

FINANCE COMMITTEE POLICIES and PROCEDURES

Revised February 2011

The Good Shepherd Lutheran Church Constitution requires the President of the congregation establish a Finance Committee and states that the Vice President will serve as the Finance Committee Chairman. Accordingly, the committee has developed the following Policies and Procedures as a common reference source. The policies and procedures that follow are intended to be a statement of general guidance or philosophy to enable people unfamiliar with the tasks to approach and complete them. At all times we should be guided by the phrase, in accordance with practices generally employed in view of the existing circumstances.

This committee will be chaired by the Vice President and will consist of the Treasurer, the Financial Secretary, the Head Teller, and two qualified communicant members of the congregation appointed by the President. The appointed members will serve until the President's term of office expires. The Business Manager shall be an ex-officio member of the committee. The committee is represented on the Church Council through the Vice President. *Periodic reports* will be made to the Voters' Assembly. The committee will have oversight for the following specific matters.

- I. Collection/Receipt of Funds
- II. Storage of Funds
- III. Counting of Funds
- IV. Deposit of Funds
- V. Financial Administration
- VI. Dispersal of Funds
- VII. Protection of Church Assets

I. COLLECTION/RECEIPT OF FUNDS

Funds received by Good Shepherd Lutheran Church will normally be placed into the church's secure storage container as soon as reasonably possible. The policy on who is authorized access to the storage container is covered in Section II, Storage of Funds.

PROCEDURE:

1. Collections from Sunday morning church services:

The Elder in charge and another Elder will proceed directly to the front of the church immediately following the service and empty all of the contents from the collection plates into the appropriate collection bag and then proceed to the storage container where the bag will be locked up.

2. Collections from the Education Hour:

The Sunday School Superintendent or his/her designated representative will collect the offerings from the education hour, complete the counting, place the offering in a bag and lock it in the storage container.

3. Collections from other church services:

The Elder in charge and another Elder will proceed directly to the front of the church immediately following the service and empty all of the contents from the collection plates into a bag. They will follow the procedure described in 1 above. If the offering is not taken to the front of the church, the Elder in charge and one other will take it to the Brides Room and follow the same procedure as after the service is over.

4. Funds received in the church office through the mail or from individuals may be placed in an envelope in a locked container in the church office by the church secretaries until either the head teller is available to open the envelope and include the funds on the tally sheet or they will be placed in the storage device as soon as convenient.

5. Collection of special holiday gifts for the church staff will be as follows:

a. Print special gift envelopes with the wording as follows:

SPECIAL CHRISTMAS GIFT FOR CHURCH STAFF APPRECIATION

Use This Envelope to Show Appreciation For Our Church Staff During This Holiday Season.

Please Place This Envelope In The Sunday Offering Plate.

(Pastoral Staff is not included, because of their gift on Clergy Appreciation Sunday)

Your Contribution Will Be Considered A Gift And Is Non-Deductible For Tax Purposes And Will Not Be Reflected On Your Record Of Contributions.

b. Elders, or Usher as part of the normal Sunday Bulletin distribution, will hand out the special gift envelopes to congregational members during normal Sunday as required.

c. Special gift envelopes will be collected in the normal Sunday worship service offering.

d. Counters will open the special gift envelope, record them on the tally sheet and deposit the funds. The Chairman of the Board of Elders will

determine the appropriate distribution of the gifts and the Treasurer/ Business Manager will write a check for each staff member. The total of all staff member checks must equal the total of all gifts received.

6. Special Collections: When special collections are taken, they will be placed in a separate collection bag from the one used for the General Offering. After that all normal procedures will apply.

7. Memorial funds must be handled with special consideration, as at the time they are received it may be impractical to also receive a designation for their use. For example, if given by the family of a deceased person at the time of a funeral, they will be encouraged to designate the fund to receive the memorial gifts at an appropriate time. This may need to be done a month or so after receiving them by the Financial Secretary, exactly when to be decided upon at the time. If there is no designee after a reasonable amount of time, the Church Council will designate funds to receive memorial gifts and the appropriate Board Chairman made aware of their existence. In all cases, the memorial gifts will be recorded on the tally sheet, either with an indication of the fund to receive the memorial, or as undesignated.

II. STORAGE OF FUNDS

The only location approved for normal storage of church funds is the secure storage container in the usher's closet in the narthex. The time funds are stored in the secure container before deposit in a bank should be kept to a minimum (generally one day for Sunday collections). The only people authorized to remove funds from the collection bags are the head and assistant tellers for the purpose of counting funds and making a bank deposit. The only people authorized access to the storage container is the Head Teller and Assistant Head Tellers and those approved by the Finance Committee. A copy of the combination, and a list of those approved to use it, will be kept in a sealed envelope in the locked two drawer safe in the closet of the Fellowship Hall. In an emergency, the church secretary can retrieve the envelope and give it to the counter serving as head teller for that day. If the envelope is opened write the name of the person receiving the combination on the outside of the envelope. When done, reseal.

