

# Guidelines for Financial Activity

Presbytery of Philadelphia

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# CHAPTER 1

## INTRODUCTION

This manual is for people in the congregation who are involved in the financial activity of the church. This might include the treasurer, financial secretary, finance committee and the session. There are many functions of the church that have financial implications: offerings, investments, endowments, loans, grants, personnel, insurance/risk management, taxes-local, state, and federal. This document was created to give a general overview and some suggested resources for further information. It would be impossible to answer every question that you might have with this publication. However, every attempt has been made to give you information that will be helpful and other sources for more in depth information and legal opinion. Please seek out these additional resources and use them. Each church has its own unique characteristics and this manual should be a starting point for your church to build its own records as you adapt the information for your specific needs.

The resources and appendix of forms are current as of the writing of this manual and every effort is made to keep them up to date. Take a moment to look at the list of resources and appendix so that you will have an idea of what is available as you continue to read this manual. If you have a question, call the Presbytery office (215-242-1400).

**The *Book of Order* (G-3.0205) states:**

**The session shall elect a treasurer for such term as the session shall decide and shall supervise his or her work or delegate that supervision to a board of deacons or trustees. Those in charge of various congregational funds shall report at least annually to the session and more often as requested. Sessions may provide by rule for standard financial practices of the congregation, but shall in no case fail to observe the following procedures:**

- a. **All offerings shall be counted and recorded by at least two duly appointed persons, or by one fidelity bonded person;**
- b. **Financial books and records adequate to reflect all financial transactions shall be kept and shall be open to inspection by authorized church officers at reasonable times;**
- c. **Periodic, and in no case less than annual, reports of all financial activities shall be made to the session or entity vested with financial oversight.**

## **CORPORATE RESPONSIBILITIES**

All states now allow the incorporation of churches and the Book of Order in G-4.0101 instructs churches to form a corporation whenever permitted by civil law. The corporation laws vary from state-to-state, but corporations are generally required to have a president, secretary, treasurer, and at least one director. *The corporate treasurer is responsible for the corporation's compliance with all state and federal laws governing the fiscal activities of the corporation and is responsible for ALL of the corporation's funds. That means if your church has more than one treasurer, such as a treasurer for the board of deacons, the corporation treasurer is responsible for the actions of the board of deacons' treasurer.* The corporation treasurer should establish with all other treasurers within the corporation, a reporting process that allows the corporation treasurer to monitor the actions of those treasurers and to incorporate their funds into the corporate books. The process should include the type and frequency of reports to be submitted and the method for including these treasuries in the annual audit. The corporate treasurer should also work with the personnel committee to be sure this relationship is documented in the job descriptions.

As an officer of the corporation, the treasurer has an exposure to liability in the event of lawsuits against the corporation. Lawsuits against religious organizations are becoming more and more common and you should insist that your church provide officers and directors insurance coverage to minimize your risk.

The corporate treasurer is accountable to the body that elected him/her. In the case of a church corporation that would be the members of the congregation. The treasurer is also accountable to the church session or by specific assignment to the board of deacons or trustees as dictated in the Book of Order G-3.0205.

## Chapter 2

### Functions of a Church Treasurer

#### **G-3.01 and G-3.02 of the *Book of Order* provide direction for Church Finances.**

(Including the Treasurer)

- ✓ Elected to the position by the session. Work is supervised by the session, or by specific assignment to the board of deacons or trustees.
- ✓ Session-elected treasurer should be the central contact for all church finances.
- ✓ Responsibilities
  1. Overseeing the congregation's financial records.
  2. Preparing accurate financial reports for the session and trustees.
  3. Being involved in budgeting as directed by the session.
  4. Anticipating financial problems.
  5. Making sure that those in charge of various funds in the church report annually to the session.
  6. Managing, safeguarding, and maintaining the congregation's financial resources.
  7. Complying, as required, with councils of the Church (Presbytery, Synod, or General Assembly) and governmental reporting requirements.
  8. Scheduling and overseeing the annual review or audit.
  9. Overseeing that internal controls are being followed.

#### NOTE:

It is important that the role of the treasurer be included in the by-laws of the church according to state law.

In Pennsylvania, where churches are permitted by law to form a corporation, the *Book of Order* directs that a church should be incorporated. It is the responsibility of the treasurer in consultation with the Clerk of Session to create or maintain a current corporation status for the church through updated filings and payment of required fees. [See Resources for *Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches.*]

## Financial Reports

**Record keeping is the responsibility of the treasurer.** Financial statements presented to the membership must be understandable, concise, inclusive, comparative, and timely. Summary sheets are compiled monthly, after bank reconciliations, in order to report to the session and trustees the financial condition of the church. **A financial report should be given to the session at every regularly scheduled meeting.** The example below is the minimum and can be expanded for your unique situation.

### *Financial Report to Session*

Month of \_\_\_\_\_

|                      | <i>Month</i> | <i>YTD</i> |
|----------------------|--------------|------------|
| <i>Receipts</i>      | \$ _____     | \$ _____   |
| <i>Disbursements</i> | \$ _____     | \$ _____   |
| <i>Cash Balance</i>  |              | \$ _____   |

Current income, expenses and benevolences should be reported monthly, other items should be reported at least annually to the session. The *Book of Order (G-3.0205)* requires that the session provide full information to the congregation of its decisions on financial matters. Therefore, the congregation should receive a financial report on a periodic basis.

## Resource Management

The congregation has assets which must be safeguarded and maintained. If the church has a building, that is an asset and insurance coverage must be adequate and regularly reviewed. Endowment funds must be invested; certificates of deposits, shares of stocks, and bonds must be kept under lock and key. It is the treasurer's responsibility to be certain that only authorized persons have access to funds and that the offerings be protected, counted and deposited. If at any time offerings exceed spending, the treasurer has the responsibility to see that those funds are properly invested to secure maximum financial return.

## Governmental Reporting

The treasurer is responsible to comply with community, state and federal regulations with respect to filing payroll tax reports such as the 941's, W-2's, W-3's, 1099's, etc. This includes the completion Form 941 at least quarterly if not monthly or semi-weekly and payment of taxes withheld from payroll in the form of payroll tax deposits (Consult IRS Circular E for more information). State and local tax codes determine the method of payment and frequency and you should contact your local and state tax offices for accurate information. The treasurer is also responsible for any other IRS filings such as Form 990. Since payroll tax can be

confusing, the treasurer might find guidance from either a C.P.A. or a tax attorney familiar with tax laws relating to a particular church.

## **Record Keeping**

The complexity of financial records depends on the church. Journals and ledgers are normally used in usual double entry system, but in some churches only journals are necessary. Treasurers are encouraged to use a computer accounting program to maintain their records. There are a number of computer accounting programs on the market and upgrades should be purchased and installed periodically to stay in compliance with FASB standards and tax changes. (More information in Chapter 3 on Internal Controls and Record Keeping.)

## **Fund Reporting**

1. **GENERAL OR CURRENT FUNDS** are the funds, which pay all operating bills, salaries, utilities, etc. They receive the offerings and are always the principal funds.
2. **RESTRICTED FUNDS** are the gifts received for a specific item or program. Building funds are restricted funds into which all contributed building funds must be placed and from which all payments are disbursed.
3. **GENERAL MISSION FUNDS** are those monies designated in the budget for the mission budgets of Congregation, Presbytery, Synod, and General Assembly. This includes Presbyterian Basic Mission (Shared and Directed Giving), and support of local or ecumenical missions. On the basis of the church's annual budget these monies are to be sent in equal monthly or scheduled amounts to the proper governing body. For Presbyterian mission the money should be sent to your *Receiving Site*, which is the Presbytery office. Your receiving site will provide Remittance Forms (with instructions) for Presbyterian giving to the treasurer of the churches. Please use these forms so that the gifts your church remits will be properly disbursed.
4. **NON BUDGETED MISSION FUNDS** are those monies designated for special offerings, e.g. One Great Hour of Sharing, Disaster Relief, Extra Commitment Opportunities, etc. These funds are also remitted to the *Receiving Site* soon after the approved collection.
5. **ENDOWMENT FUNDS** refer to gifts received, which have been so restricted that only the income generated from the principal can be used. As an example, the church could receive a \$25,000 bequest with the stipulation that the income be used to provide scholarships for members preparing for the ministry.

**NOTE:** Accurate accounting of separate funds is critical to church record keeping. It is not necessary to have separate bank accounts; however, this might simplify the task. A treasurer

should not borrow from one fund to bolster another without specific and documented authorization of the session or finance committee.

## **Responsibilities**

### Accounting

Treasurers should receive and retain copies of the session minutes to ensure all action items relating to financial matters are met.

The treasurer should

- ✓ Present regular reports to a finance committee, the trustees, and ultimately the session.
- ✓ Be prepared to attend any committee, trustee, and session meetings if invited, and be prepared to present at those meetings figures and recommendations in regard to the budget and church finance matters.
- ✓ Assume the responsibility for the expenditure of funds according to an approved budget and proper authorization. Books of accounts, journals, and ledgers associated with the church's choice of accounting are maintained by the treasurer. Good audit procedures are essential.
- ✓ Maintain the checkbooks. **Signers for checks should be authorized by the session.** It is recommended that all checks over a specific dollar amount set by the session be counter signed.
- ✓ **Be sure that more than one individual is aware of the financial information of the church.**
- ✓ File all financial reports and see that a copy is kept on file in the office.

### Giving Records

The treasurer or financial secretary should maintain member pledges and records of giving. Quarterly and year-end statements of giving should be given to members. (See Chapter 3 on Record Keeping for more details.)

### Taxes

The treasurer is responsible for completion of all tax forms and payment of taxes withheld from payroll. This was addressed earlier under Governmental Reporting. Form(s) 990 and 990T may need to be filed for your church if you have unrelated business income. Consult a CPA or accountant for help with these forms. Information is also available from Richard Hammar's, *Church and Clergy Tax Guide*, or from Office of Legal/Risk Management Services of the General Assembly. (See Resources for ordering information and phone numbers.)

## **Reconciliation of a Checking Account**

It is appropriate for a person who does not have authority to sign checks or make deposits to do the bank reconciliation. The bank should be requested to send your statement as of the last day of the month.

Check the bank statements for a form to use in reconciliation. The church accounting software should be used if available. The resulting balance should agree with the last balance shown on the check records. If the bank statement is sent on the last day of the month, three amounts should be equal:

1. the adjusted bank statement
2. the corrected checkbook, and,
3. the cash balance on hand as recorded in the ledgers.



## Chapter 3

### INTERNAL CONTROLS AND RECORD KEEPING

#### INTERNAL CONTROLS

**Basic to internal controls is the segregation of duties and the communication of session/trustees and financial personnel.**

It is most important to have a system of checks and balances for good internal control in any operation. Income functions should be handled separately from the disbursement functions. Example: Sunday offerings should be handled by someone other than the treasurer who writes the checks. Every transaction should be authorized, initiated, approved, executed and recorded. The following is a checklist to assure that there is good internal controls in place for the entire organization.

#### FINANCIAL CONTROLS

- ✓ Must have Session-approved policies for Endowments and Gifts the church is willing to accept
- ✓ Must have Session-approved Fully Accountable Expense Reimbursement Plan (*Sample in Appendix.*)
- ✓ Have Session-authorized Procedure for Counting Offerings (*See Appendix for Procedures and sample Recap Sheet.*)
- ✓ No one person should handle all aspects of a transaction from beginning to end
- ✓ Divide and segregate duties (See information on Financial Secretary)
- ✓ The person responsible for custody of an asset should not record transactions.
- ✓ Deposit all cash receipts immediately.
- ✓ Record all cash receipts immediately.
- ✓ Payments should be made by serial numbered checks except for very small transactions that are necessary to handle through petty cash.
- ✓ If petty cash is used, there must be a receipt for the money expended and the petty cash reconciled at least monthly.
- ✓ Reconcile bank account monthly.
- ✓ Balance subsidiary ledgers to general ledger accounts on a regular basis.
- ✓ Review comparative financial statements in sufficient detail every month to disclose significant variations in revenue and expenses.
- ✓ Bank statements and cancelled checks should be opened and reviewed by someone who is not a payee or authorized to write checks.
- ✓ Investigate unusual items, such as checks to unfamiliar vendors, checks for large amounts and checks to employees or other insiders.
- ✓ Use serial numbers on sales and purchase invoices, checks, tickets, purchase orders, receiving reports and debit or credit memos.
- ✓ Use duplicate deposit tickets and retain a copy in the office; keep bank deposit receipts.

- ✓ Deposits should be made daily if necessary or weekly.
- ✓ Use budget or forecast to detect whether goals are achieved. Investigate differences – what happened and why.
- ✓ It is essential that records are retained. See Record Keeping later in this chapter. *See Appendix for recommended Records Retention Guidelines.*

## OTHER ORGANIZATIONAL CONTROLS

- ✓ Incorporate hiring policies and practices which include drug testing and background checks as well as references. (*See Resource List for publications about Hiring and Firing Policies.*)
- ✓ Be sure to have up to date Personnel Policies and make sure that each employee has a copy.
- ✓ Each employee should have a Job Description and receive an annual review.

## **RECORD KEEPING**

The treasurer is responsible for the keeping of all financial records. Safe record retention should be a top priority.

Permanent records should be kept in a fire/theft protected safe or a bank safety deposit box. (Be sure the session gives authority to two people to enter the safe deposit box.)

Computer backups should be made *each* time the accounting/reporting software is used. Copies of these backups should be kept off-site and rotated on a regular basis.

The treasurer should keep a folder with all essential information for the church regarding the finances. (It would be helpful to keep a copy in the safe or safe deposit box off-site.)

- ✓ Federal ID#
- ✓ State ID#'s – Tax Exempt, State Withholding #, Local Withholding #
- ✓ Bank(s), account number(s)
- ✓ Investment firm (may be PC(USA) Foundation), contact and phone # - Include any account numbers.
- ✓ Loan information – how financed, account #, rate, term, secured by, payment information, etc.
- ✓ List of church software being used including version, serial numbers, secure passwords and support phone numbers.
- ✓ Copies of all equipment invoices (particularly computer equipment and copiers), including serial numbers, date of purchase, cost and warranty information.
- ✓ List of phone numbers/websites used in the treasurer's work, bank, investment firm, local and state tax office(s), PC (USA) 1-888-728-7228, www.pcusa.org, financial secretary, etc.
- ✓ Any other pertinent info for your congregation.

**RECORD RETENTION GUIDELINES ARE IN THE APPENDIX.**

Financial records should be as simple as possible. A church with several buildings plus endowments would of necessity use a more complex method than another church which has one building and no endowments. Financial records include both accounting records of income and expenses as well as the records of the contribution records of members. There might be treasurers of other groups in the church (Example: Sunday School Class Fund for Seminary Students), financial secretary and tellers, all of which report to the treasurer and session. See section, later in Chapter 3, for more information on Financial Secretary and Tellers.

Some financial records are required for statistical purposes, and the church treasurer should be able to help the clerk of session fill in the annual statistical report which is submitted to the General Assembly and ultimately printed as Part II of the minutes of the General Assembly of the Presbyterian Church (U.S.A.) [often referred to as the Annual Statistical Report] and at the same time keeping the church officers fully informed on a regular basis.

*It is recommended that supported computer accounting software be used to maintain financial records.*

### **Bookkeeping**

The least complex record is cash receipts and cash disbursements journals and the checkbook. More complex records can be maintained by using voucher systems, journals, and subsidiary journals and from these journals posted to the general ledger with a full chart of accounts. A more complicated bookkeeping requires the use of a Chart of Accounts. A Chart of Accounts is a listing of all of the accounts in a bookkeeping operation, which are numbered for ease in posting. Posting is the transfer of information from the cash receipts and cash disbursements journals to the general ledger. Bookkeeping records should be kept permanently and should be accessible to church officials.

