Expense – Church receives no contributions from Participants or Others
  - Un-reimbursed travel expenses paid by participants are deductible as charitable contributions if the trip involves “no significant element of personal pleasure, recreation, or vacation”.
  - Church must issue an “abbreviated written acknowledgment” in order for the participant to substantiate a deduction.
4. Minor Participant – Church Pays Total Expenses – Church receives contributions from Parents
  - Contributions by parents are deductible and can be listed on church giving statements if the trip involves “no significant element of personal pleasure, recreation, or vacation”.
5. Minor Participant – Parents Pay Total Expense – Church receives no contributions from Participant or Others

- Not tax deductible
6. Minor Participant – Minor Pays Total Expense – Church receives no contributions from Participant or Other
- No tax consequences since minors generally do not file tax returns and cannot deduct contributions.

## SECTION NINE Memorial Gifts and Fund

### Memorial Gifts and Fund Policy

- A. The Finance Committee and Treasurer may establish a Memorial Gifts Fund for receiving and accounting for designated gifts in memory/honor of members and others associated with the church or its friends.
- B. The Finance Committee shall establish appropriate policies on the use of such memorial gifts and authorize expenditures of the funds for purposes it deems appropriate. The committee may identify priority projects or ministries toward which such gifts are allocated. While specific interests of donors will be considered, the committee retains the authority and responsibility to use the funds in a manner appropriate to the purposes of the church. All gifts are received subject to this principle.
- C. A *Book of Memorial Fund Gifts* [or *Book of Memory*] may be maintained by the committee that registers memorial gifts to the church. The following information is included in the book: the name of the person in whose memory/honor the gift is given, the date and occasion for the gift if applicable, the name(s) of the donor, and a description of the gift. When the funds are used, a note may be made in the book as to the use.
- D. Where Memorial Funds are used to purchase a tangible asset, the committee may recommend to the church that a memorial marker be placed on the object noting that it was made possible by the Memorial Fund.

## SECTION TEN Reimbursements

Church designated employee (see duties and responsibilities section – section one) must approve all reimbursements before payment is made. Reimbursements should be paid separate from employee salary.

- I. Business Reimbursement
  - A. Substantiated (documented) business expenses of employees is reimbursed from the budgeted church funds in accordance with church approved reimbursement policy and limit set up in Budget. Entertainment expenses should be substantiated paid receipts for all purchases, names of the people involved, and business purpose. Reimbursement payments are made monthly unless prior arrangements are made. This includes expenses

for items such as convention/conferences, library, continuing education, meals and entertainment, and travel.

1. Cell Phone: It is best for church and employee that cell phones be purchased and owned by the employee. The church establishes a reimbursement rate per minute of each church business call. This is a substantiated business expense by justifiable monthly phone bill. If cell phone is purchased by the employee, they can request reimbursement of the price of the phone equipment; however, it is considered taxable income on their W-2. If purchase of phone equipment and billings are paid by the church, this is considered a benefit and is reported taxable on W-2. This is not a recommended procedure.
  2. Computer: Procedures for computer are similar to that of cell phone and are developed in order to substantiate personal use of church owned computers.
- II. Car Reimbursement
- A. Employees are reimbursed from the budgeted church funds for business related travel per mile as stipulated in church reimbursement policy. The policy states the reimbursement rate per mile (example: current published IRS rates). A mileage log is required for verification of all mileage. These reimbursements are made monthly at current published I.R.S. rates. (Flat rates paid monthly to staff is not recommended.)
- III. Budget Reimbursement
- A. Budgeted expense items for the church purchased by staff or church members are reimbursed up to the limit stipulated in the budget upon presentation of a paid receipt. These reimbursements are made monthly, unless prior arrangements are made.
  - B. In-kind reimbursement – see In-kind Contribution, Section Eleven, Number V.

## SECTION ELEVEN Contributions

### Contributions

- I. Total contribution postings must always equal “Total Envelopes” on offering report.
- II. Designated Accounts
  - A. Tax- deductible designated gifts:
    1. All gifts designated for church approved projects (not individuals; exception – mission related, see Section Eight) are recorded as tax-deductible gifts.
  - B. Non tax-deductible designated gifts:
    1. All non-missions related gifts designated for an individual are recorded as non tax-deductible.
  - C. Retention of offering envelopes:
    1. Retain all offering envelopes for seven (7) years after date of annual statement.
  - D. Designated Benevolence:
    1. Church members wishing to give tax deductible gifts to individuals should contribute through a Benevolence Fund in the Church Budget.
    2. All gifts are deposited to the Fund and the Benevolence Committee administrates the funds by church action.
    3. All gifts/checks are directed to the Benevolence Fund and not the individuals by name.
- III. Payment for purchases
  - A. Payment for any church related events such as fundraisers, suppers, youth ski trips, etc., will not be recorded as contributions.

