Church Finance & Administration

East & North District Training
February 21, 2016
Agenda

- Authority & Secrecy
- Internal Controls
- Budgets & Reporting
- Tax Exempt Status
- Employment Taxes
- Tax Reporting
- Audits
- Checks & Balances
- Pastoral Compensation
- Accountable Reimbursement Accounts (ARP)
- Pastors Discretionary Accounts
- CMG...aka Apportionments

- Job Descriptions
  - Financial Secretary
  - Treasurer
  - Chair/Finance Committee
- Record Retention
- Resources
- GCFA Apportioned Fund Descriptions
Ways We Might Be Helpful in Finance & Administration

- Clergy and lay benefits – Insurance and retirement
- Creating a church budget
- Church finance internal controls
- Stewardship Ideas
- Financial Policies
Authority & Secrecy

• Per BoD (¶ 244.3), Pastor is “CEO” of church
  – "The pastor shall be the administrative officer and, as such, shall be an ex-officio member of all conference, boards, councils, commissions, committees, and task forces, unless otherwise restricted by the Discipline."
  – Pastor is “member” of all committees except Trustees and SPRC
  – As such, Pastor has full access to all information for committees and sub-committees including Stewardship

• BoD (¶ 722) requires meetings to be open as often as possible (except SPRC)

• Financial statements & accounts of all church entities available to Church Council via annual audit

• Details of financial giving should be shared only with those that have “a need to know”
  – Pastor
  – Financial Secretary
  – Sometimes members of the Finance Committee (to facilitate a capital campaign for example)
Internal Controls
Internal Control
Protection of Your Church’s Money

Internal controls provide the following benefits:

• Accountability
• Protects church’s assets
• Promotes accuracy of financial records
• Promotes confidence in givers
• Helps prevent fraud
Internal Control
Protection of Your Church’s Money

• Three basic types of financial activities
  o Authorization of transactions
  o Recording of transactions
  o Custody of assets

• Each of these activities should be performed by different unrelated individuals
Internal Control
Best Practices

• Prepare accounting procedures manual
• Anyone who handles church funds bonded or insured
• Bank statements reconciled monthly
• Detailed monthly reports reviewed by finance committee
• Financial reports audited annually
Internal Control
Best Practices - Receipts

- Two unrelated people always handle the offering
- Counting takes place in the church office, never at home
- Use a cash count sheet to document how much money was collected
- After the deposit is made compare the bank receipt to the count sheet
Internal Control
Best Practices - Disbursements

• Individual writing checks should not sign checks
• Consider requiring two signatures on checks
• Use expense voucher to request payment
• Credit card policy
• Allowable Reimbursement Policy
  (of business expenses)
Budgets
Budgets – What Are They?

- Management tool
- Financial direction
- Expression of who you are as a congregation
Budgets – Who Should Be Involved?

- Staff
- Stewardship Team
- Finance Team
- Trustees
- Ministry Teams
- SPRC
Budgets – Where to Start?

• Vision of ministry/mission statement

• Total the pledges received
  – Consider income from non-pledging donors
  – Consider adjusting for unfulfilled pledges

• Include income from other sources
  – Interest income
  – Rentals
Budgets – Items to Consider?

• General and Administrative Expenses
  – Pastor and staff salaries and benefits
  – Utilities
  – Building and workers’ compensation insurance
  – Mortgage payment (if applicable)
  – Conference and District Apportionments
  – Property Insurance Expense

• Program Expenses
  – Outreach
  – Children’s ministry
  – Mission trip
Budgets – Items to Consider?