**Cash Receipts** are broken into six major categories:

1. **Contributions** – All contributions of money received by treasurer. This includes payments on pledges (current as well as delinquent), loose offerings (cash or check), per capita and special offerings. (Do NOT include capital and building funds, investment income, bequests, other income, aid and subsidy). It is important to list items separately in a finance report.
2. **Capital and Building Funds** – All receipts for capital purposes, extraordinary repairs, building funds, and equipment with anticipated useful life in excess of three years usually over \$500.
3. **Investment and Endowment Income** – Dividends and interest earned on investments as well as proceeds from the sale or liquidation of investments. (Note: The value of the investments should be reported separately at least quarterly.)
4. **Bequests** – This is income received from wills and estates. It will include all one-time contributions of anything of value received by the church such as bequests, planned gifts (gift annuities, charitable trust, and life insurance), stocks, real estate or other non-monetary gifts.
5. **Other Income** – This is all other income, such as rent or other reimbursements from organizations using church property or grants from non-PCUSA grants. This would include such things as tuition/fees for day care, day school, etc. (if part of the church budget).
6. **Subsidy or Aid** – This is money received from other churches or from Presbytery, Synod, General Assembly agencies to be used in local mission and program.

**Cash Receipts** as listed above are the source of the funds received by the local church, whether it is from a person (living donor) or from a non-living source. The Cash Receipts Report should clearly indicate each of the 6 Cash Receipts Categories and should list the amount received and its source. The report to the session would include this information in a format easy to read. Be sure to include both monthly and year-to-date information. It is also helpful to compare this income to the projected budget for the year. Most computer accounting programs have a form such as this that can be produced using the information that you have recorded.

**Cash Disbursements** are expenditures broken into 8 categories:

1. **Local Program** – Money from all sources that is expended for current operations of the congregation including costs of personnel (salaries, wages, pension and social security), office operations, building operations, insurance premiums, interest and principal on loans and any other costs related to the operation of the church.
2. **Local Mission** includes all monies paid for local mission programs and projects approved and directed by the session and to local ecumenical bodies. (Usually not “Presbyterian Mission”).
3. **Capital Expenditures** includes all monies expended for real property whether improved or unimproved, the construction of new buildings, extraordinary repairs of existing buildings, and equipment, costing over \$500, with an anticipated useful life in excess of three years.

4. **Investment Expenditure** includes money that is newly placed into savings or investments (such as certificates of deposit, stocks, bonds, money market accounts, reinvested dividends). This also includes investment costs such as brokers' fees and bank fees.
5. **Per Capita Apportionment** includes the monies expended for Synod, Presbytery, and General Assembly apportionment.
6. **Validated Mission PC(USA)** includes the total of all monies given to Synod, Presbytery, and General Assembly agencies, including payments toward the mission budgets (includes Directed Giving for missionaries) of these governing bodies. This is also all special offerings of the Synod, Presbytery as well as General Assembly special offerings (One Great Hour of Sharing, Pentecost, Peacemaking, Christmas/Joy, and Witness), other offerings for Hunger, Disaster Relief and Women's Birthday, Extra Commitment Opportunities and other mission programs and projects related to the PC (USA) and not already reported as Local Mission. *(See Appendix for Directed Mission Support Guidelines and Pledge Form and the same for Extra Commitment Opportunities.)*
7. **GA Theological Education Fund** is the amount that each congregation is requested to make as a voluntary contribution. The recommendation for giving is 1% of contributions to the church. The congregation's gift is shared for the support of the eleven Presbyterian Theological Institutions. Please do not include direct support of theological students, direct gifts to any theological school or other gifts related to theological education-these should be listed under local mission.
8. **Other Mission** is the total of all monies expended for mission causes not related to the Presbyterian Church (U.S.A.) and not already included under Session Local Mission.

Regardless of what bookkeeping method is used, there should be supporting documentation for each check that is written. The authorization should include complete information:

1. Amount to be paid,
2. Where to send payment,
3. What the expense is for,
4. Account to be charged,
5. Person authorizing payment.

(Note: Yearly, the session should authorize persons responsible for approving expenditures; this is usually committee chairs, clerk of session, business manager, etc.) Committee members should submit bills for payment to chair for authorization of payment. The session can authorize monthly payments of mission, per capita or other recurring expenditures in an approved budget. *(A sample of a Cash Disbursements Policy and Procedures is found in the Appendix.)*

## **WHERE & WHEN TO SEND MONEY FOR PRESBYTERIAN CHURCH (U.S.A.)**

### **Receiving Site**

The Central Receiving Service (CRS) of the PC (USA) exists to receive and disburse funds contributed by congregations and individuals for Per Capita and support of the mission of the

Presbyterian Church (U.S.A.). To facilitate this work, regional *Receiving Sites* have been established to service the churches. This is usually your Presbytery or Synod office. [IN THE PRESBYTERY OF PHILADELPHIA YOUR PRESBYTERY OFFICE IS THE RECEIVING SITE.] Regional receiving sites should add credibility to the receipting process, speed up the turn around time for funds and improve the trust level which donors feel with regard to their gifts. A detailed receipt will be sent to donors (individuals or congregations). The Receiving Site collects money from donors, processes it for payment to the Presbytery, Synod and General Assembly according to the church's instructions and the Presbytery approved mission disbursement or per capita due. It is most helpful to use the Remittance Form that your Receiving Site provides. (*See sample in Appendix.*) Please check first with the Presbytery for instructions, a list of projects that for which they will receive money and any questions.

The Receiving Site can process payments for all Presbyterian related purposes:

- \*Per Capita
- \*Basic Mission Support (Shared and Directed Support)
- \*Special Offerings – One Great Hour of Sharing, Pentecost, Peacemaking, Christmas/Joy
- \*Witness Offering
- \*Disaster Assistance
- \*Hunger Offering
- \*1% Theological Education Fund
- \*Extra Commitment Opportunities (Please see the section on Mission Funding in the Appendix.)

### **Financial Secretary**

The financial secretary is elected by the session or trustees to oversee the recording and reporting of pledges and keep accurate records of all offerings. This person is normally someone other than the treasurer and is not authorized to sign checks. It is important that the same person NOT make deposits and sign checks.

Using the information provided by the tellers after the Sunday Offering, the financial secretary records the pledges and offerings each week being sure to itemize each gift and the amount. **(Contact Hubbard Press for pledge record forms and other materials – information under Resources in back of manual.)** In the case of stock, the gift will be valued as of the date of receipt.

At the end of each quarter the financial secretary totals the amounts received for each member and mails copies of the statements to each member of the church who either makes a pledge or contributes to the church. A year-end statement should be sent to each giver with the summary of all their gifts and pledges. **For tax purposes, the gift must be received and post marked in the year of the gift. Checks that are post dated to the previous year and received on the 1<sup>st</sup> Sunday in January will be counted as the current year not the year just ended.**

It is suggested that the financial secretary reconcile the bank statements each month and report to the treasurer.

## **Tellers**

SUNDAY OFFERINGS should be counted immediately after the service by two or more persons. **Tellers assigned to count the offering should not be the treasurer or financial secretary.** The tellers will give to the treasurer the original count sheet to explain the distribution of bank deposit and a copy of the deposit slip to the bank. The financial secretary will need the information for recording pledges and gifts. The tellers should see that the deposit is ready and taken to the bank immediately. *(See Appendix for Procedures for Counting Offerings and sample Recap Sheet.)*

**NOTE: Some members might prefer to pay their pledge on a monthly basis through an automatic debit from their checking account or through other forms of electronic giving. The session should seriously consider offering this method of payment. If a member sets up the automatic debit from their checking account, the church is assured payment on a regular basis. This might help with cash flow and budget planning. It is also more convenient for the giver and is the way that many people are already making payments to various organizations.**



## Chapter 4

### INVESTMENTS AND ENDOWMENT FUNDS

#### Definition and Accounting Requirements

To endow, in reference to Endowment Funds, means to furnish with an income. More often than not, the capital or corpus is unrestricted and the use of income is restricted or unrestricted.

Some donors will designate for a specific use the income and any realized capital gains, some use of the income only; others will choose not to designate so that proceeds may be used for general purposes. In any case, the wishes of the donors should be scrupulously followed to fulfill all legal requirements pertaining to Endowment Funds held by a not-for-profit organization.

Therefore, it is necessary that a permanent record be kept of the receipt of the gift and the terms of the bequest regardless of the sum of money involved. This should also appear in the session minutes. An on-going record, clearly delineating the use of the funds derived from the investment of the capital, shall also become a part of the permanent records of the church. The record should maintain the following information: *(Form available in Appendix.)*  
(Completed for example use only.)

**Endowment or Restricted Funds**  
**(Indicate if Endowment, Restricted or Designated Funds)**

Endowment \_\_\_\_\_  
Restricted \_\_\_\_\_ **XX** \_\_\_\_\_  
Designated \_\_\_\_\_

Fund Name The Jane and John Doe Fund

Date Created June 15, 2013

Value \$ 50,000

Given by Whom Susie and Tom Smith

Address 123 Main Street  
Louisville, KY 40202

Phone # 987-765-4321

Special Instructions: The principal and interest in this fund is restricted for maintenance of for the Knox Presbyterian Church and its successors.

History: The Jane and John Doe Fund was established on June 15, 2013 by the daughter and son-in-law of Jane and John Doe as a memorial. The principal and interest in this fund is restricted for maintenance expenses for the building of the Knox Presbyterian Church.

## Investment

Statements of Philosophy, Policy and Guidelines should be adopted by the trustees and session (see examples of brief statements which follow). **The Presbyterian Church (U.S.A.) Foundation can be very helpful in this particular information for Investments and Endowments. Please contact your Regional Development Officer or call 1-812-288-8841 to learn the name of your development officer and receive more information. The Foundation's website is [www.fdn.pcusa.org](http://www.fdn.pcusa.org).**

Investment of the funds may be (1) entrusted to a sub-committee of the trustees or session which reports regularly to the full board; (2) may be held in trust by a local bank; or (3) may be deposited in various trust funds of the Presbyterian Foundation of the Presbyterian Church (U.S.A.) which offers investment management services, or an authorized investment management firm.

Prior to assignment, however, a clear statement of investment purpose and goals should be adopted by the trustees or session (see example). The statement will help determine the type of investment vehicle to be used. Listed below are some investment vehicles (*Good quality vehicles should be used to protect the capital invested*):

The Presbyterian Foundation of the Presbyterian Church (U.S.A.) can be used for any size of investment and term. (Please call Foundation Development Officer for questions and investments – Check with Presbytery for name and phone number or call 1-812-288-8841)

Certificate of Deposit in banks and/or savings and loans  
Money Market Certificates (rates based on Treasury bill)  
Debt issues (debentures, bonds or convertibles or major corporations)  
Government issues (Treasury Bills, Treasury Bonds, etc.)  
Government Agency issues (International Bank for Reconstruction and Development, Federal National Mortgage Association, etc.)

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

Be sure to keep detailed information on all investments as to name, location of investment (whether through a bank or investment firm or where certificates are kept), date acquired, rate of return, maturity dates, balance at time of investment and periodically.

## **Suggestions of Statements of Philosophy, Policy and Guidelines**

### **Philosophy**

In recognition of the trustee responsibility for the funds of the church committed to their care, members of the trustees are guided by the following philosophy:

All resources shall be handled with gratitude to God in the spirit of Christian Stewardship; with appreciation to those who made the funds available and in accordance with their wishes to the extent specified by them; with concern for those for whose good the money is to be used; and with commitment to employ the money in such a way that its use will improve the quality of life.

### **Policy**

Unless otherwise specifically directed in the instrument by which property, real or personal is received, the trustees are authorized to invest and reinvest the property, if done in the exercise of that degree of judgment and care, under the circumstances prevailing; which persons of prudence, discretion and intelligence exercise in the management of their own affairs. Decisions are not made for speculation, but for permanence of the funds, considering maximum income to be derived therefrom consistent with the probable safety of the capital involved and protection of purchasing power which may be threatened by current inflation rates.

### **Guidelines**

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

## EXAMPLES OF INVESTMENT-PURPOSE AND GOALS STATEMENTS

### **Endowment Funds**

#### 1. Name of Fund

**Purpose:**

To provide support for \_\_\_\_\_ and Local Shared Mission Projects.

**Goals:**

To produce an income of 4 to 6% and an average total return of 6 to 10% annually over an extended period of time, maintaining an average equity/bond ratio of 60/40.

#### 2. Name of Fund

**Purpose:**

A utilized fund for investment of permanent endowment funds of the church including individual endowment funds for designated purposes.

**Goal:**

Net income of at least 4 ½% based on an average equity/bond ratio of 20/80 to afford some possibility of appreciation and yet produce a reasonably consistent yield.

#### 3. Name of Fund

**Purpose:**

To provide an investment vehicle for current funds as well as individual endowment funds of the church.

**Goal:**

To produce maximum income of 5 to 8% and provide for short-term liquid assets for cash flow purposes.

## Chapter 5

### AUDIT OR FINANCIAL REVIEW

All congregations should have the financial records and accounts of the congregation and all related organizations audited at least once every 12 months. This audit or financial review may be internal or external. Section G-3.0113 of the *Book of Order* requires the local church to carry out the following:

*A full financial review of all financial books and records shall be conducted every year by a public accountant or committee of members versed in accounting procedures. Reviewers should not be related to the treasurer(s). Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.*

#### Financial Review

A review consists principally of inquiry of management personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, a financial review does not express such an opinion. Therefore, it does deal with cash receipts and disbursements, but does not issue a position paper. A financial review is not as extensive as a full audit and likewise, not as costly. *For the purposes of this document, when referring to an audit, the word audit and financial review will be interchangeable.*

*Before beginning an audit, please read this entire chapter for descriptive information on parts of the audit, procedures and explanation of why certain things are done.*

Audit/financial review guidelines are available from accounting firms. Please check with a reliable source before you begin. There are updated accounting standards each year. Checking with a CPA would help you be current with accounting guidelines. Unfortunately, fraud is more prevalent than ever in the church. Please be sure that your audit includes specific questions and guidelines for examining for fraud.

#### External Audit

An external audit is done by an independent auditor or an accounting firm. If you need assistance in finding a good C.P.A., please call your presbytery office for a suggestion. It is important to use someone well versed in church and clergy tax laws and church finances.

## **Internal Audit**

An internal audit is normally conducted by a committee of members of the church. Sessions shall establish an auditing committee in conformity with the by-laws of the church and the laws of the state.

In most situations, particularly the medium or small size congregation, the audit will be internal and on a volunteer basis due to the cost of an external audit. Nonetheless, this should be done in a systematic manner by the best qualified individuals available within or to the congregation.

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

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

**The treasurer of the church or the treasurer of any of the related organizations should not serve on the audit committee** but should be available for consultation during the audit process. The size of the congregation, and the number of organizations that maintain their own accounts, would determine the number necessary to serve on the committee so that it is not too small to do a large task.

The audit committee should review and determine how the audit program will be used in making the audit. It is suggested that they do a testing process and not re-do the account for the period being audited. The testing should be done at various times during the period to determine the accuracy of the entries.

In order to complete an adequate audit, the following areas should be included in the audit procedure, plus any others that are deemed appropriate for the particular situation.

- A. **Cash Receipts:** The committee should review the procedures used to record receipts, how the Sunday offering is counted and tallied, and how other organization treasurers receive and account for funds. Time is very important in recording receipts -- either the Sunday offering or mail receipts, and a test check should be made to determine if the funds have been recorded on a timely basis. A check should also be made when designated funds are received to insure that they are properly credited and disbursed according to the wishes of the donor. Several of the individual contribution records should be tested to determine if all contributions have been properly recorded.
- B. **Cash Disbursements:** Copies of the budget adopted by the session for the period being audited should be made available to the committee along with any adjustments that were made during the period. With this basic document the committee can then

determine if disbursements, either by cash or by check, have been properly charged to the budget category. If there have been disbursements not related to a budget item, then the session's authority for the disbursement should be obtained from the minutes of the session.

If there are items in the terms of call of the clergy or other staff which are permitted to accumulate from one year to the other, it should be determined that these funds are being properly escrowed for future use with the limits established for the particular kind of funds. An audit check of current terms of call for clergy and other employment agreements for other staff should be reviewed to determine if the full obligation of the commitment has been met, i.e. all pension and/or annuity premiums paid, continuing education allowance paid or escrowed, social security paid, etc.

**Fraud Checkup:** Be sure to have a check list of how money is handled in your organization. A flow chart of a receipt and expenditure would indicate who has a part in each of these transactions. Consult a CPA for more information.

**Verification of Bank Statements:** Verification of bank statements should be done by the audit committee so that the statement can be reconciled with the cash receipts and disbursements.

