

1 **Wells Memorial United Methodist Church**
2 **Financial Management Guidelines and Internal Controls**

3 **Approved by Administrative Board 12/10/17**
4 **Revised by Finance Committee, Approved by the Administrative Council 6/2/2019**
5

6 These financial management guidelines represent a broad overview along with
7 guiding principles and business rules concerning how money is managed at Wells
8 Memorial United Methodist Church (hereafter referred to as “the church”).
9

10 **Budget**

11 The **finance committee** will annually prepare and recommend a budget to the
12 **administrative council** for approval. The approved budget becomes the framework for
13 the accounting records. (“Suggested Minimum Internal Accounting Controls for a Local
14 Church,” Mississippi Conference UMC, 2016)

15 After the council has approved the budget, any additional appropriations must be
16 approved by this same body. (*The Book of Discipline*, 2016)

17 Since budgets can only be amended by same body by which they were approved, it
18 is at the council level, not the charge conference level, the budget should be adopted.
19 (“Suggested Minimum Internal Accounting Controls for a Local Church,” Mississippi
20 Conference UMC, 2016)

21 Clergy salaries must be approved at the charge conference level and can only be
22 changed at that level. (“Suggested Minimum Internal Accounting Controls for a Local
23 Church,” Mississippi Conference UMC, 2016)

24
25 **Responsibilities**

26 The responsibilities for handling and accounting for the monies donated to Wells
27 Church are separated between two offices. The positions of treasurer and financial
28 secretary should not be combined and held by one person, and the persons holding
29 these two positions may not be immediate family members. No clergy family members
30 may serve as treasurer, financial secretary, counter, or finance committee chair. (*The*
31 *Book of Discipline*, 2016)

32
33 **Treasurer:**

34 The **treasurer** oversees the handling of funds, making deposits, writing checks,
35 and reporting transactions.

36 The **treasurer** shall process all checks, recording them in the appropriate
37 accounting software. (“Suggested Minimum Internal Accounting Controls for a Local
38 Church,” Mississippi Conference UMC, 2016)

39 The **treasurer** shall process payroll, W-2 forms, 1099 forms, and other required
40 government records in a timely fashion. (“Suggested Minimum Internal Accounting
41 Controls for a Local Church,” Mississippi Conference UMC, 2016)

42 The **treasurer** will make and keep records of payroll tax payments as required
43 for taxes, Social Security, and Medicare.

44 The **treasurer** shall supervise weekly cash balances to ensure a minimum
45 balance of \$50,000 is maintained in the general operating checking account. If the
46 balance drops below \$50,000, the treasurer will (1) notify the committee on finance
47 and (2) transfer funds from savings to the checking account to close the gap.

48 The **treasurer** shall maintain a filing / storage system for financial and banking
49 records and shall prepare records for an annual audit. The treasurer shall maintain
50 historical records in accordance with government requirements (five years
51 minimum). (“Suggested Minimum Internal Accounting Controls for a Local Church,”
52 Mississippi Conference UMC, 2016)

53 The **treasurer** shall be adequately bonded. (*The Book of Discipline*, 2016)

54

55 **Financial Secretary:**

56 The **financial secretary** supervises the treasurer and is responsible for
57 approving requests for payment from designated budget lines, maintenance of donor
58 records, and reporting to the finance committee, the administrative council, trustees,
59 and annually to individual donors.

60 The **financial secretary** shall prepare monthly finance reports for the
61 administrative council, finance committee, trustees, and the pastor that reflect the
62 general financial condition of Wells Church and the current status of the operating
63 budget.

64

65 **Counters:**

66 The **finance committee** will designate at least two persons not of the immediate
67 family or residing in the same household and not related to the pastor, treasurer or
68 financial secretary to count the offering. A record of all funds received shall be given
69 to the financial secretary and treasurer. (*The Book of Discipline*, 2016)

70

71 **Finance Committee:**

72 The **finance committee**, in consultation with the pastor, appoints: 1) individuals
73 to authorize expenses from each of the budget lines 2) money counting committee
74 members 3) check signers 4) individual to perform monthly statement reconciliation
75 of all banking, investment and credit card accounts. (“Suggested Minimum Internal
76 Accounting Controls for a Local Church,” Mississippi Conference UMC, 2016)

77

78 **Other Personnel:**

79 The following duties should be performed by a person designated by the finance
80 committee **other than the financial secretary or church treasurer** (“Suggested
81 Minimum Internal Accounting Controls for a Local Church,” Mississippi
82 Conference UMC, 2016):

- 83 1. Perform bank reconciliation each month in a timely fashion.
84 2. Verify that all checks have been properly signed.
85 3. Verify that the bank balance reconciles to the bookkeeping records.
86 4. Verifies that the beginning balance equals the ending balance of the previous
87 month both in the checking account and the general ledger.