- IV. Contribution Statements
  - A. Quarterly contribution statements are mailed to donors by the last day of the first month following the quarter.
  - B. Annual contribution statements are mailed to donors by the 31<sup>st</sup> of January each year.
- V. Non-monetary or tangible gifts (gifts in-kind):
  - A. Gifts in-kind are donations of non-monetary or tangible items received by the church for which contribution statement of receipt should be given (i.e. stocks, jewelry, cars, real property, etc.)
    - 1. Church records of these gifts in-kind should reflect both revenue and expense at fair market value at date of donation.
    - 2. An In-kind Revenue and Expense line item should be included on the monthly Treasurer's Report.
  - B. A written statement of receipt on church letterhead is sent promptly to person(s) giving non-monetary gift stating the following:
    - 1. Name and address of person(s) giving gift.
    - 2. Detail description of the item including age and condition.
    - 3. Date the gift is received at the church.
  - C. Note: the value of the property is not stated on this statement, as it is the donor's responsibility to get appraised or actual value amounts to be used for tax purposes.

## Reports

### 1. Financial Reports

The Treasurer and such other officers, as necessary, provide financial reports at each congregational business meeting. A comprehensive written financial report and accounting of the previous year's revenues and expenditures is presented to the membership at the first church conference of the new fiscal year and a summary published in the church newsletter. This report includes comparisons of actual revenues and expenses compared to budget figures.

All bank accounts are established by using the church's name and/or tax number. All accounts are reported on the financial reports.

### 2. Members Financial Records Rights/Access

Members have access to the principal financial reports of the church including budgets, periodic financial reports, annual financial reports and reports from auditors. Members do not, however, have access to individual donor records, except records of their own giving. Such individual donor records are confidential and available only to those who must have the information to carry out their assigned duties. Members have access to monthly financial reports by request. The individual making the request has access to printed documents in the church office during normal office hours. No copies of the documents will be made - all records remain in the church office.

When staff salaries and benefits are not itemized in the budget or financial statement, this information must be requested from the Personnel Committee. Church members have the right to view itemized personnel salary and benefits. No copies of the documents will be allowed.

**Cash Reserve Account:**

The church establishes and maintains a separate designated cash reserve account, which is a different account, at the financial institution from the account where all other designated funds are held. The amount recommended for this account is 3 months of operating cost for the church. Monthly contributions are made to this account until the appropriate balance is reached. Once the balance is reached, no additional deposits are necessary. The Finance Committee determines quarterly the three month operational cost of the church. Funds moved from this designated account are approved by Finance Committee. Reimbursement is fulfilled as soon as possible.

**Other Financial Reports and IRS Forms**

If the church is an employer, it is subject to many state and federal labor, withholding, and other tax laws. The church carefully reviews their duties of reporting and complying under these laws, and consults their financial and legal advisers. There may also be additional requirements if a church employs a number of people who are engaged in trade or commerce, or are doing business in other states. Here is a list of the common reporting and filing requirements that often affect churches – most related to employment and/or financial dealings.

IRS Form 8274	Social Security and Medicare tax for church employers
IRS Form 4361	Relates to Social Security and ministers
IRS Form 941 or 941SS	Forms are for the reporting of city, state, or federal tax withholding If the church is exempt from Social Security, 941SS is to be submitted
IRS Form W-4	Form pertains to all employees and some minister employees
IRS Form W-2	Statement of earnings
IRS Form W-3	To the Social Security Administration and, in some instances, to the state
IRS Form 1099 MISC.	Issued to self-employed individuals indicating sums paid
IRS Form 1099 INT.	Issued to anyone paid interest of more than \$10 in a calendar year
IRS Form 1096	Transmittal form for all 1099 forms
IRS Form 8283	Submitted to the IRS for donations of non-cash items in excess of \$500 or less than \$5,000. Read it carefully
IRS Form 8282	To be completed by the church, only non-cash items are sold
IRS Form 8300	If a church (or any other ministry receives \$10,000 or more in cash in any business or trade transaction (e.g., rental of property or a parking lot), it would need to be reported on Form 8300. This reporting is NOT required for charitable contributions
IRS Form I-9	The Immigration and Naturalization Service requires this to be on file for every employee
IRS Form 990	A church is not obligated to fill out and return this form
IRS Form 990T	A church that receives \$1,000 or more in gross income from an unrelated trade or business must file this form (Unrelated Business Income obligations are discussed below.)