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

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

**Petty Cash:** As soon as practical after the close of the books for the period to be audited, a member of the committee should physically count the petty cash as these funds are a part of those to be accounted for by the audit.

**Membership Contribution Records:** The final statement for the year should be sent by the audit committee and/or the committee may send a letter advising the individual donor that any discrepancies should be reported to the audit committee. Spot testing should also be done to determine that the entries have been properly recorded.

**Insurance Policies:** If no other committee or board is charged with the review of the adequacy of the insurance coverage, this may very well be assigned to the audit committee. With the rapidly escalating costs for replacement, and the incidents of vandalism, thefts, etc, all insurance policies should be reviewed by competent officers to determine the adequacy of the coverage and the reasonableness of the premiums

being paid. Insurance brokers are a good resource for reviewing adequacy of coverage and will gladly provide proposals of costs. This needs to be done annually. **See Chapter 6 on Insurance and Risk Management for complete information.**

After the committee has completed their various assigned tasks, the committee should meet as a whole and go over the work of each member, and then either as a committee or 2 or 3 members, prepare a report or letter to the session advising of the findings. This should include any recommendations that would enable a better accounting and understanding of the monthly reports, and what steps would make it easier for the next audit committee.

The audit of the accounts of the congregation are very important to determine the financial condition of the congregation and to give the members the trust that their giving is being taken care of in a businesslike manner.

When the report of the audit committee is received by the session, and the report has been included in the session minutes, and the assignments of any recommendations for change in methods have been made, there should be a word of thanks to the audit committee, not only in the session minutes, but in any newsletter which might go to each member. This will not only make the committee members feel that their work was necessary and the task worthwhile, but will be a trust factor for the membership.

Audit committees may also audit management procedures and investments and remind the session of other items such as personnel policies, church usage policies, by-laws, etc. which might need to be reviewed and updated.

## Chapter 6

### INSURANCE AND RISK MANAGEMENT

**Churches are directed by the *Book of Order, G-3.0112* to “obtain property and liability insurance coverage to protect its facilities, programs, staff and elected and appointed officers.”**

**PLEASE USE:**

- ✓ **LEGAL RESOURCE MANUAL FOR THE PRESBYTERIAN CHURCH (U.S.A.) MIDDLE GOVERNING BODIES AND CHURCHES**, for information that will be *most helpful*. This information includes detailed information on Risk Management, definitions of various types of insurance (see list below) and checklist for risk management, inventory and arson prevention.
- ✓ ***Risk Management For Churches***. Authored by Richard Hammar, J.D., L. L. M., CPA and published by Christian Ministry Resources.
- ✓ ***Safety Checklists for Churches and Schools*** published by Christian Ministry Resources.

*(See Resources in the back of this manual for ordering the above referenced publications.)*

The role of the church is changing and with it the need for church boards to review ways to provide adequate insurance for all property damage, accident and liability situations. Gone are the days when the church activities were limited to weekend services, special holiday functions and church dinners. Today, the church is the hub of diverse activities including fund raising events, preschool programs, social action groups, scouts and other meetings. Many churches have related property such as manses, schools, gymnasiums, and cemeteries. Congregations are involved in many off-premises activities such as camps, excursions, tours, outings, and retreats, many of which require the use of buses and other motorized equipment. In addition there is the exposure to vandalism, riots, bombings and arson.

With all this involvement, the church has increased liability. The task of adequately insuring the church against many situations becomes complicated. Recognizing the risk management responsibility, the session should appoint a committee to review and secure the adequate insurance coverage.

This committee should look for a company committed to serving the church field which can help provide the stability, continuity and counsel that may be lost due to turnover on the church boards over the years. This company should be one which can provide the highly specialized coverage needed by churches.

CHECK WITH YOUR PRESBYTERY OFFICE FOR INFORMATION ON A PRESBYTERY MASTER INSURANCE POLICY. Many presbyteries have established Master Policies through an insurance agent or insurance company. This has proven to be both cost effective for the churches and has increased their coverage. The goal is to provide a service and to give churches the best coverage at an affordable price. [THE PRESBYTERY OF PHILADELPHIA HAS A MASTER PROGRAM FOR CHURCHES THROUGH THE SOVEREIGN INSURANCE AGENCY OF DEVON, PA.]

Every insurance company will require the following information for both quotes and coverage:

- A. A listing of all real properties owned by the church including: church property, meeting hall, manse and any other church-owned properties such as nursing homes, camp grounds, athletic facilities, investment properties, food stands, building sites, etc. You will need to specify square footage, material structure, etc. Often this is done by the insurance agent with a representative from the church present.
- B. An inventory of all items within those properties, even those that are not the property of the church such as the minister's personal library.
- C. An inventory of all church-owned vehicles, including recreational vehicles and buses.
- D. A list of all employees, both full-time and part-time, with approximate annual salary and primary function.
- E. A list of all church activities throughout the year, including functions of all church affiliates such as women's and men's groups, youth and school organizations, and older adult groups.

Once the insurance representative has this list and makes a thorough evaluation of your property, you will receive a proposal of coverage and a premium quotation.

The valuation of your building and contents is critical. It is important that building coverage be adequate to **cover replacement costs** in case of total loss by fire, windstorm, or other insured perils. **HAVING REPLACEMENT COST INSURANCE IS VITAL TO THE FINANCIAL HEALTH OF A CHURCH.** Contents should be insured adequately to protect the initial investment, less depreciation.

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

## What are the different kinds of coverage needed?

It depends on your needs. Here is a review of the types of insurance available (*See Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches* for detailed information on each type of insurance.)

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

Other types of insurance to consider (Check with your agent if these items are included in the policy covering your church. If not, consider purchasing this additional coverage if your situation warrants it.)

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

**Transportation** for church members is a safety concern for the church as well as those who are driving. Please be sure that you are up to date on Federal Bus Regulations and any warnings issued by the National Highway Traffic Safety Administration (NHTSA) such as the “Rollover Risk of 15 passenger vans.”

Risk management and insurance coverage should be a high priority of the church. Seek competent advice!!



## Chapter 7

### PERSONNEL

Most employers are affected by the Civil Rights Act of 1964 (Title VII) as amended which bans discrimination based on race, color, religion, sex or national origin in employment. There are other laws prohibiting discrimination against handicapped persons or veterans. Depending on the size of the employing organization, there are laws which pertain to hiring an employee. **Important: Since 2014 there are Child Protective Services Laws in Pennsylvania affecting all employees and volunteers who have responsibility for children, and which involve extensive background checks.** (See [www.compass.state.pa.us/cwis](http://www.compass.state.pa.us/cwis).) According to the *Book of Order, G-3.0201.*, the session is responsible for the employment of administrative staff. This means the session should have concern for equal employment opportunity, fair employment practices, personnel policies, and the annual review of the adequacy of compensation for all employees. The employment process is usually handled by a session authorized Personnel Committee. (See Resources for *Guidelines for Session Personnel Committees.*)

Lay employees are classified as exempt or non-exempt. Classification of a job is determined by the duties or percentage of time spent in exempt duties. Consult Dept of Labor website: [www.dol.gov/](http://www.dol.gov/) for more information.

**This section of the Treasurer's Manual will concentrate on guidelines that the treasurer must handle for all employees, ordained and non-ordained.**

Financial Checklist for Employees (Additional Clergy Information is listed below.)

- Be sure that each employee has a letter of employment which includes the salary and benefits, as well as employment status. A copy should be kept in file and updated after every change.
- Be sure that your Personnel Policies include the Military Service Information. Consult Board of Pensions or PCUSA Human Resources for detailed information.
- Maintain files, *if asked by the session*, on background checks, references, sick days, vacation time, time cards, etc., name and phone number to call in case of emergency.
- Include in file the hiring date, wages, exemptions (federal, state and local), copy of current W-4, employment status (exempt or non-exempt, part-time or full-time) and any other information necessary for each employee.
- Have two forms of identification on file...copy of driver's license or government-issued identification card, *and* either a copy of birth certificate or social security card along with a complete I-9 form.
- Have employee complete a W-4 indicating wage and tax information at time of hiring and every December for the following year.

- Notify payroll service, if you use one, or set up person on your system.
- Notify appropriate agencies about a new employee hire.
- Give employee all necessary forms to complete for benefits - insurance, pension, retirement savings, etc. (See Board of Pensions publications or website for health insurance coverage, pension, retirement savings and all forms for both clergy and lay employees. Website: [www.pensions.org](http://www.pensions.org) Member Services 1-800-773-7752). Specific Clergy hire/termination process listed below.
- Annually, update all forms for health insurance and pension whether Board of Pensions or another source. (Member Change Form or New Employee Form from BOP.)
- Complete all forms and notify insurance carrier if employee needs to be added to insurance for vehicles, liability, sexual misconduct, or workers' compensation.
- If church has a Section 125 Flexible Spending Plan or Health Reimbursement Accounts, be sure to give her/him the appropriate forms when hired and annually, usually in December, for update. These plans should be supported by proper papers and be in compliance with the law. Be sure that employees understand the plan that the church uses and have a copy of the plan for their keeping.
- Explain payroll procedures and dates. If a time sheet is used, be sure the employee understands how to complete and when to turn it in.
- If employee will be issued credit cards, have all forms completed and remind him/her of receipts being turned in after using card.
  - If the employee is to have signature on bank accounts, CD's etc., fill out the appropriate forms--and give to the bank or other places where the signature needs to be on file. (Be sure to make copies and file for record retention and back up.)
  - If eligible, give employee a supply of reimbursement and travel vouchers, along with a copy of the session approved accountable reimbursement plan.

## **Termination**

When an employee leaves the employment of the church the above list can also be used to undo any actions taken when the employee was hired. (Example: Change signature cards at bank, collect credit cards, and remove name from pertinent information.) Be sure to update the records held in retention with the termination date and any other significant information.

## **Employee vs. Independent Contractor**

Many churches are confused over this topic. Please read carefully the following information found on the next page.

## CHURCH EMPLOYEE OR INDEPENDENT CONTRACTOR

Classification of employee versus non-employee for individuals who provide services for the organization is a major issue for churches. Note that this is a “Hot topic” for IRS audits. The governing rules cannot address every situation because the available guidance is subjective in nature. Therefore, employing organizations must be very careful when making a determination of employment classification.

IRS has a list of 20 factors for considering whether an individual is an employee or independent contractor. **HOWEVER, MOST CHURCH EMPLOYEES REGARDLESS OF THE NOMINAL AMOUNTS PAID OR THE MINIMAL HOURS WORKED ARE EMPLOYEES, NOT INDEPENDENT CONTRACTORS.** This would include nursery workers, church secretaries, pianists/organists, choir directors, worship leaders, and janitors. This is mainly because of the control the organization exercises over their work. Rule of thumb says: When in doubt, always classify as employee.

The IRS set of factors for judging the employee/independent contractor classifications centers on whether the employer ultimately controls how the worker performs the work. This can be a difficult dilemma, but a written agreement with the worker clearly stating the individual’s responsibilities and whether they are considered an employee or independent contractor.

If a worker is classified as an employee, he/she may be eligible for benefits available. The employer may also be held responsible for the employee’s actions while on duty.

An **independent contractor** is treated as a sole proprietor, must pay his/her own taxes as well as provide all of his/her own benefits. The payments made by an organization are not subject to income tax withholding provided his federal tax identification number is given to the organization. The independent contractor is solely responsible for social security taxes on the self-employment earnings.

An IRS Form 1099-MISC must be used to report payments (if in excess of \$600) made to an independent contractor and the individual’s social security number must be provided to the church in order to complete the form.

Employee benefits (sick leave, paid vacation, retirement benefits or medical insurance, etc.) do not apply to independent contractors. Nor is the independent contractor eligible for unemployment benefits if he/she is discharged. (Note: Religious non-profit corporations are exempt from paying unemployment compensation taxes and thus no employees are eligible to receive unemployment benefits.)

**Despite the perceived opportunity for savings, employers bear the burden of proof for independent contractors. Any incorrect classifications can result in significant financial consequences to the employer. It is more advantageous to classify workers as employees where appropriate.**

## Risks of Misclassification

If the church incorrectly treats an employee like an independent contractor, the organization:

- Risks increased income and FICA taxes, penalties, and interest
- May owe back FUTA taxes, with penalties and interest
- May owe back pay and overtime under wage and hour laws
- May jeopardize qualified benefit plans

Legal Services of the PCUSA has a pamphlet available which details the Employee vs. Independent Contractor Dilemma.

## **WHEN MINISTER OR COMMISSIONED LAY PASTOR IS HIRED**

Many of the items in the checklist above apply to clergy. However, listed below is some specific information about Ministers or Commissioned Lay Pastors.

1. Remember that all full-time installed ministers must be a member of the Board of Pensions (BOP) which provides health insurance, pension and death/disability coverage. Optional forms of insurance are available, dental, additional death/disability coverage, etc. from BOP and may be paid by the member or negotiated in the terms of call. (Check with BOP for complete information – 1-800-773-7752 or [www.pensions.org](http://www.pensions.org)).
2. Submit completed Member Change Forms to the Board of Pensions. (See BOP website [www.pensions.org](http://www.pensions.org) to download all necessary forms.)
3. **Ministers are considered “Self-Employed” for Social Security Purposes and are considered an “Employee” for Federal Tax Purposes.** This means that a minister is responsible for self-employment taxes (15.3% of wages) rather than the employer withholding social security and Medicare (7.65%) from the minister’s pay and the employer paying an equivalent share (7.65%) of social security and Medicare like they do for non-clergy employees. The minister is responsible for filing and paying self-employment taxes. For federal tax purposes, however, a minister is an employee. The minister can request that the employer withhold Federal Income Tax OR he/she can pay this along with the self-employment taxes, usually on a quarterly basis. **NOTE:** A minister can request a greater amount of Federal Income Tax be withheld to help offset the self-employment taxes he/she will have to pay. When they reconcile their quarterly return, they will be overpaid in Federal Income Tax and under paid in Self-employment Tax and the amounts will offset each other. **For more information on this, both the minister and treasurer are strongly encouraged to consult Internal Revenue Service Publication 517- Social Security and Other Information for Members of the Clergy and Religious Workers (Website: [www.irs.gov/publications](http://www.irs.gov/publications) or by calling 1-800-829-3676). ALSO, you can consult the BOP publication “Tax Guide for Ministers” or “Social Security Basics for Ministers and Churches”. Contact your Board of Pensions Regional Representative or call BOP RESPONSE line at**

**1-800-455-5129 and they will connect you with the legal services team to answer tax related questions.**

4. Housing Allowance **MUST** be designated in advance by the employing body and is excluded from gross income for federal tax purposes (but not for state and local tax purposes). This designation is usually approved by the session or by congregation when voting on the terms of call for the pastor. The housing allowance amount permitted **may not exceed the fair rental value of the property**. The fair rental value is defined in Revenue Ruling 71-280 as the amount of rent that an unrelated party would pay for the home, including furnishing and related structures such as garages, plus utility costs. (More information on Housing Allowance is found in the Board of Pensions publication, *Understanding Effective Salary or Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches*. (See Resources in back of manual))
5. Ministers receive a W-2 at the end of the year. Included in the gross wages are the following items: (Note: Housing is not part of federal wages, but can be listed on W-2 in box 14 for information.)
  - Salary
  - Imputed Income – See BOP website for worksheet
  - SECA Supplement
  - Gifts – Christmas or other
  - Car Allowance not paid through an accountable reimbursement plan
  - Loans

### **Commissioned Lay Pastors**

Commissioned Lay Pastors (CLPs) must pass the test of whether they are defined as “ministers” under the law in order to qualify for the special tax treatment outlined by the IRS Code. According to the IRS Code the definition of a minister is one who:

- 1) administers sacraments
- 2) conducts religious worship
- 3) has management responsibility in a local church or religious denomination
- 4) is ordained, commissioned, or licensed, and
- 5) is considered to be a religious leader by his or her church or denomination.

The most important factor is number 4. However, it will be up to your presbytery and its Committee on Ministry to ascertain whether a person is a Commissioned Lay Pastor and meets the test for “minister”. If it is determined that a Commissioned Lay Pastor is a “minister”, then he/she is entitled to all the special tax treatments afforded an ordained minister of the PC (USA) including Housing Allowance, treatment of Self-employment Taxes and Federal Income Taxes. Be sure to consult your presbytery for guidance in the area of taxes and the Commissioned Lay Pastor. (Please use the Resources, *Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches* OR Richard Hammer’s *Church and Clergy Tax Guide* - updated annually.)