PROCEDURE:

1. The Finance Committee will maintain a list of people authorized access to the storage container and be advised of any changes.
2. The combination of the container will be changed as deemed necessary by the Finance Committee.

III. COUNTING OF FUNDS

A minimum of two tellers will be present at any time when funds are being counted and prepared for deposit. Normally, collections received from regularly scheduled church services be counted and deposited within one day after receipt. All special funds are to be entered on the Teller's Tally sheet and deposited along with the regular contributions. Large contributions, by people without envelope numbers, will be acknowledged in writing and recorded on a Memorial/Thanksgiving/Gift form. Donations of \$250 or more from a nonmember will constitute large donations. Non-cash contributions will be acknowledged in writing by the Business Manager.

PROCEDURE:

See Attachment #1

IV. DEPOSIT OF FUNDS

Normally, Good Shepherd Lutheran Church operating funds will only be deposited in insured accounts in established financial institutions and account balances will be frequently monitored to ensure the account does not exceed 100% insurability. Accounts of an investment nature will be monitored as type and circumstance indicate.

V. FINANCIAL ADMINISTRATION

The Chairman of the Finance Committee will *periodically report* to the Church Council on financial administration matters. At the *May Church Council meeting*, the Finance Committee Chairman will report what actions have been taken or are being considered as a result of the annual financial review completed the prior month, as well as on the locations and amounts of all church bank account(s) including CD's with interest rates and maturity dates and any planned changes for those accounts(s).

Normally Good Shepherd bank account(s) will be maintained at established financial institutions which offer an adequate level of service. After these conditions are met, financial issues will be considered (i.e. fees charged, interest earned) in determining where accounts will be maintained.

Training is an essential element of good financial management. The Good Shepherd Finance Committee is responsible for providing training for the Treasurer, Business Manager, and Board Directors. *No later than 30 days after election* or appointment to the position of Treasurer, or Board Directors, financial

guidelines training will be provided by the Finance Committee. This training will cover proper guidelines for all normal financial activities.

Good Shepherd funds in excess of what is needed for current operations may be invested in other than insured short terms accounts or securities in a manner deemed appropriate to the Congregation's plans and needs as determined by the Finance Committee.

PROCEDURE:

1. The Finance Committee will periodically determine if funds will be needed for current operations or if the funds should be reinvested.
2. The period or nature of an investment will be established based on the Committee's best judgment as to when Good Shepherd will need the funds.
3. When gifts of stock, bonds, mutual funds, real estate, or personal property are received by Good Shepherd Lutheran Church, the Business Manager will acknowledge the gift by sending the donor a thank you letter containing an accurate description of what was given. References as to the date received should be omitted or referred to in general terms only, such as, "thank you for your recent gift," etc. A further statement that GSLC did not provide any goods or services in exchange for the gift should be included in the letter. (Presuming that is a factual statement).
4. Every effort will be made to handle the gift responsibly and prudently in keeping with church policy as determined by the Finance Committee.
5. If the donor places restrictions on the gift, the restrictions should be stated in the thank you letter, and these amounts, donor identification and restrictions will be maintained. If the gift is unrestricted, as soon as it is turned into cash, it will become part of the general fund and appropriately administered thereafter.
6. The thank you letter sent out by the Business Manager will be the only record to be received by the donor. A gift other than cash will not be shown on the contribution record so as not to record a duplication of the same gift. Donors will be responsible for preparing IRS documentation forms.

VI. DISPERSAL OF FUNDS

The Constitution of Good Shepherd Lutheran Church describes the duties and responsibilities of each of the Boards and of the Church Officers. The Voters' Assembly is the sole authority for determining how congregational funds will be spent. The Church Council Boards submit annual budget requests to the congregation to receive funds to carry out that Board's activities for the budget

year. When the Voters' Assembly approves the budget, they are authorizing each Board to spend the money for the purpose requested in its budget.

Church Council Boards and Church Officers will obligate and spend funds which have been authorized in the annual budget, made available as designated funds or by special resolution only to carry out their constitutionally described duties.

Dispersal of funds from the Benevolence Fund will be made by one of the Pastors, Family Life Minister or the Business Manager and will normally be made to cover specific items of expense for a needy person(s) such as utilities, rent, and or credit for gasoline. Only in extreme cases will cash be given to the individual.