88

89 **Processes**

90 The following processes are established for the handling and accounting for funds
91 donated to Wells Church.

92

93 **Contributions**

94 Unless otherwise designated, all **memorial gifts** to the church will be placed in the
95 **pastor's fund** for benevolences. All other **financial gifts** to the church will be
96 placed in the **general operating fund**.

- 97 1. Offerings collected at each Sunday service are to be counted by at least two
98 persons as specified in the rules for counters. The amounts are to be recorded
99 on forms provided in the office. The original form is to be given to the **financial**
100 **secretary**. All checks, cash, and offering envelopes are to be placed in the safe,
101 along with a copy of the count sheet.
- 102 a. The **treasurer** is to make timely bank deposits of offerings, subject to the
103 guidelines listed below.
- 104 b. The **financial secretary** is to keep the individual giving records of donors up-
105 to-date and to provide donors with an annual report by January 31 of the
106 following year.
- 107 2. Donations received in the mail are relayed to the **treasurer** for weekly deposits
108 after they have been received and after copies of checks have been given to the
109 **financial secretary** for recording in the individual giving records.
- 110 3. All funds given to Wells Church — designated and undesignated — should go
111 through the **treasurer**. The **treasurer** will issue checks from the Wells Church
112 operating fund to the designated activities
- 113 While collected gifts can be combined into a single deposit, collection amounts
114 should be reconciled for each worship service.

115

116 **Designated Gifts**

117 Designated gifts must comply with relevant tax laws and must be “to or for the
118 use of” Wells Church. They may not be restricted to benefit a particular individual or
119 family, no matter how deserving or needy. The church will not accept “pass-through”
120 gifts.

121 The treasurer shall disburse all money contributed to causes represented in the
122 church budget. The treasurer shall remit each month to the conference all World

123 Service and conference benevolence funds then on hand. Designated contributions
124 shall not be used for any other cause other than that to which they have been given.
125 (*The Book of Discipline*, 2016)

126 The finance committee shall prepare annually a report of all designated funds
127 that are separate from the approved expense budget and provide this report to the
128 body charged with approving the budget. (*The Book of Discipline*, 2016)

129

130 **Deposits**

131 1. All checks and cash received will be deposited in a timely fashion with all checks
132 stamped "For Deposit Only."

133 2. Records will be kept so that retrieval of the items deposited can be verified in
134 case there is a dispute over an item deposited.

135 3. Deposit slips should match computer records.

136 ("Suggested Minimum Internal Accounting Controls for a Local Church," Mississippi
137 Conference UMC, 2016)

138

139 **Check Writing**

140 1. Checks must be signed by two persons. The financial secretary may not sign
141 checks. The person authorizing the expense may not be the same person
142 signing the check.

143 2. No checks will be written to "cash."

144 3. The check stub, copy of the check, or check number should be attached to the
145 authorization and documentation (receipts, etc.) and filed for audit purposes.

146 4. The finance committee will designate approved check signers. Check signers
147 may not sign checks written to themselves.

148 ("Suggested Minimum Internal Accounting Controls for a Local Church,"
149 Mississippi Conference UMC, 2016)

150

151 **Pastor's Fund**

152 Individuals may designate contributions to the Pastor's Benevolence Fund. The
153 pastors will use established guidelines for the disbursement of these funds and
154 have full discretion in choosing beneficiaries.

155 Benevolences to nonprofit agencies beyond the church will typically be paid from
156 the Pastor's Fund.

157 In addition to designated gifts to this fund, the finance committee will budget
158 funds each year to support these areas of ministry as determined by the senior
159 pastor. Agency benevolences are typically made once per year.