Remember to follow the recommended procedures for all employees when a Minister or Commissioned Lay Pastor is terminated.

## **FLEXIBLE SPENDING ACCOUNTS VS HEALTH REIMBURSEMENT ARRANGEMENT**

An organization may choose to establish programs for pre-tax dollars to be used for medical expenses that are not covered by a Medical Plan (i.e. Board of Pensions). *It is extremely important that you consult tax and/or legal advisors in this process.* The session of the church must approve the plan document setting forth the terms and conditions of the plan.

These two program options are in addition to the Benefits Plan of the Board of Pensions.

- A Flexible Spending Account (FSA) is a qualified benefits plan under the Internal Revenue Code that allows an employee to set aside part of his/her salary on a pre-tax basis to cover a variety of health care expenses. The plan document establishes rules for eligibility, approved reimbursable expenses, salary reduction agreements and when elections may be changed. The money in a FSA will be used to reimburse medical expenses incurred by the employee or his/her eligible dependents. *Any unused amount in an employee's account at the end of the year is forfeited.* Only employees may participate in a FSA. A self-employed individual is not considered an employee for FSA purposes. A minister employed by a congregation is considered self-employed for Social Security purposes (pays SECA rather than FICA) but is considered an employee for federal income tax purposes. Employed ministers are eligible to participate in a FSA. NOTE: Additional cafeteria plan options may be offered if the plan includes these options. (i.e. Dependent care coverage, disability or death benefits, or life insurance, other medical coverage dues or premiums.)
  
- The Health Reimbursement Arrangement (HRA) as defined in the Internal Revenue Code is a program that is funded solely by the employer. No employee salary contribution is permitted. It provides reimbursement on a non-taxable basis for certain medical expenses up to an annual limit.

Both of these plans can be set up for clergy AND lay employees. The programs are not subject to Federal and Social Security taxes if they are provided as a group plan established to reimburse the *entire* employee population of the organization for medical expenses not covered by a Medical Plan, such as deductibles and co-payments.

**Funds provided by the employer for medical reimbursement are taxable unless the benefit is provided to the entire employee population.**

Both the FSA and HRA have detailed instructions and requirements that must be met. Again, a tax and/or legal advisor knowledgeable in these programs should be consulted when deciding to adopt one of these programs.

The Board of Pensions has an extensive informational packet (available at [www.pensions.org](http://www.pensions.org)) that sessions will find very useful when considering these plans.

## **Reference Resources for Chapter 7 – Personnel**

*Church and Clergy Tax Guide Current Year Edition, by Richard Hammar*

*Flexible Spending Accounts vs Health Reimbursement Arrangement* SAMPLE  
information available from the Board of Pensions [www.pension.org](http://www.pension.org)

*Legal Resource Manual for Presbyterian Church (U.S.A.) for Middle Governing Bodies and Churches, General Assembly Council Office of Legal/Risk Management Services*

*Presbyterian Church (U.S.A.) Guidelines for Session Personnel Committees, PDS#7221099001*

*RESPONSE Hotline, Board of Pensions, Legal Services, 1-800-455-5129*

*Social Security and Other Information for Members of the Clergy and Religious Workers, Internal Revenue Service Publication 517*

*Tax Guide for Churches, Updated by the IRS*

*Understanding Effective Salary, Board of Pensions Publication*



## Chapter 8

### STEWARDSHIP AND BUDGETING

According to the *Book of Order*:

G-3.0201, the session has the responsibility of “encouraging the graces of generosity and faithful stewardship of personal and financial resources; managing the physical property of the congregation for the furtherance of its mission; directing the ministry of deacons, trustees, and all organizations of the congregation; employing the administrative staff of the congregation.”

G-3.0205, “the session shall prepare and adopt a budget and determine the distribution of the congregation’s benevolences. It shall also authorize offerings for Christian purposes and shall account for the proceeds of such offerings and their disbursement. It shall provide full information to the congregation concerning its decisions in such matters.”

#### Stewardship

“...stewardship is the responsive practice of Christians making proper use of the gifts God has given them for the sake of God’s work in the world...”

Stewardship Theology 2001, 213<sup>th</sup> General Assembly approved statement of stewardship theology.

The treasurer is NOT responsible for the education of Year-Round Stewardship of the congregation. This is the responsibility of the session as assigned to a stewardship committee or the board of deacons. There are a number of resources available. The treasurer should keep resources such as the *Stewardship Manual: A Guide to Year-round Financial Stewardship Planning* available for use by the people involved in stewardship education. Other ways the treasurer can assist is with financial information when the stewardship committee is planning a pledge campaign. Interpretation of the financial information concerning the current year in comparison to last year can offer valuable information in planning and budgeting.

Other stewardship education resources are listed in the Appendix and should be shared with the session stewardship committee.

#### Budgeting

The treasurer may assist in the preparation of the church budget. A budget is a format which shows the source of monies and the planned disbursements. A budget shows a plan for programming based on available resources. It should be realistic and anticipate the needs of the church. A church budget can be viewed as an expression of the goals of a congregation translated into dollars and aligned in priority order. Since the expected income often is unknown at the time of the budget process, it is prudent to encourage close scrutiny of both new and on-going programs. When the budget is properly developed, continually updated, and used effectively, many beneficial results are realized such as:

1. Reduced emotional spending
2. Improved impact of mission dollars

3. Avoidance of unintentional diversion of dollars to low priority causes
4. Increased congregational participation and commitment
5. Monitored spending
6. Rational adjustment to meet unexpected situations.

The effectiveness of a budget in the long run depends upon two factors: the thoroughness of the planning upon which it is developed and the diligence with which it is used.

This section describes the program budget development process.

## **Budget Development**

### **Steps for Budget Process**

1. Congregational leaders (Leadership Team comprised of the session and congregational leaders) who are concerned for the continuing health of their congregation and for a genuine ministry to people will make plans for the future.
2. Program planning will be an ongoing process which will project both short and long-range goals (Suggestion of 1 year, 3 year and 5 year goals). These goals are for benevolences, programs and operations. This process includes the evaluation on an annual basis of what goals were met, what programs need to be changed and what the goals for the future will be. It is important that the recipients of mission dollars be evaluated for the continuing or increased need for funds. Mission giving can be an excellent form of mission education for the congregation and may encourage increased participation from the members of the congregation. The committee responsible for recommending the mission budget should have a firm conviction of what the goals of mission giving should be for the congregation and by what steps they feel that these goals can be reached. It is important for the Mission Committee to study the Presbytery, Synod and General Assembly mission needs as well as those of local organizations. After completing the study, the committee should make budget requests keeping in mind that the Presbyterian Mission is a top priority. Support of local mission projects is very important and should be included, but we must remember that these projects are usually ecumenically supported and only Presbyterians support Presbyterian Mission. The Presbyterian connectional system provides for combining our mission dollars so that *we can do more together than we can do alone*. Note: Information about General Assembly Mission is available from Mission Funding of General Assembly and from the Directed Mission Support Book
3. Goals are recommended to committees for action. Committees make budget requests to the Budget Committee.
4. The Budget Committee will project the income for the new year based on current giving, membership, and other sources of income such as investment income and rental income.
5. The annual stewardship drive is held and pledges are made. NOTE: Stewardship materials are available at the Presbytery office. Hubbard Press is also a source for pledge cards as well as record keeping materials such as giving envelopes and contribution posting forms.

6. The Session Personnel Committee holds annual reviews and recommends salary packages for all personnel to the Budget Committee
7. Using the goals that were set, committee requests, personnel recommendations along with the budget projections and pledges, the Budget Committee forms a budget.
8. The proposed budget goes to the session for approval for all items except the clergy terms of call (salary packages).
9. The congregation approves the terms of call at a called Congregational Meeting, usually the annual meeting. NOTE: Housing allowance must be approved before it can be paid.
10. Once the budget and terms of call are approved, the budget is set for the new year.
11. It is advisable for the session to continue monitoring the budget through the regular financial reports from the treasurer.

Developing a budget without solid program planning is fruitless. The annual budget should communicate the goals, hopes and dreams of the congregation. It is important to evaluate the budget to actual figures throughout the year. The approved budget should be presented to the congregation for information only. There are many ways to present the budget – Line Account Budget, Category Summarization Budget or Narrative Budget.

***Reference Resources for Chapter 8 – Stewardship and Budgeting***

*Directed Mission Support Book, published by Mission Funding, General Assembly*

*Presbyterian Church (U.S.A.) Website: [www.pcusa.org](http://www.pcusa.org)*

*Stewardship Manual: A Guide to Year-Round Financial Stewardship Planning, published by Stewardship Education Team, General Assembly*



## RESOURCES

### **The Board of Pensions of the Presbyterian Church (U.S.A.)** [www.pensions.org](http://www.pensions.org)

2000 Market Street  
Philadelphia, PA 19103-3298  
800-773-7752

MOST PUBLICATIONS CAN BE DOWNLOADED FROM THE WEBSITE

**Benefits Administrative Handbook for Churches and Employing Organizations of the Presbyterian Church (U.S.A.)** Handbook for Church Treasurer, Clerks of Session and Business Administrators that describes the benefits plan and assistance programs of the denomination as well as payroll and benefits taxation.

**Death Benefits Income Worksheet** Used to figure the imputed income from life insurance coverage for members.

**Tax Guide for Ministers and Churches**

**Understanding Effective Salary**, Booklet describing how effective salary is determined.

### **Your Church Resources/Christianity Today**, [www.yourchurchresources.com](http://www.yourchurchresources.com)

**Church and Clergy Tax Guide**, Richard Hammar, J.D., L.L.L., C.P.A.,  
Updated each year.

**The Church Guide to Employment Law**, by Julie L. Bloss, J.D., CEBS. 2d ed.

**Church Treasurer Alert!** Monthly newsletter of accounting, financial and tax developments affecting churches.

**Risk Management for Churches**, by Richard Hammar, J.D., L.L.L., C.P.A.

**Safety Checklists for Churches and Schools**

**Hubbard Press**, 1-800-328-3694. Source for all giving materials such as Offering Envelopes, Pledge Record Forms, Automatic Debit Services for Pledge and Gift Giving.

### **Internal Revenue Service Publications**, 1-800-TAX-FORM

Employer's Tax Guide, Circular E

Charitable Contributions

Determining the Value of Donated Property

Social Security for Members of Clergy and Religious Workers

Tax Guide for Churches and Other Religious Organizations

Taxable and Non-Taxable Income

Travel, Entertainment and Gift Expenses

### **Insurance Carriers**

Philadelphia Insurance Companies – [www.phly.com](http://www.phly.com)

GuideOne Insurance – [www.guideone.com](http://www.guideone.com)

Church Mutual Insurance – [www.churchmutual.com](http://www.churchmutual.com)

Brotherhood Mutual Insurance Company – [www.brotherhoodmutual.com](http://www.brotherhoodmutual.com)

Insurance Board – [www.InsuranceBoard.org](http://www.InsuranceBoard.org)

***Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches***, Office of Legal/Risk Management Services, General Assembly, 1-888-728-7228, ext. 5377.

**Presbyterian Church (U.S.A.)**, [www.pcusa.org](http://www.pcusa.org) – Using the website (Search), many of the materials listed below may be ordered from Presbyterian Distribution Center. Descriptions of the materials and the offices that produced the materials are also on the website and may give more pertinent or related information.

1-888-728-7228 (People)

1-800-872-3283 (Information)

1-800-524-2612 (Resources) – a.k.a. **Presbyterian Distribution Center**

**Book of Order, Part II Constitution of the Presbyterian Church (U.S.A.), PDS#OGA-02-001.**

***Directed Mission Support***, PDS#68700-03-050 – Contact Mission Funding and Development for further information, Extension 5659.

***Employee or Independent Contractor*** – Published by Office of Risk Management, Ext. 5369, Twenty (20) factor checklist to determine if a person should be treated as an employee or independent contractor.

***Extra Commitment Opportunities***, PDS#68700-03-085, - Contact Mission Funding and Development for further information, Extension 5659.

***Guidelines for Session Personnel Committees***, PDS#7221099001 - \$5.00

**Presbyterian Church (U.S.A.) Employee Handbook**, Human Resources Office, Extension 5710.

***Stewardship Education Materials*** – Contact Stewardship Education.

***Stewardship Manual: A Guide to Year-Round Stewardship Planning***, PDS#72530-94-001.

**Presbyterian Distribution Center**, 1-800-524-2612.

**Social Security Administration**, [www.socialsecurity.gov/](http://www.socialsecurity.gov/)

PRESBYTERY OF PHILADELPHIA  
FINANCIAL REVIEW REQUIRED BY THE  
BOOK OF ORDER, FORM OF GOVERNMENT

G-3.0113 –FINANCES

G-3.0113 – A full financial review of all financial books and records shall be conducted every year by a public accountant or committee of members versed in accounting procedures. Reviewers should not be related to the treasurer(s). Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.

ACCOUNTING METHODS

CASH

Recognizes income and expense when received (deposited) and paid (checks issued). Cash is the only asset; there are no liabilities.

ACCRUAL

Income is recognized as it is earned or becomes unconditionally owned. If the period earned is different from the one in which the cash is received there must be an accrual or a deferral with an offsetting asset against income. As in the case of income, if the cash payment is in a different period an offsetting prepayment or accrued liability is recorded.

HYBRID

Follows the cash basis accounting method, but is adjusted for certain accrual items (but not all) applied on a consistent basis.

Generally, the accrual method of accounting is the overwhelming superior method for reporting results of operations, but it is the costly and time consuming. For the smaller church the accrual method may not be necessary to present reasonably accurate and usable financial statements. On the other hand, it is a rarity where cash basis accounting is capable of providing useful financial statements.

The hybrid method of accounting seems to be the most practical application for smaller churches. It offers flexibility in applying to specific circumstances.

In general practice smaller churches generally ignore the fact that many common expenses, such as utility bills are paid approximately one month than the service or materials were received. In theory, these are unpaid liabilities at the end of each accounting period and should be accrued. However, if these expenses are consistently paid, but not accrued, each accounting period will have the proper number of charges anyway. There should be no material effect on the income statement.

If a church has one or more employees, it is highly recommended that gross salaries be charged to the appropriate expense account and amounts withheld from the salary be recorded as withholding tax liabilities. It is also a good idea to record the church's tax and employee benefit expense related to the salary.

Other examples that should be considered for accounting recognition are cash conversions to investments or other assets and assets acquired by incurring debt (such as a copy machine).

The need to account for receivables, inventories, payables, property and equipment, bank debt should be determined on an individual basis for the purpose of achieving useful financial reporting.

## FUND ACCOUNTING

Most small churches are faced with accounting for more than one fund such as operating fund, building fund, activity funds, specific endowments with and without legal requirements and many others. Some of these fund assets are commingled; others are not. This is an area where creative reporting can be a real challenge, but it is often ignored.

Current proper financial reporting requires that net assets of all funds be differentiated by donor restrictions into the following categories:

- Unrestricted net assets – may be designated for specific purposes
- Temporarily restricted net assets – subject to donor stipulations that expire
- Permanently restricted net assets – subject to permanent donor stipulations

The financial reviewer should determine the need to comply with the related generally accepted accounting principles established by the American Institute of Certified Public Accountants.

## GENERAL PURPOSE OF THE REVIEW

- A. Review the reasonableness of the system of internal control and applied accounting policy
- B. Test the accuracy of the books of entry to the underlying accounting records.
- C. Verify major asset and liability balances at year-end.
- D. Relate annual reports and other reports required of the Treasurer to the books of entry.

There is an accompanying listing for the four general purposes of a financial review listed above. The review of the system of internal control is an exhaustive listing of questions designed to help the reader determine the extent of the financial review and to think about improvements to the existing system of controls.

The other listings are offered as guidelines for the performance of the review. These listings should be converted into financial review programs that are specific to the individual church.