Church Council Boards are permitted to reprogram between line items in their section of the Annual Budget, as long as total expenses for the Board do not exceed the approved budgeted total, without approval of the Council or Voters' Assembly, although the council will be informed when this is done to facilitate correct tracking.

Whenever possible, single items of expense of \$1000 or greater will be broken out individually in budgets and not aggregated under larger headings.

For unbudgeted needs, unless a designated fund exists, congregational approval is required before obligations are created or funds spent.

The Church Treasurer/Business Manager will disburse funds only to pay for expenditures authorized by the congregation or if covered by a designated fund.

PROCEDURE:

1. Responsibilities of Boards:

- a. The church constitution vests the power to administer all funds set aside for its work by budget appropriation or by special resolution of the Voters' Assembly.
- b. Each Board will insure supplies, materials and other requirements are ordered in sufficient time so as to be available for use at the appropriate time.
- c. Major purchases should be coordinated with the Treasurer and/or Business Manager to ensure funds are available.
- d. Purchases should be coordinated with the Church Office. The Business Manager is available to research sources and prices and do the ordering.

e. If at all possible, all purchases should be made on a tax exempt basis. Non-church items may never be purchased using the church tax exempt number; contact the Business Manager for assistance.

2. Disbursement of funds:

a. The Treasurer or Business Manager will obtain the approval of the appropriate board prior to disbursing funds.

b. When bills and invoices are received they will be placed in the appropriate Board's distribution box for approval. The Director will indicate approval by signing or initialing the invoice and indicate which account should be charged. The bill will then be placed in the Business Manager's box for payment.

c. Routine bills (utilities, salaries, recurring items, etc.) will be paid by the Treasurer/Business Manager provided the Board has furnished the Treasurer/Business Manager with a list of which bills should be paid without further approval.

d. It is important that distribution boxes be checked regularly and bills be approved promptly to avoid late charges and blemishes on the church's credit rating.

e. The Business Manager can approve payment under certain circumstances:

1. Routine supply purchases.
2. If it can be determined that the bill is for budget approved item.
3. To avoid late charges.
4. In the absence of Board Director.

VII. PROTECTION OF CHURCH ASSETS:

Church Assets (records, official documents, real property, etc.) will be kept/stored at the church facility. In the event of major construction, renovation, or cleaning of the church facility, these assets will be stored at an alternate location that has been approved by the appropriate Board Director or Administrative Board.

Adequate insurance protection is required for Good Shepherd Lutheran Church.

The Finance Committee along with the Board of Church Properties will conduct an annual review of the entire church insurance program and the Finance Committee chairman will provide a report at the April Church Council Meeting.

A Financial Review Committee, note this is not an audit, will be appointed and an annual financial review will be conducted as directed by the Good Shepherd By-Laws. The Guidelines in Attachment #2 will be followed as deemed necessary by the Review Committee at the time of the review.

Attachment #1

Procedures for Counting of Funds

1. Tellers assemble at the church, gather the necessary materials and retrieve the collection bags from the secure storage container.
2. Special record keeping requirements:
 - a. Complete the Memorial/Thank Offering/Gift Form. The Stewardship Board keeps a log of each memorial fund that is established.
 - b. Record loose plate checks in teller's notebook.
 - c. Record any large donations and special gifts using the Memorial/Thanksgiving Offering/Gift Form.
3. Counting of envelope contributions:
 - a. Make sure the amount written on the envelope agrees with its contents. Make clarifications as needed.
 - b. Count envelopes containing checks and make a calculator tape of the checks.
 - c. Count bills and coins.
4. Envelope balancing:
 - a. Run a calculator tape to total the check envelopes and verify the total is the same as the total of the checks.
 - b. Run a calculator tape to total the cash envelopes and verify the total is the same as the bills and coins.
5. Counting of other contributions:
 - a. Count other contributions individually by category (loose plate, Sunday School, flowers, etc.).
 - b. Use the additional lines on the tally sheet to identify other categories as needed.
 - c. Record the sale of securities or property on the tally sheet.
 - d. Run a calculator tape of all additional checks (not from envelopes).
6. Enter category amounts on the Teller's Tally Sheet.
 - a. Sum across the columns for each line item.
 - b. Sum down each column: bills, coins, and checks.
 - c. Verify that the totals agree.