## SECTION TWELVE

### Financial Policy Reviews

#### Financial Policy Review

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

- I. A Financial Policy Review is performed annually without notification to people involved in implementing policies. The people performing the review randomly select three months for the review. Any cross-referencing with Church Bylaws needs to be reviewed annually.
- II. Committee
  - A. The church elects an Audit Committee of three people to perform the Financial Policy Review. (Create an Audit Committee/Team from Finance Committee/Team to do the task of Finance Policy Review and report to congregation).
  - B. A report of the review is first shared with the Stewardship or Finance Committee and the Personnel Committee and any change presented to the congregation.
- III. Cash
  - A. Review cancelled checks in the bank statements to verify no checks were made payable to cash.
  - B. Look at checks payable to the church to verify they were deposited and not cashed.
- IV. Bank Accounts
  - A. Once a year write a letter to banks with which you do business and request a list of accounts with balances using your church's name and/or tax number. Verify these accounts being reported on financial reports.
- V. Receipts
  - A. Review rotation list for Counting Partners to make sure teams and individuals are being rotated each month.
  - B. Confirm the Counting Partner taking the deposit bag to the bank does not have the deposit bag key in his or her possession while the deposit is in their custody.
  - C. Ascertain Sunday School class secretaries are not opening offering envelopes in class and the general secretary is not opening offering envelopes when compiling the weekly report.
  - D. Compare Offering Report to:
    1. Total amount of deposit slips.
    2. Total of envelope offerings to total amount posted.
  - E. Review procedure for canceling checks with "For Deposit Only" and "Not Tax Deductible" to make certain all policies are being properly implemented.
  - F. Make sure the Sunday School offering is placed in a locked bank deposit bag and placed on the "Communion Table" during worship service each Sunday and that the "Counting Partners" pickup bag and offering plate collections promptly at the end of the service.
  - G. Verify the bank deposit bag is locked in the presence of at least two people with one keeping the key and the other taking the deposit bag(s) to the bank.
  - H. Ascertain a receipt is written for all fundraiser money and that it matches the deposit.
  - I. Make certain a receipt is written for all incoming money and the original receipt was given or mailed to the donor(s).
  - J. Confirm all money receipted was promptly deposited by comparing amounts to bank statement.
- VI. Expenditures

- A. Make certain all bank statements are reconciled monthly. The Finance Committee designates a person to reconcile all bank accounts on a monthly basis (need duties in “Duties” section). Note: This person does not handle any money, deposits, approve bills, or sign checks. The Finance Committee periodically reviews the reconciled statements and compares to the financial reports provided by the Financial Secretary/Treasurer.
  - B. Review major paid bills for proper posting to the books – both designated and undesignated accounts:
    - 1. Proper receipts attached
    - 2. Proper approval (signatures)
    - 3. Proper posting to books
    - 4. Trace payments to canceled checks and bank statements
  - C. Check all time sheets for supervisor’s approval signature and approved payment and posting to payroll.
  - D. Verify time sheets, substantiated business travel and receipts for business travel.
- VII. Contribution Records
- A. Make sure contribution statements properly identify tax-deductible contributions.

## SECTION THIRTEEN

### Miscellaneous Financial Policies and Procedures

#### **Church Property**

Church Property (data projectors, lawn mower, vehicles, etc) may not be taken from the church for personal use. The exceptions are table and chairs; a designated group of tables and chairs may be checked out stating the date of return. (Assets Management – add to the insurance and what is owned by the church).

#### **Document Retention Policy**

The church, through its officers and staff, permanently retains the following records and documents: Articles of Incorporation, church bylaws, titles to property, insurance policies, membership rolls, stock certificates and transfer lists, minutes of church business meetings (church-in-conference), annual financial reports, audit reports, copyrights and trademark registrations, church newsletters, Sunday bulletins, legal correspondence, tax returns and working papers, retirement and pension records, and such other documents whose permanent retention is required by congregational action. These documents are maintained in a fireproof and secure location under the control of the church (do this in listed form as permanent, seven years, etc.).