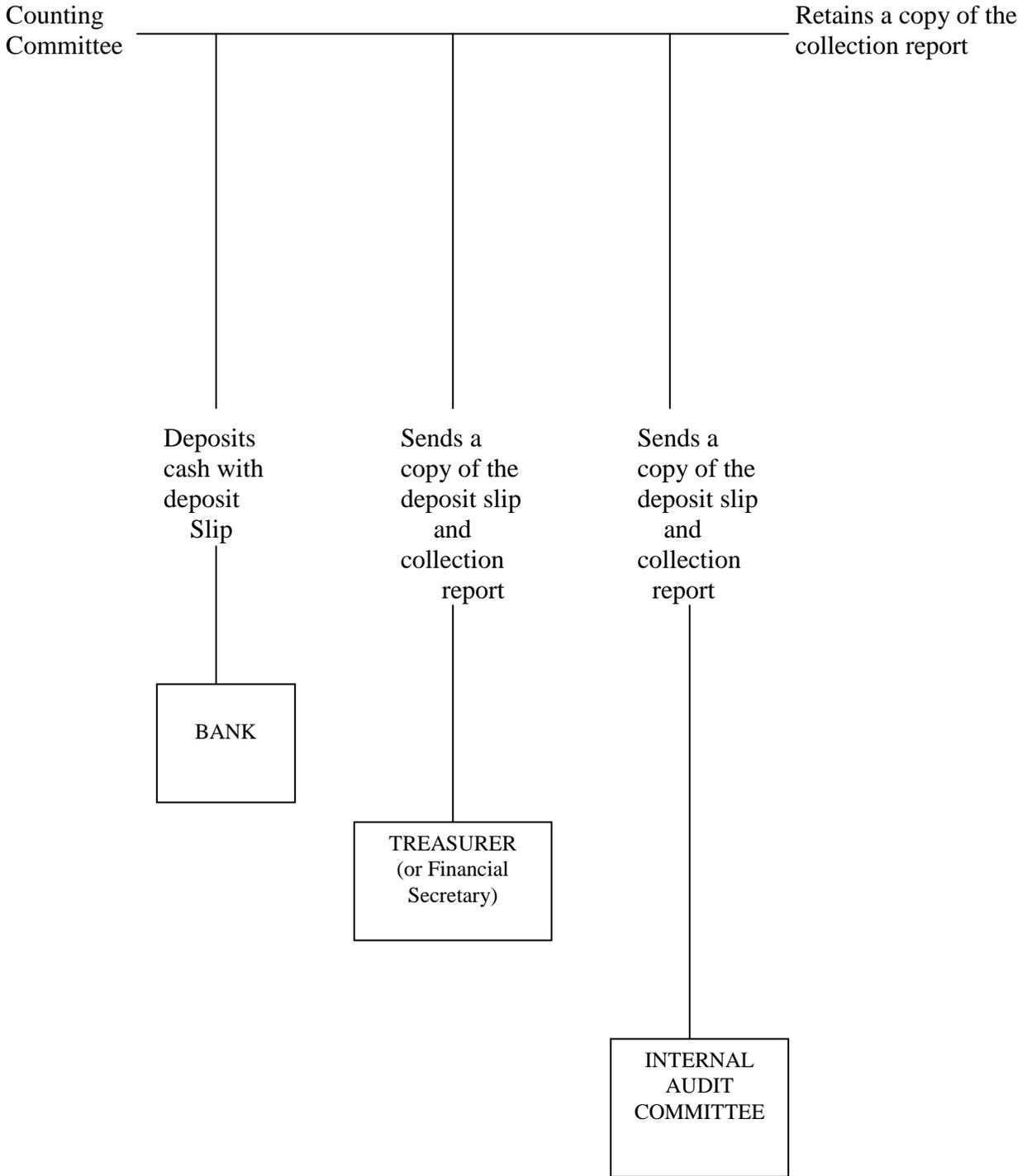
Out of the financial review should come a letter report to the Session expressing an opinion with regard to what the reviewer found and a listing of suggestions for improvements to the system of internal control.

Handling Collections

|  |   |
|--|---|
|  | <p>Are collection reports given to the financial secretary or treasurer for entry into the accounting records, and a copy sent to the internal audit committee for subsequent audit purposes?</p> <p><input type="checkbox"/> Yes    Notes _____</p> <p><input type="checkbox"/> No        _____</p> <p>_____</p>   |
|  | <p>Analysis</p> <p>Collections should never be handled by people who work with the accounting records. The counting committee should deposit cash in the bank and inform the record keepers of their activities. The optimum system for handling collections is as follows:</p> <p>The counting committee counts the offerings and prepares a collection report indicating details of currency and coins, checks included in envelopes, and checks not included in envelopes.</p> <p>The counting committee prepares the bank deposit slip in triplicate and deposits the moneys in the bank. The original slip goes to the bank, one copy goes to the treasurer, and the other copy goes to the internal audit committee.</p> <p>The collection report is also prepared in triplicate. The original, together with the opened envelopes, goes to the person in charge of recording contributions in the accounting records, a copy goes to the internal audit committee; another copy is retained by the counting committee.</p> <p>The entire collection-handling function is shown in exhibit 3. Although the process may seem complex, the only difference between the suggested approach and that currently followed in many churches is that extra copies of the deposit slip and collection report are required.</p> |



**Exhibit 3: Overview of Cash-Handling Procedures**





Church Accounting Techniques

COUNTERS' REPORT OF CASH RECEIPTS

Year \_\_\_\_\_

Month \_\_\_\_\_

Day \_\_\_\_\_

REPORT NO. \_\_\_\_\_

|    |                   | 1           | 2       | 3      | 4     | 5     | 6       |
|----|-------------------|-------------|---------|--------|-------|-------|---------|
| 1  | Weekly Cash Count |             |         |        |       |       |         |
| 2  | of Offerings      |             |         |        |       |       |         |
| 3  |                   | Envelopes   | Loose   | School | Other | Other | Deposit |
| 4  |                   |             |         |        |       |       |         |
| 5  | Coins             |             |         |        |       |       |         |
| 6  | Bills             |             |         |        |       |       |         |
| 7  | Checks            |             |         |        |       |       |         |
| 8  |                   |             |         |        |       |       |         |
| 9  | TOTAL             |             |         |        |       |       |         |
| 10 |                   |             |         |        |       |       |         |
| 11 |                   |             |         |        |       |       |         |
| 12 |                   |             |         |        |       |       |         |
| 13 | WEEKLY ANALYSIS   |             |         |        |       |       |         |
| 14 | of Deposits       |             |         |        |       |       |         |
| 15 |                   |             |         |        |       |       |         |
| 16 |                   |             |         |        |       |       |         |
| 17 |                   | Benevolence | Current | Other  | Other | Other | Total   |
| 18 |                   |             |         |        |       |       |         |
| 19 | Envelopes:        |             |         |        |       |       |         |
| 20 | Benevolences      |             |         |        |       |       |         |
| 21 | Current           |             |         |        |       |       |         |
| 22 | Others (List)     |             |         |        |       |       |         |
| 23 |                   |             |         |        |       |       |         |
| 24 |                   |             |         |        |       |       |         |
| 25 |                   |             |         |        |       |       |         |
| 26 |                   |             |         |        |       |       |         |
| 27 | TOTAL ENVELOPES   |             |         |        |       |       |         |
| 28 | Loose             |             |         |        |       |       |         |
| 29 | Church School     |             |         |        |       |       |         |
| 30 | Others (List):    |             |         |        |       |       |         |
| 31 |                   |             |         |        |       |       |         |
| 32 |                   |             |         |        |       |       |         |
| 33 |                   |             |         |        |       |       |         |
| 34 |                   |             |         |        |       |       |         |
| 35 | TOTAL             |             |         |        |       |       |         |
| 36 |                   |             |         |        |       |       |         |



## RECORD RETENTION GUIDE

|   |  |
|---|--|
| A | <ul style="list-style-type: none"> <li>• Accident reports and claims (settled cases) ..... 7 years</li> <li>• Accounts payable ledgers and schedules ..... 7 years</li> <li>• Accounts receivable ledgers and schedules ..... 7 years</li> <li>• Articles of Incorporation ..... Permanently</li> <li>• Audit report of accountants ..... Permanently</li> </ul>   |
| B | <ul style="list-style-type: none"> <li>• Bank deposit slips ..... 3 years</li> <li>• Bank reconciliation ..... 1 year</li> <li>• Bank statements (not including canceled checks) ..... Permanently</li> <li>• Bills of lading ..... 6 years</li> <li>• Brokerage statements (annual) ..... Permanently</li> <li>• Budgets ..... 2 years</li> </ul>   |
| C | <ul style="list-style-type: none"> <li>• Capital stock and bond records:<br/>ledgers, transfer registers, stubs showing issues,<br/>record of interest coupons, options, etc. .... Permanently</li> <li>• Cash books ..... Permanently</li> <li>• Cash projections ..... 2 years</li> <li>• Checks (canceled but see exception below) ..... 7 years</li> <li>• Checks, canceled for important payments, i.e., taxes, purchases of property,<br/>special contracts, etc. (Checks should be filed with the papers<br/>pertaining to the underlying transaction) ..... Permanently</li> <li>• Contracts, mortgages, notes and leases (expired) ..... 7 years<br/>(still in effect) ..... Permanently</li> <li>• Copyright registration ..... Permanently</li> <li>• Correspondence (routine) with customers or vendors ..... 1 year</li> <li>• Correspondence (general) ..... 3 years</li> <li>• Correspondence (legal and important matters only) ..... Permanently</li> <li>• Credit memos ..... 3 years</li> </ul> |
| D | <ul style="list-style-type: none"> <li>• Deeds, mortgages, and bills of sale ..... Permanently</li> <li>• Depreciation schedules ..... Permanently</li> <li>• Duplicate deposit slips ..... 2 years</li> </ul>   |
| E | <ul style="list-style-type: none"> <li>• Employee expense reports ..... 3 years</li> <li>• Employee payroll reports (W-2, W-4, annual earnings records, etc.) ..... 4 years</li> <li>• Employee personnel records (after termination) ..... 6 years</li> <li>• Employment applications ..... 3 years</li> <li>• Expense analyses and expense distribution schedules ..... 7 years</li> </ul>   |
| F | <ul style="list-style-type: none"> <li>• Financial statements (end-of-year, other months optional) ..... Permanently</li> <li>• Freight bills ..... 4 years</li> </ul>   |
| G | <ul style="list-style-type: none"> <li>• Garnishments ..... 7 years</li> <li>• General and private ledgers (and end-of-year trial balances) ..... Permanently</li> </ul>   |
| I | <ul style="list-style-type: none"> <li>• Insurance policies (expired) ..... 6 years</li> <li>• Insurance records, current accident reports, claims, policies, etc. .... Permanently</li> <li>• Internal audit reports (in some situations longer retention periods may<br/>be desirable) ..... 3 years</li> </ul>  |

|   |  |             |
|---|--|-------------|
|   | • Internal reports (miscellaneous) .....   | 3 years     |
|   | • Internal work orders .....   | 3 years     |
|   | • Inventories of products, materials, and supplies .....   | 7 years     |
|   | • Invoices to customers .....  | 8 years     |
|   | • Invoices from vendors .....  | 8 years     |
| J | • Journals.....  | Permanently |
| M | • Magnetic tape and tab cards .....  | 1 year      |
|   | • Minute books for director & stockholders, including bylaws & charter .....   | Permanently |
| N | • Notes receivable ledgers and schedules .....   | 7 years     |
| O | • Option records (expired).....  | 7 years     |
| P | • Patents and related papers .....   | Permanently |
|   | • Payroll records & summaries, including payments to pensioners.....   | 8 years     |
|   | • Petty cash vouchers .....  | 3 years     |
|   | • Physical inventory tags.....   | 3 years     |
|   | • Plant cost ledgers.....  | 7 years     |
|   | • Production & sales reports.....  | 3 years     |
|   | • Property appraisals by outside appraisers.....   | Permanently |
|   | • Property records: including costs, depreciation reserves, end-of-year<br>trial balances, depreciation schedules, blueprints and plans .....                  | Permanently |
|   | • Purchase journals.....   | Permanently |
|   | • Purchase orders (except purchasing department copy) .....  | 1 year      |
|   | • Purchase orders (purchasing department copy).....  | 7 years     |
| R | • Receiving sheets .....   | 1 year      |
|   | • Requisitions .....   | 1 year      |
|   | • Retirement and pension records .....   | Permanently |
| S | • Sales commission reports .....   | 3 years     |
|   | • Sales records .....  | 7 years     |
|   | • Savings bond registration – records of employees .....   | Permanently |
|   | • Scrap and salvage records (inventories, sales, etc.).....  | 7 years     |
|   | • Stenographer’s notebook .....  | 1 year      |
|   | • Stock and bond certificates (canceled).....  | 7 years     |
|   | • Stockroom withdrawal forms .....   | 1 year      |
|   | • Subsidiary ledgers .....   | 7 years     |
| T | • Tax returns & worksheets, revenue agent’s reports & other<br>Documents relating to determination of income tax liability.....                                | Permanently |
|   | • Telephone logs/message book duplicates.....  | 7 years     |
|   | • Time books/cards.....  | 7 years     |
|   | • Trade mark registrations.....  | Permanently |
|   | • Training manuals .....   | Permanently |
| U | • Union agreements .....   | Permanently |
| V | • Voucher register & schedules.....  | 7 years     |
|   | • Voucher for payments to vendors, employees, etc. (includes allowances and<br>reimbursement of employees/officers/etc. for travel/entertainment expenses .... | 7 years     |
| W | • Withholding tax statements .....   | 7 years     |

## CASH DISBURSEMENTS POLICY AND PROCEDURES

This is the policy of \_\_\_\_\_ Presbyterian Church to pay vendors by check for goods and services purchased by the church. Below are policies adopted by the session to carry out this policy.

1. The treasurer will see that credit arrangements are set up with vendors. It is suggested that purchases normally be made only from these vendors where credit has been established.
2. Disbursements will be made after receiving a check request form (voucher). The voucher must be signed by a person authorized to make the request and have an original invoice or other supporting documentation attached.
3. The church shall obtain taxpayer ID numbers from unincorporated vendors. Payments of \$600 or more to unincorporated vendors in any year will be reported on a Form 1099.
4. Checks will be written and payments disbursed at least every two weeks or more often if necessary.
5. Checks will be signed by \_\_\_\_\_. Checks over \$\_\_\_\_\_ require two signatures. Current bank resolutions and signature cards are on file at the bank and copies are held with other backup information in the safe or file of the church office.
6. Petty Cash – Purchases under \$10 may be paid from petty cash. All receipts shall be maintained for all petty cash disbursements. Petty cash should be reconciled on a monthly basis. Petty Cash will be kept in a secure location designated as \_\_\_\_\_.
7. Church credit cards will be obtained for the use of \_\_\_\_\_. Receipts for credit purchases will be turned in with detailed information regarding the purchase. The treasurer will match receipts with bill before paying and will record the expenses in the church financial records.
8. Discretionary funds will normally be paid to the vendor on the recipient's behalf. Example: Pay rent or utilities to the gas and electric company or landlord on behalf of an individual.
9. Bank accounts shall be reconciled monthly by someone who is not authorized to write or sign checks.
10. Blank checks should be stored in a safe or locked storage.

*This is a sample of a Cash Disbursements policy that can be adopted for your unique situation.*

## **ROLES AND RESPONSIBILITIES OF SESSIONS AND PREBYTERY IN CHURCHWIDE FUNDING PLAN**

- A) To encourage openness and accountability in all financial matters.
- B) To select representatives who will participate in inter-governing body consultations on mission support goals and the division of Mission Support Commitments.
- C) To share mission priorities, budget projections, funding needs, and mission support goals.
- D) To consider other governing bodies' mission priorities and funding needs.
- E) Adopt mission support commitments and honor these commitments in budgets for which the governing body is directly responsible.
- F) When changes in mission support commitments are contemplated, to promptly communicate with other affected governing bodies.
- G) To thank leaders and donors.
- H) To hold receiving sites accountable to accepted church wide standards.

### **THE PRESBYTERY WILL:**

- A) Converse with sessions to promote shared ownership of the mission of the whole church, division of mission support commitments, and mission support goals.
- B) Urge sessions to participate in the Churchwide Funding Plan and challenge congregations to grow in giving.
- C) Host consultations with sessions and recommend mission support goals.
- D) Adopt presbytery's recommended division of mission support commitments.
- E) Receive mission support commitments (pledges) from sessions and inform synod and General Assembly of the amounts committed.
- F) Provide stewardship training and services as appropriate.
- G) Annually provide full financial reports to sessions and synod on the receipts and expenditure of dollars, assets and liabilities.