- d. All tellers check and sign the Teller's Tally Sheet to show the accuracy of the totals.
7. Prepare the deposit:
 - a. Endorse all checks for deposit using bank stamp.
 - b. Complete deposit slip(s).
 - c. Assistant Teller shall initial deposit slip(s) to show accuracy.
 - d. Make the deposit(s) and return to the church with the deposit receipts.
 8. Record keeping:
 - a. Make two (2) copies of the Teller's Tally Sheet.
 - b. Make a copy of each Memorial/Thank Offering/Gift form.
 - c. Provide to the Treasure/ Business Manager:
 1. The original copy of the Tally Sheet.
 2. The deposit receipt(s).
 - d. Provide to the Financial Secretary:
 1. All empty donation envelopes with tape run.
 2. A copy of the Tally Sheet.
 3. The original of any Memorial/Thank Offering/Gift forms.
 - e. Provide to the Stewardship Committee:
 1. A copy of any Memorial/Thank Offering/Gift forms.
 - f. Return counting materials to their storage area.

Attachment #2

Financial Review Guidelines

1. Conduct an initial review:
 - a. Read the Constitution and Bylaws of the church.
 - b. Review all Voters' Assembly minutes for the fiscal year. Note approved expenditures and trace them to the financial records during the financial review.
 - c. Ask for the prior financial review report and check recommendations for compliance.
 - d. Ask for the latest bank reconciliation.
 - e. Ascertain the authorized signatures for checks and then review checks for proper signatures.

2. Reconcile the bank accounts:
 - a. Trace checks paid to both the outstanding list from the prior month and to the current months check register and/or disbursements journal.
 - b. Trace the deposits in transit from the prior month to the current statement.
 - c. Prepare a statement of reconciliation to determine if the check book balance is in agreement with the bank at the end of the year.
 - d. Select at least two other bank reconciliations made during the year and check them with the records. If any errors are found, it is best to make a more extensive review of the books.

3. Review the receipts:
 - a. Start by ascertaining the type of records kept of receipts. At a minimum, the receipts should be posted to the check register. If a cash journal exists, proceed to select two or more monthly journals for the following tests:
 - (1) Obtain the bank deposits slips, and the summary of deposits for each collection during the months selected.
 - (2) Trace the deposit amounts to the journal and/or check register.
 - (3) Note postings to the journal to determine that deposits are correctly summarized by type of receipt.
 - (4) Add the amounts posted to the journal to verify accuracy of both the vertical and horizontal figures. Trace totals to the ledger.

(5) Good internal control requires that receipts are handled by members other than the treasurer. The Treasurer/Business Manager should be responsible for writing checks and recording the entries in the books. At least two or more persons should count each collection and two of the counters should sign the deposit summary.

(6) The summary should indicate that the envelopes were totaled and reconciled to the bank's copy of the deposit slip.

b. Review the Financial Secretary's records for the same time periods along with the cash receipts journal.

(1) Trace the amounts from members' envelopes to members' accounts by randomly selecting and reviewing four weeks' activity (one each quarter).

(2) Add the total received and compare to the deposit summary for that particular week or month. If discrepancies occur, discuss them with the parties responsible. If necessary, discuss the amounts with the member making the donation.

(3) Review guidelines for sending statements to members. Reconcile any accounts that appear in question by talking with the donor.

(4) Consider making a separate mailing to randomly selected members for confirmation of gifts made.

4. Review the disbursements:

a. Review the check register and/or cash disbursements journal or \ voucher register. Select two or more months to review all transactions.

b. First check the mathematical accuracy of all columns and add both vertically and horizontally recorded figures. Trace all totals to the ledger.

c. Refer to Voter's Assembly minutes and ascertain that all expenditures were in accord with their resolutions.

d. Select at random approximately 25% of the disbursements. Obtain invoices and/or voucher requests for payments supporting disbursements. Review the mathematical accuracy of all documents and trace them to the payment record. If purchases selected for review are for items such as equipment or furnishings, examine each unit purchased to ascertain that it agrees with the purchase requirements.

e. Consider if bids are obtained for large purchases, and review some of the items received to verify that proper guidelines are followed.

f. Regarding supplies, determine if inventory controls exist to account for receipt of goods.

5. Review the church financial statements:

- a. Review the preparation of the year's financial statements for proper presentation of income and expense items as found on the ledger cards. Take a trial balance of the ledger as part of this test to make certain that the books are in balance. Trace the amounts to the statements.
 - b. If the congregation has securities, ascertain if they are adequately secured, (i.e., in a safety deposit box at a financial institution) and arrange with the treasurer to examine the securities and trace them to the church records.
 - c. Usually congregation records will be on a cash basis. A supplementary summary should be provided by the treasurer which lists those obligations due and payable at fiscal year end as accounts payable. Test this list to determine if all normal expenses are accounted for.
 - d. If there are outstanding mortgages or loans for which the church is responsible, the terms and latest payments should be reviewed to make certain that no payments are in arrears.
6. *Provide a written report to the Vice President* for his/her review and approval. *The Vice President should sign the document* and forward the report along with any recommendations to the President for his report to the Voters Assembly at the June meeting each year.