• Maintenance reserve fund
  • Roof
  • HVAC
• Establish an emergency fund
How Churches Spend Their Money


- Salaries & Wages
- Utilities
- Domestic mission support
- Denominational contributions
- Travel
- Ministries & Support
  - Office/administration
  - Maintenance/cleaning
- Building
  - International mission support
  - Property liability insurance
  - Debt (excluding mortgage)
- Property liability insurance
- Cash reserves
- Other

48%

3% 3% 4% 5% 7% 7% 7% 9% 2% 1% 1% 1%
Budgets & Reporting

Income:
- Tithes & offerings
- Fees from outside use of church space
- Fundraising
- Investment income
- Miscellaneous

Expenses
- Accountable reimbursements
- Administrative expenses
- Apportionments
- Building maintenance & utilities
- Debt service
- Education
- Insurance
- Membership
- Outreach
- Program expenses
- Salaries & benefits
- Worship & Music
- Miscellaneous
Sample Budget Calendar

- **February thru December:**
  - Furnish Administrative Council & Committees with “Budget vs. Actual” report with explanations of variances (at least quarterly)
  - Project amounts to year-end
  - Determine actions needed to bring spending in line with Budget

- **August/September:**
  - Request Committee Chairs to provide input for next year’s Budget
  - Obtain CTC: Apportionments, HealthFlex, Pension, CPP

- **October:**
  - Compile & distribute draft budget to Administrative Council

- **December / January:**
  - Revise as necessary & obtain Administrative Council Approval
  - Communicate budget to congregation
  - Budget does not require Charge Conference approval
# First United Methodist Church
## 2016 Budget Worksheet

<table>
<thead>
<tr>
<th>Income</th>
<th>2016 Budget</th>
<th>2015 Budget</th>
<th>2015 Actual</th>
<th>Increase / Decrease</th>
<th>Pre-School</th>
<th>Source</th>
<th>Budget Notes</th>
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<tbody>
<tr>
<td>I-1 · Pledges</td>
<td>$</td>
<td>-</td>
<td>Stewardship</td>
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<td>I-2 · Non Pledge Regulars</td>
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<td>I-3 · Loose Plate</td>
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<td>I-4 · Christmas/Easter Offering</td>
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<td>I-5 · Facility Rent</td>
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<td>I-6a Preschool Facilities Donation</td>
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<td>I-6b Preschool Insurance</td>
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<td>I-9 · Misc, Other Income</td>
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<td>I-10 · Interest Income</td>
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<td>I-11 · Cell Tower Income</td>
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<td>-</td>
<td>Trustees</td>
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<tr>
<td><strong>Sub-total</strong></td>
<td>$</td>
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<table>
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<tr>
<th>A · Administration</th>
<th>2016 Budget</th>
<th>2015 Budget</th>
<th>2015 Actual</th>
<th>Increase / Decrease</th>
<th>Pre-School</th>
<th>Source</th>
<th>Budget Notes</th>
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<tr>
<td>A-1 · Administrative Salary</td>
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<td>Yes</td>
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<td>A-3 · Office Equipment</td>
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<td>A-4 · Postage</td>
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<td>A-5 · Communications</td>
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<td>A-5a · Telephone - Church</td>
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<td>A-5b · Telephone - Parsonage</td>
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<td>A-5c - Cable/Internet - Parsonage</td>
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<td>A-5d · Other</td>
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<td>A-7a ·Church's Share of FICA</td>
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<tr>
<td>A-8 · Administration - Misc.</td>
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<tr>
<td>A-9 · Payment Desig. Contribution</td>
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<tr>
<td>A-11a - Workmans Comp</td>
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<td>-</td>
<td>Yes</td>
<td></td>
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<tr>
<td>A-11b · Insurance Property &amp; Liability</td>
<td>-</td>
<td>-</td>
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<td></td>
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<tr>
<td>A-11d · Umbrella Policy</td>
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<td>-</td>
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<tr>
<td><strong>Sub-total</strong></td>
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</tbody>
</table>
# First United Methodist Church

## 2015 Financial Results

### Year-to-Date Through September 15th

<table>
<thead>
<tr>
<th>A</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
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<tbody>
<tr>
<td>YTD</td>
<td>Deposits / Bills</td>
<td>Adjusted</td>
<td>Variance</td>
<td>Comments</td>
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<tr>
<td>Actual</td>
<td>Outstanding</td>
<td>YTD Actual</td>
<td>(Fav / Unfav)</td>
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### Income