#### **Audits**

The Audit Committee conducts or arranges for an annual audit of a type and nature the church deems appropriate (internal or external). An external audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An external audit gives the church reasonable assurance about whether the financial statements are free of material misstatement. In the event external auditors are used, they may make recommendations for improvement based on their findings. The committee conveys the report of the auditors to the church leadership, officers and congregation.

#### **Unrelated Business Income (UBI) Policy Statement: (Federal 990T Tax Code Form)**

The treasurer and Finance Committee are familiar with the basic provisions of Unrelated Business Income regulations, and file federal and state tax returns in the event such income exceeds \$1,000. In the event of

reportable UBI, the treasurer and/or Finance Committee advise the pastor, deacons and other leadership so that the church may assess its policies and practices in this regard. This relates to cases when churches have rental property or charge fees for non-church activities.

### **Bonding**

The church requires the bonding of any elected, volunteer or paid staff who handles the funds of the church.

### **Taxes**

Sales/Use tax is to be paid by churches in South Carolina. All interstate commerce transactions (internet purchases, mail order, etc.) that do not include sales tax, must pay sales tax to South Carolina per county/local option tax rate.

## **SECTION FOURTEEN**

### **The Church Budget**

#### **Budget Process**

- I. The Finance Committee annually requests each department, person or committee with budget line items, to evaluate their programs and submit a budget request to the committee.
- II. The proposed budget is distributed to the membership not less than two weeks before the church conference where it will be presented for adoption. The budget is submitted for approval, by majority vote, at the church's annual meeting or at such other time as set by the church to approve an annual comprehensive budget.

#### **Budget Publication**

On adoption, the budget is published and made available to all church members. Financial status reports to the membership are structured to reflect the budget, and actual receipts and expenditures reported in the budget categories.

#### **Budget Effects**

The budget constitutes the limits of authority for the elected and paid leadership to expend funds and establish the basic categories of accounting. The treasurer or other leadership have no authority to expend funds except where authorized by the budget or separate congregational authorization.

- I. If the Finance Committee determines there is a cash flow problem or other factors requiring financial restraint, it imposes temporary spending limits in one or more categories, and/or recommends to the church specific budget adjustments.
- II. Any major (as defined by Finance Committee) expense items are expended without notice to and approval of the Finance Committee or its designee, to assure that sufficient funds are available immediately to meet needs.

#### **Budget Changes and Adjustments**

- I. Proposed budget changes during the fiscal year come from the Finance committee or from other committees or members. All such proposals from other committees or members are first presented to the Finance Committee thirty (30) days before they are presented to the congregation so that the Finance Committee makes informed recommendations regarding any

- such proposal. The Finance Committee is responsible for making all proposed changes to the budget to the church conference.
- II. With the approval of the Finance Committee, budget reallocations within subcategories of major ministry areas such as Sunday School, youth ministry, and property maintenance, are made between line items when sufficient justification is found. However, such internal adjustments may not increase the basic church budget or the budget for any major ministry area.
  - III. In an emergency, with the consent of two-thirds of the Finance Committee, the pastor, treasurer and Deacon chair all agreeing the treasurer may expend funds beyond the budget for intended only to be utilized when the need is sufficiently compelling and there is inadequate time to secure congregational approval. When this authority is utilized, the Finance Committee advises the church of its action in the next congregational business meeting.

## SECTION FIFTEEN Borrowing Authority

### Borrowing Authority

Only the congregation, meeting in a regular or specially called meeting with notice, approves the borrowing of any funds from any source, including internal special-designated. [Reserve funds, for non-allocated purposes which are held in a designated account, are transferred into the operating account(s) as directed by the Finance Committee and as outlined within the financial policies.] All contracts are signed by Church Trustees after congregational approval.

## SECTION SIXTEEN Definitions

Account Type/Title	Description/Restrictions	Notes
Operating Account (unrestricted)	Checking Account	Handles most bills/payments/payroll
Designated Account (temporarily restricted)	Funds temporarily restricted	May only be used for the specific purpose as designated by the donor. Designation is released when funds are used for their designated purpose.
Designated Reserve Account (permanently restricted)	Funds not immediately available	Funds have a permanent time restriction – i.e. “corpus”. Earnings may or may not be permanently restricted depending on the donor’s specifications.
Cash Reserve Account (contingency)	Funds may or may not be immediately available	Contingency reserve for special needs – secondary to the church general operations budget.