### **ROLE OF THE PRESBYTERY AS A RECEIVING SITE:**

- 1) The Presbytery will collect and transmit mission support from churches in accordance with the Churchwide Funding Plan.
- 2) The Presbytery will provide to the General Assembly and to the Synod of the Northeast a regular accounting of church-by-church giving and any relevant data requested by the governing body (i.e., pledges).
- 3) The General Assembly, as the most inclusive receiving site, will annually report church-by-church giving in the *Minutes of the General Assembly*.

**Endowment or Restricted Funds**  
**(Indicate if Endowment, Restricted or Designated Funds)**

Endowment \_\_\_\_\_

Restricted \_\_\_\_\_

Designated \_\_\_\_\_

Fund Name \_\_\_\_\_

Date Created \_\_\_\_\_ Value \_\_\_\_\_

Given by Whom \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Phone Number \_\_\_\_\_

Special Instructions \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

History \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## FULLY ACCOUNTABLE EXPENSE REIMBURSEMENT PLAN

The \_\_\_\_\_ Presbyterian Church maintains a fully accountable expense reimbursement plan for its ministers, employees and volunteers, in accordance with the rules and regulations of the Internal Revenue Service. These regulations provide that an employee “need not report on his/her tax return” expenses paid or incurred by the employee solely for the benefit of the church for which such employee is required to and does account to the church and which are charged directly or indirectly to the church. Accordingly, all property, goods and services purchased under this accountable expense reimbursement plan belong to the church, not the individual.

In addition to the rules and regulations of the IRS, the following requirements for expense reimbursement apply.

1. All mileage expenses will be reimbursed at the IRS rate. Documentation must accompany the request that lists the time and place, odometer readings, identification of business and statement of business purpose. Note: No job commuting miles will be reimbursed.
2. Receipts are required for reimbursement of expenses.
3. Requests for reimbursement for meals or entertainment must include the business relationship among the parties to sufficiently explain the business purpose and why the expense was incurred on behalf of the church. Guidelines for determining reasonable meal expenses shall not exceed \$6/breakfast, \$10/lunch and \$15/for dinner.
4. When necessary, the church will provide cash advances for allowable and appropriate business expenses. By accepting an advance, the minister, employee, or volunteer agrees to comply with the requirements of the plan and will document the expenses and return excess payments within 5 days.
5. Requests for reimbursement or cash advances will be made on an expense report, signed by the payee, approved in the same manner required for all checks and submitted for payment. Reimbursement requests should be approved by someone other than the payee.
6. Expenses will be charged to a particular program area that is associated with the reason for the expense. Professional development expenses will be charged to an appropriate personnel account.
7. Requests for reimbursement must be made within 30 days of the expense.
8. Original receipts and documentation of the request for reimbursement will be retained by the church to substantiate the expense.

### *Acknowledgement*

I have received a copy of the Church’s Accountable Reimbursement plan and understand that it provides guidelines and summary information about the church’s reimbursement policy, procedures and rules of conduct. I understand that it is my responsibility to maintain adequate and accurate records and forward all supporting expense reports, receipts and documentation to the church.

Name: \_\_\_\_\_ Date: \_\_\_\_\_

*This is a sample that can be adapted, if necessary, for your unique situation.*

A. REVIEW THE REASONABLENESS OF THE SYSTEM OF INTERNAL CONTROL

**Cash**

**General**

|  |  |
|--|--|
| Does the Session annually authorize all bank accounts and check signers?   |  |
| Is the bank immediately notified of all changes of authorized check signers?   |  |
| Are employees handling cash bonded?  |  |
| <b>Cash Receipts</b>   |  |
| Are Sunday collections and in coming mail receipts listed by two or more persons having no access to receipt records?                                      |  |
| Is listing of mail receipts subsequently compared to recorded receipts?  |  |
| Are checks restrictively endorsed "for deposit only" by the mail opener?   |  |
| Are cash receipts entered by persons independent of the collection counts and receipt listings?  |  |
| Are receipts deposited intact in a prompt manner?  |  |
| Are post-dated checks, NSF checks and similar items investigated by persons independent of persons responsible for deposit preparation and posting detail? |  |
| When required, are restricted funds deposited directly to the appropriate fund bank account?   |  |
| Is the cashing of checks out of currency receipts prohibited?  |  |
| <b>Cash disbursements</b>  |  |
| Are all disbursements including payroll and excepting petty cash disbursements made by check?  |  |
| Are checks pre-numbered and used in sequence?  |  |
| Is there control and a specified custodian for unused check stocks?  |  |
| Prior to check writing are payments supported by appropriate purchase order, receiving report and vendor invoice?  |  |
| Are checks prepared from unpaid invoices rather than vendor statements?  |  |
| Is there a clearly defined approval process?   |  |
| Are checks recorded in the disbursements journal as prepared?  |  |
| Are all check numbers accounted for?   |  |
| Are voided/spoiled checks properly mutilated and retained?   |  |
| Are checks made payable to specified payees and never to cash or bearer?   |  |
| Is a check protector used?   |  |
| Does all supporting documentation accompany checks presented for signature?  |  |
| Do persons authorized to prepare checks have access to blank checks?   |  |
| Have dollar limits been established for one-signature checks?  |  |
| Are authorized check signers independent of persons responsible for check preparation and approval?  |  |
| Is signing blank checks prohibited?  |  |
| If used, are facsimile signature plates adequately safeguarded and controlled by numbering devices?  |  |
| <b>Reconciliation</b>  |  |
| Are bank accounts reconciled within a timely specified period after the end of each month?   |  |
| Are reconciliations made by someone other than persons who participate in the receipt of disbursement of cash?   |  |
| Does someone other than the bookkeeper receive the bank statements unopened?   |  |
| Are recorded deposit dates checked to the bank statements?   |  |
| Are bank transfers investigated to satisfy that the offset is proper?  |  |
| Are returned canceled checks compared to cash disbursement listings?   |  |
| Are irregular endorsements noted?  |  |
| Are check alterations investigated?  |  |
| Are voided checks accounted for?   |  |
| Is the bank reconciliation formalized and initialed?   |  |
| Are checks outstanding for over 90 days periodically checked with the appropriate action taken?  |  |

|   |  |
|---|--|
| <b>Petty Cash</b>   |  |
| Is the responsibility for each petty cash fund assigned to only one responsible person?   |  |
| Are the petty cash funds maintained on an imprest basis?  |  |
| Are petty cash funds segregated from other cash?  |  |
| Is there a prohibition against petty cash disbursements over a specified amount?  |  |
| Is the custodian independent of employees who handle receipts?  |  |
| Are the accounting records inaccessible to the custodian?   |  |
| Is the custodian bonded?  |  |
| Are vouchers completed in full, in ink or otherwise difficult to alter?   |  |
| Are vouchers properly supported by invoices or cash register tapes and approved by a responsible employee?  |  |
| Are paid items contained in the petty cash fund of a current and usual nature?  |  |
| Are loans and check cashing prohibited?   |  |
| Are reimbursement checks to the petty cash fund made out to the custodian?  |  |
| Are vouchers being reimbursed immediately canceled at the time of signing the reimbursement check?  |  |
| <b>Investments</b>  |  |
| Is authorization for purchases and sales of investments vested with the Session or other responsible committee?   |  |
| Does a responsible official determine that investments are of the type permitted by funding sources or donors and that income and gains are used only for permitted purposes?   |  |
| Are securities adequately protected?  |  |
| Are all securities held in the name of the Church?  |  |
| Do detail records include the investment description, date of acquisition, the carrying cost, income description, any restrictions on segregation or pooling, use of income or proceeds and lapse date of any restrictions? |  |
| Are schedules of investments showing all income received prepared regularly?  |  |
| Are investment earnings recorded in the proper fund?  |  |
| Are periodic statements from outsiders or other correspondence promptly reconciled to detail records?   |  |
| <b>Contributions, program service fees and other revenue, and receivables</b>   |  |
| <b>Contributions</b>  |  |
| Is there budgeting of contributions that can be reasonably estimated?   |  |
| Are fundraising activities and acceptance of contributions, gifts, grants, etc. with related restrictions or requirements approved by the Session?  |  |
| Are complaints from donors about omissions or discrepancies about gifts promptly investigated?  |  |
| Are records kept of all donations including the donor's name, amount, date and income designation?  |  |
| Are statements of acknowledgement periodically mailed to donors?  |  |
| Are subsidiary donor records reconciled to the general ledger balances?   |  |
| Are records kept of gifts contingent on future events, such as bequests?  |  |
| Are designated individuals responsible for assuring compliance with terms and conditions of all grants etc. and identifying restrictions that lapse so that the contribution can become unrestricted?                       |  |
| <b>Service fees and other revenue</b>   |  |
| Are service fees, rentals, etc. approved by the Session?  |  |
| Are leases of property approved by Presbytery?  |  |
| Are billings for third-party reimbursements and supporting cost reimbursement reports approved by a responsible person?   |  |
| Are there established activities to determine that all reimbursable costs are billed?   |  |

A. REVIEW THE SYSTEM PF INTERNAL CONTROL (Cont'd)

|  |  |
|--|--|
| <b>Receivables</b>   |  |
| Are amounts of unconditional promises to give and accounts receivable recorded when received or earned?                                |  |
| Are unconditional promises to give to be collected in more than one year discounted to present value?                                  |  |
| Are monthly statements mailed for all service fee and sales receivables?   |  |
| Are conditional promises to give monitored to ensure that as conditions are met contribution revenue is recorded?                      |  |
| Are receivables from miscellaneous activities periodically reviewed and are write-offs of such receivables approved by the Session?    |  |
| Are loans to employees prohibited?   |  |
| <b>Expenses and accounts payable</b>   |  |
| <b>Purchasing</b>  |  |
| Does an accounting manual detail account coding in compliance with funding requirements?   |  |
| Are purchases made in accordance with established requirements of the Session and of funding sources, if applicable?                   |  |
| Are purchase orders used for all purchases over \$ _____?  |  |
| Is the purchasing function performed by a person not involved in receiving, shipping or disbursing functions?                          |  |
| Is there a current and adequate manual of purchasing procedures?   |  |
| Are copies of purchase orders distributed to vendor, the acquiring individual, the accounting function and receiving?                  |  |
| Do purchase orders require independent approval that the expenditure is within budget or funding restrictions?                         |  |
| Are open purchase orders checked for old or expired dates?   |  |
| Is there a proper cutoff of purchases at month end?  |  |
| <b>Accounts payable</b>  |  |
| Are all copies of vendors' invoices sent directly to accounting?   |  |
| Are duplicate invoices destroyed or stamped to indicate that they are duplicates?  |  |
| Are original invoices vouchered upon receipt?  |  |
| In processing the invoice is all data checked for accuracy?  |  |
| Are vendors' month-end statements reconciled to recorded invoices received?  |  |
| Are vendor debit balances periodically reviewed and collected?   |  |
| Are the billing practices of vendors reviewed for compliance with purchase orders?   |  |
| <b>Payroll and related liabilities</b>   |  |
| <b>Personnel, employment and rate authorizations</b>   |  |
| Are investigations of and employment applications from new employees required?   |  |
| Are all employees notified in writing of the Church's personnel policies and performance reviews?                                      |  |
| Are adequate personnel files maintained?   |  |
| Are written termination notices required that properly document reasons for termination and require approval of an appropriate person? |  |
| Do physical controls exist over personnel records that prevent loss or use by unauthorized persons?                                    |  |

A. REVIEW THE SYSTEM OF INTERNAL CONTROL (Cont'd)

|  |  |
|--|--|
| <b>Payroll preparation and time keeping</b>  |  |
| Are attendance and time records used?  |  |
| Are time cards or other attendance records signed by the employees?  |  |
| Is approval of department head on time cards or other attendance records required prior to preparing payroll?  |  |
| Are changes on time cards initialed or approved?   |  |
| Is the payroll subject to final approval before payment by a responsible official?   |  |
| Are payroll checks drawn on a separate account operated on an imprest system?  |  |
| Do checks contain detail of gross pay and deductions?  |  |
| Does an adequate system exist for distributing payroll costs to the proper accounts, funding programs, etc.?   |  |
| Are procedures in place to ensure that payroll taxes are paid timely and that payroll tax returns are filed when due?  |  |
| Are reconciliations prepared of gross and net pay amounts as shown on tax returns to total payroll on the payroll register and general ledger?   |  |
| Are paychecks distributed by someone independent of time keeping or preparing payroll checks?  |  |
| Are employee time records maintained in sufficient detail to allow for allocations of payroll costs?   |  |
| Is there a comparison of actual to budgeted payroll by a responsible person?   |  |
| Are detailed records maintained of the liability for compensated absences?   |  |
| Is sufficient information available to maintain records continuing professional development carry-forward allowances?  |  |
| <b>Property and equipment</b>  |  |
| Is formal approval of the Session required for all property and equipment additions?   |  |
| Is formal approval for property and equipment disposals required of the Session?   |  |
| Does the Church have written policies that distinguish between capital items and repairs & maintenance expenses, determine a cutoff amount below which items are expensed, establish depreciable life, and determine fair value of contributed property? |  |
| Are detailed property and equipment records maintained that include description, date purchased, cost, funding source restrictions on use or disposition etc.?   |  |
| Is the depreciation detail reviewed by a responsible person?   |  |
| Is a physical inventory of property and equipment taken at least annually?   |  |
| Are equipment items properly identified by numbered metal tags or other means of identification?   |  |
| Are items adequately safeguarded from loss due to fire, theft or misplacement?   |  |
| Are periodic reviews and appraisals made relative to insurance considerations?   |  |

A. REVIEW THE SYSTEM OF INTERNAL CONTROL (Cont'd)

|   |  |
|---|--|
| <b>Debt and other liabilities</b>   |  |
| Are debt agreements and lease documents in the custody of a responsible official and updated for any changes?   |  |
| Are all borrowing and lease agreements authorized by the Session and approved by Presbytery?  |  |
| Are there established policies with respect to legal or donor prohibitions against borrowings of restricted funds?  |  |
| Are there adequate accounting records to reflect debt, lease and installment purchase transactions?   |  |
| Are there periodic review procedures to determine compliance with debt agreement restrictions and procedures?   |  |
| Are detailed records kept of periodic payments due to beneficiaries under life income and annuity gifts and the termination of such payments?   |  |
| Are effective procedures in place to identify on a timely basis significant contingencies or other liabilities that should be recorded or footnoted on financial statements?  |  |
| <b>Governmental financial assistance programs</b>   |  |
| <b>General</b>  |  |
| Do accounting procedures, charts of accounts, etc., provide for identifying receipts and expenditures of program funds separately for each award or grant?  |  |
| Does the accounting system provide for accumulating and recording expenditures by award or grant and cost category shown in the approved budget?  |  |
| Have any of the organization's awards or grants been audited by other auditors and have their reports been reviewed?  |  |
| Is there a documented time schedule for filing financial reports with grantors?   |  |
| Are reconciliations of grant financial reports with supporting accounting records prepared, reviewed and approved by a responsible official before filing?  |  |
| Do financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger?   |  |
| Is there written notification to employees when grant provisions or related regulations impose requirements that differ from the Church's normal policies and procedures?   |  |
| Does the Church have award or grant agreements providing for funding under requests for advance payments or letters of credit?  |  |
| <b>Program receipts</b>   |  |
| Does a responsible official approve requests for advances or reimbursements?  |  |
| Are governmental funds deposited in a separate bank account or accounted for through grant-loan fund control amounts?   |  |
| <b>Purchasing</b>   |  |
| Does a responsible person review costs charged to direct and indirect cost centers in accordance with applicable grant agreements and applicable governmental management circulars pertaining to cost principles?   |  |
| <b>Direct program expenses for goods and services</b>   |  |
| If the Church provides social services under governmental programs, does a responsible official review and approve the provision of services to ensure that recipients are eligible under specific program requirements?  |  |
| If the Church has awards or grants with matching requirements, levels of effort and earmarking limitations, does a responsible member monitor activities to ensure that requirements and limitations are being met and amounts claimed or used for matching were determined in accordance with applicable laws and regulations? |  |
| <b>Payroll</b>  |  |
| Are wages paid at or above the federal minimum wage?  |  |
| Does the Church prohibit discrimination based on race, sex, age or marital status in its employment practices?  |  |