- I-1 · Pledges
- I-2 · Non Pledge Regulars
- I-3 · Loose Plate / Visitor Donations
- I-4 · Christmas/Easter Offering
- I-5 · Facility Rent
- I-6a · Preschool Facilities Donation
- I-6b · Preschool Insurance
- I-7 · Fund Raising Projects/Tag Sale
- I-8 · Designated Contributions
- I-9 · Misc, Other Income
- I-10 · Interest Income
- I-11 · Cell Tower Income

Sub-total $ - $ - $ - $ - $ - $ - $ - 

### A · Administration

- A-1 · Administrative Salary
- A-2 · Office Supplies
- A-3 · Office Equipment
- A-4 · Postage
- A-5 · Communications
  - A-5a · Telephone - Church
  - A-5b · Telephone - Parsonage
  - A-5c · Cable/Internet - Parsonage
- A-11a · Workman's Comp
- A-11b · Insurance Property & Liability
- A-11d · Umbrella Policy

Sub-total $ - $ - $ - $ - $ - $ - $ - 

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Includes a $1,500 donation in June

Cancellation of fund-raising dinner
Church Software

- QuickBooks Not-for-Profit  www.quickbooks.com
- ACS Technologies  www.acstechnologies.com
- /Everlasting Business Solutions  www.everlastingbusiness.com
- Church Trac Online  www.churchtraconline.com
- Shelby Systems  www.shelbysystems.com
- Power Church  http://www.powerchurch.com
- Shepherd's Staff  www.shepherdsstaff.org
- Abila (formerly Sage Software Nonprofit Solutions)  www.abila.com
- Logos  www.logoscms.com
- Church Windows  www.churchwindows.com
- Christian Computing Magazine  www.ccmag.com


Choice of software is less important than setup & skill of user. If internal expertise is lacking, hire someone to set up & train. Costly, but will save endless hours of frustration.

For discounted Not-for-Profit software try:  www.techsoup.org/nonprofit-software
Audit – Why?

- **A** = affirm
- **U** = understand
- **D** = disclose
- **I** = inform
- **T** = transparent
Audit – Why?

• Creates a culture of fiscal responsibility

• To assure that gifts made to the church with special conditions attached are consistently administered

• To build the trust and confidence of the financial supporters of the church

• To protect the persons the local church elects to offices of financial responsibility
Audit – Why?

• Meant to be a process that provides reasonable assurance that good stewardship is practiced handling & accounting for funds & other assets of the church.
  – Needs to be “independent”
  – All accounts of all organizations must be included or separately audited

• Annual audit is required by ¶258.4(d) of the 2012 Book of Discipline
Annual **Audit** – Requirements

• The audit may include:
  
  – 1) a review of the cash and investment reconciliations;
  
  – 2) interviews with the treasurer, financial secretary, pastor(s), finance committee chair, business manager, those who count offerings, church secretary, etc., with inquiries regarding compliance with existing written financial policies and procedures;
  
  – 3) a review of journal entries and authorized check signers for each checking and investment account; and
  
  – 4) other procedures requested by the committee on finance.
Annual Audit – Major Parts

• Independently verify the reports of the treasurer.

• Follow the money and test how it is treated at different steps.

• Document that donated and earned funds of the congregation have been used as stipulated by the donors.

• Reviewed and accepted by the finance committee.
Annual **Audit** – Who To Include?

- Trustees if their funds are held separately
- Memorial Fund (if any)
- Local Church Foundation or Endowment funds
- All other separate treasuries or bank accounts maintained by a group using the same employer’s tax identification number as the church, including:
  - United Methodist Men
  - Pastor’s discretionary fund
  - United Methodist Youth fund
  - Sunday School Classes
  - Others
Church & The Government

- Tax Exempt Status
- Employment Taxes
- Tax Reporting
Tax Exempt Status

- UMC is Tax Exempt Religious Organization under Section 501(c)(3) of tax code

- Group Tax Exemption ruling granted to GCFA in 1974
  - Exempt from Federal Income Tax
  - Generally exempt from filing Form 990 (Return for Organizations Exempt from Income Tax)
  - Donors may deduct contributions on tax returns (timely acknowledgement required)