160

161 **Purchasing Guidelines** (approved by the Administrative Board 2/8/2015):

- 162 1. Expenditures up to \$5,000 within an approved budget line do not require council
163 approval. Individuals responsible for purchases should exercise due diligence in
164 line with the approved budget.
- 165 2. Expenditures between \$5,000 and \$15,000 require quotes from multiple vendors.
- 166 3. Expenditures above \$15,000 require formal bid proposals to be approved by the
167 council, based upon the recommendation of the finance committee, or trustees.
- 168 4. Major, emergency, non-budget expenditures shall be approved by the finance
169 committee chair and administrative council chairs prior to purchase. Action will be
170 reported to the council, finance committee and trustees at their next meetings.

171

172 **Rainy Day Fund**

173 The budget will include funds set aside regularly in a “rainy day” fund. Funds
174 from this line may be used for expenses that meet two of the following criteria:

- 175 1. Irregular, non-routine expenses
- 176 2. Expense for work that will offer a value or return on investment for more than
177 one year
- 178 3. Work that enhances the property value of the church facilities

179

180 **Reimbursement and Contribution Credits**

181 Persons seeking **reimbursement** for pre-approved expenditures on behalf of
182 the church must submit copies of receipts or a detailed explanation of the
183 expenditure to the **financial secretary**.

184 Persons requesting credit on their giving records for expenditures made on
185 behalf of the church must submit receipts to the **financial secretary**.

186

187 **Credit Cards**

188 Credit cards are issued and controlled by the treasurer. No cash advances
189 will be allowed. No debit cards will be issued. Receipts for purchases must be
190 provided and must match the monthly bill. These records will be kept on file as
191 needed for the annual audit. (“Suggested Minimum Internal Accounting Controls
192 for a Local Church,” Mississippi Conference UMC, 2016)

193

194 **Payroll**

- 195 1. The treasurer will make payroll tax payments as required for taxes, Social
196 Security, and Medicare. Church contributions to Social Security, Medicare,
197 and Federal Unemployment Insurance should be properly recorded in the
198 payroll module of the accounting software.
- 199 2. Church employees are paid electronically by direct deposit.

200

201 **Annual Review / Audit**

202 An independent auditor not related to the financial secretary, treasurer, or the person
203 performing the bank reconciliations is to review the financial records annually in
204 accordance with the guidance provided by the Mississippi Conference of the United
205 Methodist Church. The conference classifies the type/category of review / audit required
206 based on a three-year average of funds received and outlines the process to follow. At
207 minimum, the audit should include the accounts of all ministries of the church and
208 include verification that proper internal controls are being maintained. Copies of the
209 audit results should be provided to the pastor, chair of administrative council, chair of
210 finance committee, and the district superintendent after review and approval of the
211 finance committee. Corrective actions if any, should be included with the report.
212 (“Suggested Minimum Internal Accounting Controls for a Local Church,” Mississippi
213 Conference UMC, 2016).

214 The following guidelines are established to expedite the preparation of **the annual**
215 **audit** before July 1 each year.

- 216 a. The **treasurer** maintains files for each bank/brokerage account, and maintains
217 copies of monthly statements and deposit slips.
- 218 b. The **treasurer** maintains a file of all cancelled checks. Typically, electronic
219 images of checks are included with the monthly bank statements.
- 220 c. The **treasurer** is to maintain a monthly file containing the customer’s portion of
221 all bills, invoices, and memoranda requesting reimbursements. The number of
222 the check issued to cover each bill should be written on the file copy.
- 223 d. Permanent, official, financial records of the church shall be maintained in the
224 church building.
- 225 e. All financial information shall be maintained in the accounting software package
226 and stored in this secure, web-based platform. Standard reports shall be
227 provided for review in the church by any interested party. Reports will be
228 provided to the auditor.

229

230 **Annual Policy Review**

231 The **committee on finance** shall maintain these Financial Management Guidelines
232 and Internal Controls and update them to reflect any policy changes implemented by the
233 administrative council. These guidelines shall be reviewed annually for adequacy and
234 effectiveness, and reported as part of the charge conference. (*The Book of Discipline*,
235 2016)