A. REVIEW THE SYSTEM OF INTERNAL CONTROL (Cont'd)

|  |  |
|--|--|
| <b>Indirect costs</b>  |  |
| Does the Church have an indirect cost allocation plan or a negotiated indirect cost rate?  |  |
| Does the Church have procedures that provide reasonable assurance that consistent treatment is applied in the distribution of charges as direct or indirect costs to all awards or grants? |  |
| <b>Computer controls</b>   |  |
| Are passwords used to control terminal access?   |  |
| Are there procedures to prevent unauthorized public access through dial-up?  |  |
| Are there established procedures for development of new systems and programs, as well as modification of existing systems and programs?  |  |
| Are schedules prepared and followed for processing of computer applications?   |  |
| Are automated or manual logs used to record operator activities?   |  |
| Are operators required to report system failures, restart and recovery or other unusual incidents?   |  |
| Are operator instruction manuals available to each computer operator?  |  |
| Are there appropriate procedures for back-up and storage of programs and data files?   |  |
| Is off-premises storage maintained?  |  |
| Have contingency plans been developed for alternative processing in the event of loss or interruption of the main computer system?   |  |

**B. TEST THE ACCURACY OF THE BOOKS OF ENTRY**

The steps listed below should be performed on a test basis.  
 The size of the test should be based on an evaluation of the internal control.

|   |  |
|---|--|
| <b>Checking accounts</b>  |  |
| <b>Cash receipts</b>  |  |
| Trace Sunday collection reports and other receipts records to bank statements/deposit tickets.                              |  |
| Trace Sunday collection reports and other receipts records to cash receipts book.   |  |
| Add underlying documentation and check income distribution accounting.  |  |
| Trace contributions to subsidiary records.  |  |
| <b>Check disbursements</b>  |  |
| Compare canceled checks with payments shown in the cash disbursements book as to date, payee and amount.                    |  |
| Check fund and expense distribution.  |  |
| Account for check numbers not included in the cash disbursements books.   |  |
| Examine check endorsements.   |  |
| Examine documentation supporting approval and receipt of goods or services at the correct price.                            |  |
| <b>Cash accounts</b>  |  |
| Add columns in cash receipts and disbursements books.   |  |
| Check accuracy of the general ledger or control account.  |  |
| If bank account has commingled funds determine the proper balance for each fund.  |  |
| Review bank reconciliations throughout the year, paying particular attention to “stale” checks and other reconciling items. |  |
| <b>Petty cash</b>   |  |
| Count and reconcile the balance to the established record.  |  |
| Check payment chits for authorization and acknowledgment that payment was made properly.                                    |  |
| Trace reimbursement of petty cash fund to cash disbursements book.  |  |
| <b>Investments and other fund assets</b>  |  |
| Analyze income, reconciling to receipts and financial reports.  |  |
| Examine documentation for purchases; relate to disbursements.   |  |
| Examine documentation for sales and prove gains/losses; relate to receipts.   |  |
| <b>Payroll and payroll taxes</b>  |  |
| Compute tax expense by using applicable tax rates and taxable salaries.   |  |
| Examine copies of payroll tax returns and W-2’s; relate to actual disbursements.  |  |
| Trace salary and wage rates to appropriate authorization.   |  |
| <b>Income accounts</b>  |  |
| Reconcile member contributions to financial secretary’s reporting.  |  |
| Schedule and prove income from use of church facilities to approved leases.   |  |
| Analyze other income items, noting any specific spending requirements or restrictions.                                      |  |
| <b>Expenses</b>   |  |
| Make comparisons with annual budgets and prior year expenditures.   |  |
| Account for unusual variances.  |  |
| Ascertain that expenses have been charged to the proper fund, thus matching income and expense items.                       |  |

C. VERIFY MAJOR ASSET AND LIABILITY BALANCES AT YEAR-END

|   |  |
|---|--|
| <b>Bank accounts</b>  |  |
| Review or reconcile bank balances to book balances.   |  |
| Confirm bank balances directly with bank.   |  |
| <b>Petty Cash</b>   |  |
| Count petty cash at year-end.   |  |
| <b>Investments</b>  |  |
| Make a physical examination of securities and other investments.  |  |
| Confirm with depository or escrow agent if appropriate.   |  |
| Determine market value.   |  |
| <b>Inventories, Accounts receivable, Prepayments, Plant &amp; equipment, and Other assets</b>                               |  |
| Determine the necessity for accounting for each asset.  |  |
| Count where appropriate.  |  |
| Confirm balance where appropriate.  |  |
| Determine market value.   |  |
| <b>Payroll taxes and payroll accruals</b>   |  |
| Relate year-end balances to payroll analyses.   |  |
| Trace subsequent payments to check disbursements.   |  |
| <b>Other liabilities</b>  |  |
| Trace recorded payables to subsequent payments.   |  |
| Examine payable to determine the proper period of expense.  |  |
| Check calculations for accrued expenses.  |  |
| Confirm loan balances with creditors.   |  |
| <b>Fund balances</b>  |  |
| Review unrestricted funds to determine that they are still appropriate for segregated accounting.                           |  |
| Review activity funds with debit balances to determine that they aren't actually expenses of the general or operating fund. |  |
| Reconcile opening fund balances, fund income and fund expenses to closing fund balances.                                    |  |

D. RELATING REPORTS TO THE BOOKS OF ENTRY

|  |  |
|--|--|
| Trace balances in the general ledger to the financial reports used to report to the Session and the Congregation.  |  |
| Review session minutes and other relevant committee reports and connect financial consequences to reports.   |  |
| Compare reports to prior year reports and current budgets as appropriate and investigate major variances. If reports are not in comparative form it would be appropriate to recommend that they be so.                           |  |
| Review the financial reports for full disclosure. Where appropriate, have "notes to financial statements" prepared so that unrecorded financial information necessary to presenting the fair position of the Church is provided. |  |

### Common Examples of Poor Internal Control

| Example of Poor internal control  | How embezzlement may occur   | Preventive Action  |
|---|--|--|
| (1) One person counts church offerings.   | This person may remove cash, especially if not in an offering envelope.  | Have more than one person count each offering. The more persons that are involved, the lower the risk of embezzlement.   |
| (2) There is not regular turnover or rotation among the persons who count church offerings. | The same two persons count church offerings every week. After a number of years, they agree to remove cash and divide it between them.   | A pool of counters should be identified, and each offering should be counted by a randomly selected number of persons from this pool.  |
| (3) One person collects the offerings.  | An usher collects offerings in the church balcony during each service, and while carrying offerings down a stairway to a counting room he pockets all loose bills.   | There should be at least two persons who collect the offering in the balcony, and they should together carry the offering down the stairs to the counting room. Further, these persons should be rotated.                          |
| (4) Offering counts are submitted to the person who deposits the offering.                  | The counters provide the individual who deposits the offering with a count. This individual disregards the count, withholds several bills unaccompanied by offering envelopes, and then deposits the lower amount.   | Different persons should count and deposit church offerings. A person who neither counts offerings nor deposits them with a bank should be assigned the responsibility of reconciling offering counts with the bank deposit slips. |
| (5) Offering counts and bank deposit slips are not regularly reconciled.                    | A church only assigns an employee to reconcile the first offering of each month with a bank deposit slip. The person who deposits offerings is aware of this practice, and embezzles loose cash before depositing offerings from the remaining services of each month. | Offering counts and bank deposit slips should be reconciled for every service. Or, reconcile offering counts with monthly bank statements.   |
| (6) Only one signature is needed to write a check.  | A church employee is given sole signature authority on the church's checking account. The employee pays for a number of personal expenses with this checking account.  | At least two signatures should be required for all checks above a nominal amount.  |

|  |  |   |
|--|--|---|
| <p>(7) Members who contribute coins and currency (not checks) do not use offering envelopes.</p>   | <p>This is one of the major causes of embezzlement. Persons who embezzle church funds often restrict their activities to cash that was not contributed in an offering envelope. Embezzlers assume that it will be more difficult to detect their behavior under these circumstances, since the church cannot provide these donors with a receipt for their contributions (that will reveal discrepancies).</p> | <p>Church should provide offering envelopes to all members for each week, and also place them in church pews for easy access. Members should be encouraged periodically to use offering envelopes. While they are not required to substantiate charitable contributions, they do reduce the risk of embezzlement. Also, offering counts should note (as a subtotal) loose cash unaccompanied by offering envelopes. This practice will reveal fluctuations that may indicate embezzlement, and will serve as a deterrent.</p> |
| <p>(8) Contribution receipts are not issued to members, or they are issued but members are not encouraged to report discrepancies to the church board.</p> | <p>A church does not provide members with receipts of their contributions. A church employee embezzles cash (whether or not accompanied by an offering envelope), knowing that the risk of discovery is remote. The same risk exists if a church issues contribution receipts but does not actively encourage members to verify the accuracy of these receipts.</p>  | <p>Church should issue a contribution receipt to each donor, and encourage donors to immediately call to the attention of church leaders any discrepancies between their own records and the amount reflected on the church receipt. Discrepancies should not be reported to the person who prepares contribution receipts.</p>   |
| <p>(9) Offerings are not deposited immediately.</p>  | <p>When offerings are not promptly deposited, the risk of embezzlement increases since funds are accessible longer. Further, some persons may claim they “reimbursed” themselves out of church funds for unauthorized expenses.</p>  | <p>Offerings should be deposited promptly with a bank.</p>  |

|   |   |   |
|---|---|---|
| <p>(10) Monthly bank statements are not reviewed by someone having no responsibility for handling cash.</p>                                   | <p>A church bookkeeper writes a check to a fictitious company, then cashes it. The bookkeeper is responsible for reconciling bank statements, and does not disclose the embezzlement.</p> | <p>Monthly bank statements should be reviewed by a church official or employee having no responsibility for handling cash or writing checks (ideally, the statements should be sent to this person's residence). This form of embezzlement also can be avoided by requiring two signatures on all checks.</p> |
| <p>(11) Reimbursing employees for travel expenses or purchases of church equipment or supplies without requiring adequate substantiation.</p> | <p>A church employee claims to have purchased equipment for church use, and is reimbursed without substantiation. In fact, the purchase was solely for personal use.</p>                  | <p>Do not reimburse any employee's purchase of church supplies or equipment without first obtaining proof that the purchase was duly authorized; also insist on seeing a receipt documenting what was purchased and its price.</p>  |



## CATEGORIES OF CHURCHWIDE MISSION GIVING IN THE PRESBYTERIAN CHURCH (USA)

### 1) BASIC MISSION SUPPORT

(Your pledge to support approved denominational budgets) **THIS IS THE ANNUAL MISSION PLEDGE SOLICITED FROM CHURCHES.**

#### A. SHARED (Unified) MISSION SUPPORT

Foundational in the Presbyterian System – unrestricted gifts for the adopted budgets of the presbytery, synod and General Assembly.

#### B. DIRECTED (Selected) MISSION SUPPORT

Gifts with restrictions for use within adopted budgets of presbytery, synod and General Assembly.

### 2) CHURCHWIDE SPECIAL OFFERINGS

These special offerings are in addition to your basic mission support pledge above. There will be only four church-wide special offerings in any given calendar year. Resource materials are mailed directly to churches prior to these dates.

A. **ONE GREAT HOUR OF SHARING** – Annual offering, usually during Lent, to support Disaster Relief, Self-Development of People, and Hunger Program.

B. **CHRISTMAS/JOY OFFERING** – Gifts are divided between the Board of Pensions for use in cases of special needs, and racial-ethnic schools and colleges in covenant with the Presbyterian Church for assistance in minority youth education.

C. **PENTECOST OFFERING** – Gifts support the denomination's vast array of youth and young adult programs. The offering is usually taken on Pentecost Sunday. 40% stays with the congregation to support ministries for children at risk, 60% is sent to the General Assembly to support child advocacy, youth and young adult ministry programs.

D. **PEACEMAKING OFFERING** – This offering is usually taken on World Communion Sunday (first Sunday in October). The offering is divided among the session (25% of offering), the presbytery (25%) & GA (50%). Each governing body makes the decision on how to spend the gifts within the context of peacemaking.

### 3) OTHER SPECIAL GIFTS

These special appeals are **in addition** to your basic mission support pledge above.

A) **THEOLOGICAL EDUCATION FUND (1% PLAN)** – a unique special appeal approved by General Assembly supporting seminaries and the education of ministers.

B) **EMERGENCY DISASTER RELIEF** – A special appeal enabling persons to respond compassionately to emergency needs such as natural disasters.

C) **HUNGER FUND** – Funds support the Presbyterian Hunger Program and world hunger relief.

D) **EXTRA COMMITMENT OPPORTUNITIES – Validated Mission Projects Outside the Judicatory Budgets** – Provide a way for contributors to support mission not funded by adopted budgets. See ECO Book published by GA for a listing of projects.



## BASIC MISSION SUPPORT

### SHARED MISSION SUPPORT AND DIRECTED MISSION SUPPORT

A) Basic Mission support is foundational to the Church Wide Funding Plan. Any gift, whether shared or directed mission support, will be acknowledged as meeting mission support commitments. (credit against your pledge)

B) The Presbytery will report all gifts to adopted budgets on a regular basis. The Presbytery will send a detailed written receipt for all contributions shortly after receiving your check, and quarterly statements are sent to Treasurers and summaries are reported to Presbytery.

C) Shared Mission Support is divided by the presbytery approved percentages to support the approved budgets of the presbytery, synod and General Assembly.

D) Directed Mission Support will be applied to designated budget items and may not exceed 80% of any such item.

E) Should directed mission support reach the 80% level, the Presbytery must consult with the congregation regarding:

- 1) possible redirection of the gift to a different but related purpose
- 2) redirection of the gift through other specific appeals to a validated project or purpose beyond the budget
- 3) returning the gift to the church

## RULES GOVERNING DIRECTED MISSION SUPPORT

### GENERAL GUIDELINES:

- 1) Designate only a portion of your congregation's **Basic Mission Support** to specific projects.
- 2) Select programs from a variety of geographic areas and functions so that you become familiar with the wide variety of the church's mission. Use your choices to educate your congregation about mission around the world. It also provides a direct contact with personnel serving as Missionaries of the PC (USA).
- 3) Vary your designation from time to time to provide opportunities for a wider interpretation of mission.

### HOW TO:

- 1) Complete the Directed Mission Support pledge forms. Include all information, including telephone numbers in case we need to contact you. Remember, the only projects to be listed are those in the General Assembly budget. General Assembly provides an annual book with the detailed projects and amounts available. You may direct your support to any of these programs or outreach missions.
- 2) Designations from all churches will be accepted up to a maximum of 80% of the total annual commitment. This will allow for those churches who commit to shared giving to know that their dollars are supporting all the projects within the budget.
- 3) The dollar amount should be for the calendar year.
- 4) Always indicate alternate choices.
- 5) Send in your form to General Assembly for certification. If you wish to support a project that you supported last year, you need to get your forms in by February 15.
- 6) A copy of your pledge form will be returned to you. A copy will also be sent to the other two governing bodies.
- 7) Do not begin remitting funds designated to particular programs until you have received the certified copy of your pledge form from the governing body.
- 8) Send your gifts through the **Presbytery Office, your local receiving site**. All mission funds received are paid to their respective designations at the close of business each month. *(Also see Mission Funding Receipts Policy, and Role of the Presbytery as a Receiving Site.)*

## **MISSION FUNDING**

### **EXTRA COMMITMENT OPPORTUNITIES GUIDELINES**

**EXTRA COMMITMENT OPPORTUNITIES are over and above your Basic Mission Support.**

The money given for these projects is restricted for the specific cause that you choose. They are not to be used in substitution for Basic Mission Support.

The General Assembly publishes a book of Extra Commitment Opportunity projects for churches to choose. However, not all ECO projects are listed in the book. Please check with your Receiving Site or Gift Administration at General Assembly (1-888-728-7228 Ext. 5650) for a particular project number.

Once you have chosen a project, please be sure to complete the ECO Pledge Commitment Form to be assured that the project is still available. Use the address on the form for processing and do not send money for a project until it has been certified by Gift Administration.

## **MISSION FUNDING**

### **SPECIAL OFFERINGS OF THE PRESBYTERIAN CHURCH (U.S.A.)**

There are **FOUR SPECIAL OFFERINGS** of the Presbyterian Church (U.S.A.).

**ONE GREAT HOUR OF SHARING** (EASTER/PALM SUNDAY) has been a part of the Presbyterian Church for over 50 years. Now, as it did 50 years ago, it offers an opportunity to share God's love with people in need. Recognizing that the hope we have in Christ is lived out in our love for one another, we respond with gifts that help our brothers and sisters around the world find the hope for a better future.

Presbyterian gifts enable Presbyterian Disaster Assistance, the Presbyterian Committee for the Self-Development of People, and the Presbyterian Hunger Program to respond to the immediate and long-term needs of God's people across the United States and around the world.

**PENTECOST OFFERING** (PENTECOST SUNDAY) is for *children, youth and young adults*. Using the funds received from the offering, we nurture the faith of Presbyterian young people and develop tomorrow's leaders. It supports the National and International Young Adult Volunteers and Interns, and, future leaders on college campuses throughout the United States. The funds make possible the advocating and caring for children at risk both in the US and in overseas mission areas. The congregation is encouraged to keep 40% of this offering and 60% is General Assembly's share to be divided for children at risk and youth and young adult ministries.

**PEACEMAKING** (WORLD COMMUNION SUNDAY) is for peacemaking efforts of the church at every level and provides opportunities to witness to God's peace giving in the world. Each congregation is encouraged to keep 25% for its own peacemaking work. 25% is used at the Presbytery level and 50% is forwarded to General Assembly for the Presbyterian Peacemaking Program.

**CHRISTMAS JOY** (ADVENT) is for Presbyterian Racial Ethnic Schools and to fund the assistance programs of the Board of Pensions.

All offerings that are for the work in the Presbytery and General Assembly should be sent to your Receiving Site for processing. Your session must approve the collection of any of these offerings. Each offering has free interpretive materials that are sent to each church. Please use these materials to help educate and promote the 4 Special Offerings.

## THE CHURCH MISSION PLEDGE

### WHAT'S INCLUDED, WHAT'S NOT:

The pledge to the denomination's Program/Mission is needed to cover those items in the Program and Mission Budgets of the Presbytery, the Synod and the General Assembly. The pledge may be for shared (also called unified), or directed (also called selected or designated) giving. It supports the budgeted programs of each judicatory.

It does **NOT** support:

1. Per Capita
2. Special Offerings:
  - a. One Great Hour of Sharing
  - b. Pentecost
  - c. Peacemaking
  - d. Christmas/Joy
  - e. Hunger
  - f. Disaster Relief Programs, etc.
  - g. Theological Education
  - h. Meet You At The Table Campaign
3. Extra Commitment Opportunities

Note: Extra Commitment Opportunities are **in addition** to your Basic Mission Support pledge.



## Presbytery of Philadelphia Mission Commitment Pledge

Church Name & PIN No: \_\_\_\_\_

Address: \_\_\_\_\_ Person Submitting  
Report \_\_\_\_\_

\_\_\_\_\_ Position \_\_\_\_\_

**Please submit to the Presbytery Office as soon as possible but no later than January 15:  
Lawrence S. Davis, 915 East Gowen Avenue, Philadelphia, PA 19150  
(215) 242-1400 • ldavis@presbyphl.org**

| <b>PLEDGE</b>  |              |          |             |
|--|--------------|----------|-------------|
| (Recommended/default distribution: Presbytery 62%, Synod 5%, GA 33%) |              |          |             |
| <b>Basic Mission:</b>  | Presbytery   | \$ _____ | ( _____ %)  |
|  | Synod        | \$ _____ | ( _____ %)  |
|  | G.A.         | \$ _____ | ( _____ %)  |
|  | <b>TOTAL</b> | \$ _____ | <b>100%</b> |

- **Basic Mission:** include Undesignated or Designated mission giving. (For Designated mission, Presbytery programs do not have to be identified on this form, but need to be identified on the Mission Remittance Form when funds are remitted.)
- **Do not** include Per Capita/Apportionment giving or Special Offerings on this form.
- General Assembly directed giving must be pre-certified in writing by the directed giving office in Louisville (see “Directed Mission Support” manual available from GA).
- If you want to pledge additional or separate giving to a Presbytery program, please indicate the program and pledge amount below. [NOTE: Pledges to Chester Eastside, John Gloucester House or Kirkwood may be included in the Presbytery budget as Basic Mission above or may be identified separately below. Items identified below will not be included in Basic Mission giving.]

Program:

|  |          |
|--|----------|
|  | \$ _____ |
|  | \$ _____ |
|  | \$ _____ |

*“Together, we are accountable to fulfill God’s mission.”*





## INSTRUCTIONS

### DISTRIBUTE AS FOLLOWS:

**A. BASIC MISSION:**

To be used only by churches following the Presbytery established percentages for Basic Mission Support of the General Assembly, Synod, and Presbytery. **CODE 01**

**B. SHARED MISSION:**

To be used only by:  
 Churches not using Presbytery established percentages or  
 Churches remitting both designated and undesignated  
 funds to individual governing bodies - undesignated  
 funds to be entered here, designated to be entered  
 using instructions in C below.

G.A. MISSION **CODE 02**  
 SYNOD MISSION **CODE 03**  
 PRESBYTERY MISSION **CODE 04**

**C. DIRECTED MISSION:**

If any part of the Basic Mission remittance in "A" or "B" is designated to a particular project, enter the total designated for the governing body using these codes and provide project number and description.

G.A. MISSION **CODE 05**  
 SYNOD MISSION **CODE 06**  
 PRESBYTERY MISSION **CODE 07**

NOTE: Directed giving must be certified and must not exceed the annual certified amount.

**D. GENERAL ASSEMBLY SPECIAL OFFERINGS:**

|                           |                |
|---------------------------|----------------|
| ONE GREAT HOUR OF SHARING | <b>CODE 08</b> |
| CHRISTMAS                 | <b>CODE 10</b> |
| PEACEMAKING               | <b>CODE 12</b> |
| PENTECOST                 | <b>CODE 21</b> |

If choosing a particular cause within an offering, show detail in D below.

**E. OTHER GIVING:**

|                              |                |
|------------------------------|----------------|
| EMERGENCY DISASTER RELIEF    | <b>CODE 09</b> |
| HUNGER FUND                  | <b>CODE 11</b> |
| THEOLOGICAL EDUCATION FUND   | <b>CODE 16</b> |
| PRESBYTERY MISSION PLUS      | <b>CODE 19</b> |
| EXTRA COMMITMENT/SOS         | <b>CODE 20</b> |
| PRESBYTERY MISSION NEIGHBORS | <b>CODE 23</b> |

If choosing a particular cause within a category, show detail in E below.

**D. GENERAL ASSEMBLY SPECIAL OFFERINGS**

**E. OTHER GIVING**

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

## AUDIT POLICIES AND PROCEDURES

### FIRST PRESBYTERIAN CHURCH

**Audit Committee Purpose:** Members of the church who have agreed to serve on the audit committee will perform an internal audit to determine the validity of the financial statements and procedures. The result of the internal audit may be significant improvements in internal control and accounting procedures.

As per the Book of Order, (G-3.0113), a full financial review is to be conducted each year.

It is the visionary goal of the First Presbyterian Church Audit Committee to protect those persons elected to offices of financial responsibility from unwarranted charges of carelessness and improper handling of funds. It is in no way a symbol of distrust, rather a symbol of support for their work.

This goal is achieved through the procedures outlined in this form.

**Audit Committee Definition:** An audit should examine all financial records to assure the church that all records are accurate. An annual audit will reveal any errors and allow for correction before they become too complicated, assisting those who are responsible for financial record keeping in discovering new and better ways of doing their work.

Additionally, the audit should evaluate the system for handling funds and record keeping procedures and suggest ways to improve such systems. Once policies and procedures for these duties have been developed, the audit committee monitors the systems to be sure it is what works best for the church.

The audit committee should be appointed by the Committee on Finance and made up of individuals not related to any person who keeps financial records for the church. Volunteers are selected from the session or general membership and should possess some familiarity with financial statements and understanding of the auditing process.

It is the recommendation of First Presbyterian Church that the audit committee consist of no less than four members, serving on the committee for two years. Designed this way, there is a rotation of two members with the prior year audit committee experience and two new members who will then serve as the experienced members the following year.

It is further recommended that a professional with financial background and/or experience be present for the audit, providing external assistance for the financial controls review (Part B), upon the audit committee's discretion.

The committee should be concerned with the following items, at a minimum:

- The adequacy of internal control
- The accuracy of the records and reports
- The proper authorization of activities and expenditures

When an organization does not have a good system of internal control, it is difficult to verify that all transactions have been recorded properly. Certain tests and reviews should be completed to prove evidence of the completeness of financial statement account balances. Suggestions for such procedures are listed in the following pages.

It is recommended that the First Presbyterian Church audit committee conduct their audit in two parts, at two different times of year. Part A focuses on insurance and personnel issues. This can be done early in the year. Part B focuses on financial controls and should be done when year-end financials have been completed. It is also suggested that the audit take place prior to the annual meeting so that the reporting can be included in the annual meeting reports.

**Audit Committee Reporting:** Upon completion of the audit, findings should be documented in a report manner. The auditor's position is simply fact-finding. Results that are found using the audit review checklist and worksheet are to be documented in writing and presented to the Session and Resource Committee. Additionally, an overview of the findings will be included in the annual congregational report.

## Insurance Checklist

### Property:

Does the church purchase property insurance? Yes \_\_\_\_\_ No \_\_\_\_\_

Name of insurance carrier \_\_\_\_\_

Total property value \$ \_\_\_\_\_ Replace Cost \_\_\_\_\_ Actual Cash Value \_\_\_\_\_

Deductible per occurrence \$ \_\_\_\_\_

### General Liability:

Name of insurance carrier \_\_\_\_\_

Is general liability coverage at least \$1,000,000 per occurrence and \$2,000,000 aggregate? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please list the current limit on the policy \$ \_\_\_\_\_ per occurrence \$ \_\_\_\_\_ aggregate

Does the general liability policy include coverage for personal injury, advertising, fire damage, legal and nursery/child care? Yes \_\_\_\_\_ No \_\_\_\_\_

Does the policy include medical payments? Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, does the coverage include volunteers and athletic participants? Yes \_\_\_\_\_ No \_\_\_\_\_

Does the church have a daycare or school exposure? Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, does the policy cover these exposures? Yes \_\_\_\_\_ No \_\_\_\_\_

### Other Liability Coverages

Does the church have an insurance policy of at least \$1,000,000 per occurrence or higher for Sexual Misconduct or Molestation coverage? Yes \_\_\_\_\_ No \_\_\_\_\_ If no, please list the current limit \$ \_\_\_\_\_

Name of insurance carrier \_\_\_\_\_

Does the church have an insurance policy of at least \$1,000,000 per occurrence or higher for Pastoral Counseling Liability? Yes \_\_\_\_\_ No \_\_\_\_\_ If no, please list current limit \$ \_\_\_\_\_

Name of insurance carrier \_\_\_\_\_

Does the church have an insurance policy of at least \$1,000,000 per occurrence or higher for Directors and Officers Liability? Yes \_\_\_\_\_ No \_\_\_\_\_ If no, please list the current limit \$ \_\_\_\_\_

If yes, does the policy include session, deacons, trustees, elected and appointed officers? Yes \_\_\_\_\_ No \_\_\_\_\_

Does policy include corporate entity coverage? Yes \_\_\_\_\_ No \_\_\_\_\_

Name of insurance carrier \_\_\_\_\_

Does the church have an insurance policy of at least \$250,000 per occurrence limit or higher for Employment and Practices Liability? Yes \_\_\_\_\_ No \_\_\_\_\_ If no, please list current limit \$ \_\_\_\_\_

Name of insurance carrier \_\_\_\_\_

### Worker's Compensation

Does the church have Workers Compensation Insurance? Yes \_\_\_\_\_ No \_\_\_\_\_

Name of insurance carrier \_\_\_\_\_

### Umbrella Liability

Does the church have umbrella liability insurance? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, name of insurance carrier \_\_\_\_\_

Is the church's umbrella liability limit at least \$10,000,000 per occurrence or higher? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please list the current limit \$ \_\_\_\_\_

### Auto Liability

Does the church have auto liability coverage of at least \$1,000,000? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what is the current liability limit? \$ \_\_\_\_\_

Medical Payment Limit \$ \_\_\_\_\_ No Fault Coverage limit \$ \_\_\_\_\_

Is non-owned hired car included? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what limit \$ \_\_\_\_\_

**Crime Coverage**

Does the church have coverage for theft of money and securities? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what is the current limit? \$ \_\_\_\_\_

Does coverage apply to: Employees \_\_\_\_\_ Volunteers \_\_\_\_\_

**Boiler and Machinery Coverage**

Does the church have a boiler exposure? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, does the church purchase boiler and machinery coverage? Yes \_\_\_\_\_ No \_\_\_\_\_

**Earthquake Coverage**

Does the church purchase earthquake coverage? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what is the current limit? \$ \_\_\_\_\_

**Flood Coverage**

Does the church have a flood exposure? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, does the church purchase flood insurance? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what is the current flood limit? \$ \_\_\_\_\_

**Any Other Insurance Coverages**

Does the church purchase any other insurance coverage not listed? \_\_\_\_\_

Does your church review insurance criteria on an on-going basis? Yes \_\_\_\_\_ No \_\_\_\_\_

How often? \_\_\_\_\_

## Housing Allowance

### Insert for Minutes of Meeting

The Clerk of Session informed the meeting that under the tax law an ordained minister of the gospel is (1) not subject to Federal Income Tax with respect to the housing allowance paid to him or her “as part of his or her compensation to the extent used by him or her to rent or provide a home” and (2) not subject to Federal Income Tax on the rental value of a home supplied to him or her rent-free.

The (Church or other governing body) on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, After considering the statement of Rev. \_\_\_\_\_ setting forth the amount Rev. \_\_\_\_\_ estimates he or she will be required to spend to rent or provide a home for himself or herself and his or her family during the year 20\_\_\_\_, on motion duly made and seconded, adopted the following resolution: (or-The Church or other governing body on the \_\_ day of \_\_\_\_\_, 20\_\_\_\_, after discussing the amount to be paid to Rev. \_\_\_\_\_ as a parsonage allowance, on motion duly made and seconded, adopted the following resolution).

“Resolved that Rev. \_\_\_\_\_ receive compensation of \$\_\_\_\_\_ for the year 20\_\_\_\_, and all future years unless otherwise provided.” (If the minister is to have rent-free use of the home, also state: “Rev. \_\_\_\_\_ shall also have the rent-free use of the home located at \_\_\_\_\_ for the year 20\_\_\_\_ and for every year thereafter so long as he/she is minister of the \_\_\_\_\_ Church unless otherwise provided.) The housing allowance (and rent-free use of a home) shall be so designated in the official church records.

## GLOSSARY OF DEFINITIONS

**Budget** – The formally approved budget of a session, presbytery, synod or General Assembly.

**Basic Mission Support** – Previously known by such titles as unified giving, general mission and budgeted benevolences, provides the crucial foundation for the mission programs of the church at all levels. It can be allocated to specific programs (directed) or can be unrestricted (shared).

**Churchwide Funding Plan** – The plan adopted by the Presbyterian Church (USA) in which Presbyterians in various governing bodies join together to fund the work of this church. Details are included in Appendix A of the Organization for Mission.

**Extra Commitment Giving** – Approved projects not included in adopted budgets.

**Designations** – Budget categories as determined by a governing body (a session). Only governing bodies (sessions) may make designations.

**Directed Mission Support** – A form of restricted giving for designated budget categories or projects within adopted budgets.

**Division of Mission Support Commitments (pledges)** – Agreements among governing bodies giving concrete expression to the sharing of Mission Support Commitments for the church's mission.

**Mission Support Commitments** – Pledges.

**Receiving Site** – A receiving site (this presbytery **is** your receiving site) collects, receipts, and remits church wide mission support funds.

**Shared Mission Support** – Gifts and contributions received with no restrictions for the overall support of the adopted budgets of governing bodies.

**Validated Mission** – Any project or program within the bounds of and approved by formal action of a session, presbytery, synod or the General Assembly, whether or not it is funded from the adopted budget of the governing body.