- CTC is covered by Group Ruling

- All CTC churches covered by group ruling

- Churches may request a specific inclusion letter

- Questions: GCFA Legal Department at (866) 367-4232 or legal@gcfa.org
Employment Taxes

• Know difference between “employee” & “independent contractor”
  See CTC website “20 Point Test”

• Use Federal and State web-sites for Guidance:

• Must withhold & remit Federal, State, Local & Social Security taxes for:
  – Secretary & other lay employees
  – Organist
  – Sexton
  – Child-care providers (e.g. nursery care during church services)

• Use of outside vendor (ADP, Paychex, etc) or software program that is updated regularly is critical. Ensures current withholding rates are used & that quarterly payroll records are accurate.
Tax Reporting Requirements

Clergy Compensation:

A. Clergy have dual tax status:
   - “employees” for tax reporting purposes (W-2)
   - “self-employed” for Social Security tax purposes

B. No mandatory income tax withholding (may be done voluntarily)

C. Social Security is never to be withheld

   See CTC website: “Example of Form W-2 for Clergy”

Payroll Taxes:

A. Withhold taxes, file forms and comply with deposit requirements
   1. Federal Social Security
   2. Federal Income Tax
   3. State income tax withholding (requirements vary from state to state)

B. Quarterly Filing Requirements (April 30, July 31, October 31 & January 31)
   1. Form 941 - Federal
   2. State equivalent form (may vary from state to state)

See CTC web site “Form 941 Filing Requirements” - clergy compensation is shown on 941 but no information on Social Security & Medicare wages/withholding.
Tax Reporting Requirements

C. Annual Filing Requirements

1. January 31: Form W-2 provided to employees
2. February 28: Form W-3 filed with Social Security Admin.
3. NEW** March 31: Form 1095-B to individuals for 2015 tax returns

(As part of Section 6055 Reporting under the Affordable Care Act, Form 1095-B verifies the “individual mandate” for minimum essential health coverage.)

Payments to self-employed individuals:
(Such as independent contractors supplying repair or other services to the church)

1. January 31: Form 1099-MISC supplied to individuals (compensation of $600 or more)
2. February 28: Form 1096 & 1099-MISC filed with the IRS
Check & Balances

See handout “Tips for Preventing & Catching Misuse of Church Funds for Pastors/Audit Committees...”

• Financial Secretary & Treasurer *must be* two separate unrelated people.
• Finance committee should designate two persons (not related and not the Treasurer) to count offering & give record of receipts to both Financial Secretary and Treasurer (*BoD* ¶ 262.4 a).
• If Treasurer is not an accountant or bookkeeper, provide training
• Know requirements of BoD for areas such as: annual audits, bonding and periodic reporting from the Treasurer.
• Adequate bonding on church officials who handle money. (*BoD* ¶ 258.4b)
• Deposit funds promptly. Funds should not wait to be deposited until the usual depositor returns from an absence.
• Consider the establishment of a night-drop for Sunday collections
Check & Balances (continued)

- Bank statements should not be reconciled by individuals that have signing authority on the accounts.
- Minimize the use of petty cash. Establish procedures for the permissible uses of petty cash and maximum amount that may be used at one time.
- Vendor invoices should be approved by the ordering party prior to payment.
- Complete the Fund Balance Report annually OR whenever there is a change in the Financial Secretary or Treasurer.
- Complete audits of all church accounts annually (required by the Discipline)
  - Trustees - UM Men
  - Endowment - UM Women
  - Operating account
  - Pre-school
  - Brokerage accounts
- Two areas of finance that should be kept confidential:
  - Records of giving by person
  - Pastor’s use of a Discretionary Account (not the Reimbursement Account)
Pastoral Compensation

• Every pastor under *Episcopal* appointment is eligible for a minimum salary, reimbursement account & certain benefits.

• Minimum salary schedule available on website: “Resources,” “Forms”

• “Retired” pastors that continue to serve do not accrue further pension benefits & accordingly, such costs are *not* billed to the church.

• Staff Parish Relations Committee makes recommendation to church conference regarding Pastoral Compensation based upon:
  – Local cost of living
  – Other forms of compensation (e.g. housing)
  – Other compensation-related obligations
  – Other church related obligations
Accountable Reimbursement Account
ARP

- Provided to cover various costs related to performing ministry
- Church determines amount.
- Church should have policy with clear guidelines
- Account cannot be divided into installments and paid to pastor
- Disbursement requests must be accompanied by receipts
- Funds remaining at end of year expire
- Examples of Professional Expenses:
  - Auto / travel
  - Books / periodicals
  - Continuing education
  - Conference fees
  - Dues / memberships
  - Electronic devices (cell phones, PDA’s, tablets, etc.)
  - Meals (business only)
Pastor Discretionary Account

• Optional - Not required by BoD
• Funded by church budget or special donations
• Spending must be documented carefully by Pastor with records maintained in the event of an audit
• Disbursements must only be for ministry-related expenses
• In the event that funds were not spent on ministry such amounts are considered taxable income to the Pastor
• Funds remaining at end of year can be “rolled-over” into next year
• See handout “A Matter of Good Stewardship: Tips for Handling of a Pastor’s Discretionary Fund”
Connectional Ministry Giving (CMG) 
Statistical Tables

- Three tables:
  - Table 1 - Membership data
  - Table 2 - Financial data
  - Table 3 - Stewardship data

- Used by both the CTC & GCFA for general information, decision making & to set apportionments

- Certain Table 2 line items form the basis for CMG (aka apportionments)
  - Salaries paid to Clergy
  - Allowances paid to Clergy
  - Accountable Reimbursements
  - Salary & Benefits for church staff
  - Program expenses
  - Church Operating expenses

- Data collected via an on-line system

- Available in late January for approx. 1 week
What happens to the reports we fill out each year?

Does anybody actually use these reports?

Does it make a difference if I simply “plug in” some figures that look good?

Why they matter:

• The BoD requires pastors “to give an account of their pastoral ministries to the charge and annual conferences…”
• Data used by Bishop and Cabinet in appointment making process
• Helps to identify success stories within the conference
• Allows congregations to see themselves as part of a larger picture
• Tool that can be used by church leaders:
  – Have we taken in new members?
  – Who isn’t attending this year that was last year? What are the reasons?
  – Is our average pledge where we feel it should be?

Allows the UMC to monitor the membership and financial health of the denomination
Connectional Ministry Giving (CMG) Basics

- Built on desire and commitment to meet needs of God’s family
- Smaller gifts combined into larger ones effect transformative change throughout the world
- Reflect priorities established by the Annual Conference
- Represents requests from Boards, Committees and staff presented to and reviewed annually by CF&A
- Once operating budget approved at Annual Conference – Finance office apportions to each church based upon Conference formula
- Apportionments based upon certain church expenses reported on a two year lag – not membership rolls
- Example: Church expenses incurred in 2014, reported in 2015 are used to calculate apportionments charged during 2016
- The 2016 conference budget is $10,171,964.
Connectional Ministry Giving
**Shared Ministry Adjustments**

- Apportionment formula set by Annual Conference
- Some churches surprised by their apportionments
- Effort undertaken to scrub submissions for obvious errors and large variations
- Conference has no significant reserve for “mistakes”
- Once numbers are finalized & communicated it is impossible to make adjustments since they would impact all other churches in the conference (approx. 310)
- Review of data prior to submission is therefore critical
- *Preliminary* posted in May, *Final* posted at end of June (www.ctc.org “Finance,” “Apportionments”)
Connectional Ministry Giving (CMG)  
Conference-paid apportionments

There are **seven** Apportioned Funds approved by General Conference:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2016 Budget</th>
</tr>
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<tbody>
<tr>
<td>World Service Fund</td>
<td>$1,308,488</td>
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<tr>
<td>Ministerial Education Fund</td>
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<td>Episcopal Fund</td>
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<td>Black College Fund</td>
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<td>General Administration Fund</td>
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<td>Africa University Fund</td>
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<td>Interdenominational Cooperation Fund</td>
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<td><strong>Sub-total</strong></td>
<td><strong>$2,591,971</strong></td>
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<td>South Central Jurisdiction</td>
<td><strong>89,492</strong></td>
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<td><strong>Total</strong></td>
<td><strong>$2,726,433</strong></td>
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For more information go to:  
Connectional Mission Giving Inserts

- Available at [http://umcgiving.org](http://umcgiving.org)
- Download in pdf format
- Use in newsletters and worship bulletins
- Use to explain where apportionment money goes
Positions Required in All Congregations

Every congregation must make provision for including these functions according to the BoD, ¶244. Positions may be combined except for the financial functions. "The positions of treasurer and financial secretary should not be combined and held by one person, and the persons holding these positions should not be immediate family members (¶258.4)."

- **Nominations and Leader Development Committee** (¶258.1)
- **Pastor/Staff-Parish Relations Committee** (¶258.2)
- **Trustees** (¶258.3 and ¶2524 to 2550)
- **Finance Committee Chairperson** (¶258.4)
- **Lay Leader** (¶251.1)
- **Lay Member of Annual Conference** (¶251.2)
- **Financial Secretary** (¶258.4)
- **Church Treasurer** (¶258.4)
- **Membership Secretary** (¶234 and ¶235 to 242)
- **Leadership Team** (also called Church Council, Administrative Board) Chairperson (¶251.3)
Financial Secretary

Role:
• Receives, records, & deposits funds in timely, thorough & confidential manner
• Works with Treasurer & Finance Committee to develop policies & procedures to ensure funds are available to support the ministry of the congregation

Qualifications:
• Skills & interest in financial record keeping; ability to keep detailed, accurate records & maintain appropriate confidentiality; ability to work with individuals & ministry teams.
• Skills in identifying new revenue sources along with an understanding of biblical stewardship & management of all resources that God provides.

Responsibilities:
• Deposits money as soon as possible after it is received
• Works according to guidelines established by Finance Committee to receive funds, record them, & report them to the Treasurer and Finance Committee
• Maintains records of how much money is given & by whom
• Checks records against those of the Treasurer and keeps records in good order for audit
• Arranges for collecting offerings received during worship services & other church gatherings making certain that more than one person is involved in collecting & counting money.

More information available at:
• See handout “Job Description for the FINANCIAL SECRETARY”
Treasurer

Role:
• Disburses funds in a responsible and timely manner, with funds identified and bills paid when due, as directed by the church council.

Qualifications:
• Should demonstrate skills and interest in financial matters; have the ability to keep detailed, accurate records and maintain appropriate confidentiality; have an understanding of biblical stewardship and management of resources that God provides.

Responsibilities:
• Disburses all money contributed to the local church budget, keeping accurate records of how money is spent.
• Manages disbursement of funds according to the guidelines established by the committee on finance and SPRC. This includes maintaining compliance with all disciplinary requirements and applicable governmental tax guidelines.
• Works with the Financial Secretary to check the records, quarterly, and keeps records in good order for an annual audit.
• Works with the Financial Secretary and chair of the committee on finance to make regular financial reports to the committee on finance, church council, and the charge conference.

More information available at:
• http://www.gbod.org/lead-your-church/local-church-officer-job-descriptions/resource/church-treasurer
• See handout “Job Description for the CHURCH TREASURER”
Finance Committee

Role:
• An effective finance team proposes a budget, then raises, manages, & distributes the financial resources to support & strengthen the mission & ministry of the congregation.

Qualifications:
• Ability to listen to & communicate with people of all ages who have ideas about the mission and ministry of the congregation. Skills with financial budgetary matters along with understanding of Biblical stewardship and management of the resources God provides.

Structure:
• Comprised of a chairperson, pastor, lay member of annual conference, chairperson of church council, chairperson or rep. from staff-parish committee, a representative of the trustees, lay leader, financial secretary, treasurer and others determined by the charge conference.

Responsibilities:
• Compile annual budget to support mission and vision of the church. Submit budget to church leadership for review & adoption
• Provide reports that show how the church is doing vs. budget
• Develop & implement plans to raise sufficient income to support the approved budget
• Establish written financial policies for the church
• Recommend proper depositories; carry out leadership team’s directions about administration & disbursement of funds; follow procedures for the church treasurer and the financial secretary.
• Arrange for annual audit of financial records of church & all its organizations and accounts.

More information available at:
• http://www.gbod.org/lead-your-church/local-church-officer-job-descriptions/resource/finance-committee2
• See handout “Job Description for the CHAIRPERSON OF THE COMMITTEE ON FINANCE”
# Record Retention (suggestions)

<table>
<thead>
<tr>
<th>Document</th>
<th>How Long to Keep (minimum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Articles of Incorporation, amendments, bylaws</td>
<td>Permanently</td>
</tr>
<tr>
<td>Certificate of incorporation and corporate records</td>
<td>Permanently</td>
</tr>
<tr>
<td>Minutes</td>
<td>Permanently</td>
</tr>
<tr>
<td>Property records</td>
<td>Permanently</td>
</tr>
<tr>
<td>Contracts and leases</td>
<td>Permanently</td>
</tr>
<tr>
<td>Insurance polices, including expired policies</td>
<td>Permanently</td>
</tr>
<tr>
<td>Insurance letters/correspondence</td>
<td>Permanently</td>
</tr>
<tr>
<td>Audit reports</td>
<td>Permanently</td>
</tr>
<tr>
<td>Employment applications (for current employees)</td>
<td>Permanently</td>
</tr>
<tr>
<td>Bank statements, reconciliations &amp; cancelled checks</td>
<td>7 years</td>
</tr>
<tr>
<td>Invoices from vendors</td>
<td>7 years</td>
</tr>
<tr>
<td>W-2 and 1099 forms</td>
<td>7 years</td>
</tr>
<tr>
<td>Housing allowance forms</td>
<td>7 years</td>
</tr>
<tr>
<td>Business correspondence</td>
<td>7 years</td>
</tr>
<tr>
<td>Personnel records (after termination)</td>
<td>7 years</td>
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</tbody>
</table>
Record Retention

• Important for church to discuss & adopt a record retention policy
• Think about where files will be kept, the security of the environment & the physical conditions.
• Avoid maintaining archives in parishioners homes & in attics or basements where damage can easily occur.
• Reasons to keep documents include legal requirements, future litigation, the needs of the organization & historic importance.
• Retaining insurance policies is of particular importance since lawsuits can reach back many years.
Resources

Training:
Have church leaders participate in annual District Training days in January/February

Communication:
Ensure that church leaders are receiving communications from the Conference Names & e-mails must be provided in on-line Charge Conference Summary Report

Websites:
Central Texas Annual Conference:  http://www.umc.org

General Board of Pensions & Health Benefits:  http://www.gbophb.org

General Commission on Archives and History:  http://www.gcah.org

General Council on Finance & Administration:  http://www.gcfa.org

UMC Association of Church Business Administrators:  http://www.umacba.org

UM City Society:  http://umcitysociety.org

UMC Giving:  http://www.umcgiving.org

GCFA  Financial Commitments (how apportionment dollars are used):  
Back-up Slides
The **World Service Fund** is the heart of our denomination-wide ministry, underwriting Christian mission and ministry around the world. This fund strengthens our evangelism efforts, stimulates church growth, expands Bible studies and enriches spiritual commitment. By giving to the World Service Fund we help God's children everywhere shape the lives of tomorrow's leaders and proclaim our Christian faith.

The fund demonstrates the Mission of The United Methodist Church by:

- Supporting specific local church work with children, youth, students, persons who are mentally and physically challenged, adults and older persons;
- Providing leadership and coordination for denominational ministry with youth;
- Continuing nearly 200 years of commitment to quality college and graduate education;
- