Cash Management

Benefits to Lay Leaders and Congregations
- Cash & Checks Are Protected from Theft or Misplacement.
- Good Practices for Cash Management
- Adequate Controls Provide Staff & Volunteers Protection
- Accountability of Monies Received for Ministry & Mission
- Management of the Bank Reconciliation Process
- Management of the Payroll Risks Associated with Payroll
- Preparation of Parochial Reports and Financial Review

To Protect Cash & Checks From Theft or Misplacement
From The Time Funds Are Received Until Deposited
1. Cash and checks are counted by two unrelated (either by blood or marriage) persons responsible for counting and depositing receipts.
2. Is there a standardized form or counters sheets for recording deposit details?
3. Are pledge envelopes and other memoranda retained and reconciled to the recorded amounts?
4. Are the counter sheets being retained and reconciled with actual deposits and are discrepancies investigated?
5. If possible, checks or money orders should be copied and attached to the counters sheets.
6. Are all checks immediately upon receipt restrictively endorsed “for deposit only”?
7. Do the counters sheets and the amount of the deposit equal?
8. Are the Sunday collections as well as all cash receipts deposited into the general operating checking account?
9. Are deposits and all other cash receipts recorded and deposited on a timely basis?

Good Practices For Cash Management
1. Checks may not be cashed from cash received.
2. Procedures highlighting the fact that all receipts or income have not been received or recorded.
3. Periodic (quarterly) statements provided to donors of record (pledges). The assistant treasurer, finance chair and treasurer recommend a statement be sent out prior to the end of the year reminding people where they stand on their pledge.
4. Do acknowledgements of contributions in excess of $250 include a receipt from the church which states that it is “the contemporaneous acknowledgement required by the Internal Revenue Code, and states that, in accordance with Section 170(F)(8)(B), any goods or services provided consist solely of intangible religious benefits”?
5. Are all discrepancies investigated? Large irregularities should be reported to the Vestry or Bishop’s Committee and the Bishop.
Adequate Controls Provide Staff & Volunteers Protection

1. Check signers should not be related by blood or by marriage.
2. The Vestry or Bishop's Committee minutes should list the check signers for the coming year.
3. All checks $300 or over shall require 2 signatures, except discretionary fund checks. (Canon 15. Sec 4A.)
4. Vestries and Bishop's Committees approving Credit Cards for their congregations should list the names and credit limits of persons eligible for their use in the minutes.
5. Signing blank checks is prohibited.
6. Signature Stamps or pre-printed signatures are prohibited. Signature imprint machines should be kept under lock and key.
7. The financial record keeper should not be related by blood or by marriage to any of the check signers.
8. The financial records of the congregation should be kept at the church in a secure location. (This includes blank check stock.)
9. Procedures for any distributions made by online transactions or electronic funds transfers should be recorded in the Vestry or Bishop's Committee minutes.

Accountability of Monies Received For Ministry & Mission

1. Are all disbursements made by check, except for small expenditures made from petty cash?
2. Are all checks pre-numbered and used in sequence?
3. Is there a clearly defined approval process for all disbursements (vouchers)?
4. Are all voided checks properly cancelled and retained?
5. Are all checks payable to specified payees and not to cash or to bearer?
6. Are all checks supported by original invoices not statements?
7. Does all supporting documentation accompany checks when presented for signature?
8. Are all disbursements requiring special approval of funding sources of the Vestry or Bishop's Committee properly documented in the minutes?
9. Congregations receiving monies for endowments or bequests and gifts should have Vestry or Bishop's Committee approval and documented with any donor restrictions in their minutes?

Management of the Bank Reconciliation Process

1. Someone other than the bookkeeper and check signers should receive the bank statement directly from the bank and check the statement. That individual should look for inappropriate checks, improper endorsements, checks payable to individuals not on the payroll and companies the church doesn’t do business with. That person doesn’t have to reconcile the account.
2. The bank account should be reconciled monthly and the reconciliations should be reviewed by the auditors on an annual basis. The lack of monthly reconciliations means there are probably errors in the financial statements and steps should be taken to resolve the situation as soon as possible.
Management of the Payroll Risks
1. Overpayment to legitimate employees.
2. Payment to fictitious employees.
3. Under or over withholding of taxes.
4. Failure to deposit payroll taxes as required by IRS.
5. Failure to file payroll tax returns as required by IRS.
6. Shown on clergy W-2’s are their housing allowance, any annuities withheld from their pay and imputed income from life insurance exceeding $50,000. (The Church Pension Fund provides coverage to all active clergy based on four times Total Compensation up to a maximum of $100,000, rounded to the nearest $500. The Diocese of Kentucky group life plan to all active clergy is $50,000 and premiums are billed to the congregation they serve.
7. Failure to provide W-2’s to clergy and employees (includes organists). File year-end reporting to various taxing authorities. (Episcopal Payroll Services 1-800-223-6602 ext. 6286)
8. Failure to provide 1099 MISC. forms to all individuals and any service providers paid $600 or more in the past year (includes supply clergy, nursery workers, sextons, grass cutting services and consultants).
9. Failure to keep proper documentation.

Ease in Preparation of Parochial Reports and Financial Reviews
1. Financial Statements should mirror the Parochial Report.
2. Financial Review Committees can be members of the congregation, members of another congregation or group of 3 individuals with financial expertise. Internal Financial Reviews can emphasis separation of duties and internal controls. External audits are required to prepare Financial Statements formats according to general accounting practices and review internal controls. External audits can be very costly.
3. Annual Financial Reviews are important as a review of internal controls and review of procedures used in the financial reporting to the congregation. A review of these procedures and controls protects your Bookkeeper, your Treasurer, the Vestry or Bishop’s Committee and your Clergy.
MARMION LOAN FUND

A Resource for Our Congregations

Diocesan Finance Committee
What is it?

• The Marmion Revolving Loan Fund, resulted from a capital campaign in the 1950’s.

• It’s purpose, in part, was to create a permanent fund to assist clergy with the purchase of residences and to Congregations for the purchase or improvement of their worship spaces.

• The Fund is managed by the Treasurer of the Diocese and is accounted for separately from the Diocese’s other permanent and endowment funds. (Diocesan Canon 39).

• Since in recent years the Marmion Revolving Loan Fund has been invested in relatively liquid registered securities, Trustees and Council has authorized the Treasurer and the Controller to use a portion of the Fund to cover short-term liquidity needs which occur in the annual diocesan budget cycles because of, among other causes, slow receipt of congregational pledges or because distributions from the Commingled Fund may only be received at the beginning of each calendar quarter.
As a Resource...

- For the purchase of property (e.g. St. Thomas, Campbellsville)
- For capital improvements (new roof, HVAC, major renovations to facilities, parking lots, etc.)
- For clergy housing down payments, up to $20,000.
- Not for operating expenses, salaries, wages, short-term items.
- The Finance Committee of the Diocese reviews formal letters of request and makes recommendations of the same to Trustees and Council.
- Parishes, Aided Parishes, and Mission Congregations or such other groups or agencies directly related to the Diocese may apply for the purchase of real property, or the construction, expansion, or major repair of any improvement to real property.
How to Apply...

• Draft a formal letter of request to the Finance Committee, Episcopal Diocese of Kentucky, 425 South Second Street, Louisville KY 40202, outlining in detail your project and need. This will begin the process.

• Security, either a lien and mortgage on congregational property, or other surety if permitted by Trustees and Council, is required.

• The Chancellor of the Diocese will assist in preparing necessary documents, loan closing, etc.

• Refer to: https://www.episcopalky.org/Church%20Administration/marmion-loans.html
Details...

- Trustees and Council establishes ground rules, interest rates, and other loan details.
- Currently, no loan for capital improvements of property purchases can exceed $100,000.
- Current rate of interest is 3% annually.
- Life of a loan is 10 years from the date of the loan closing.
- Loans may be renewed, at the request of the borrower and concurrence from Trustees and Council.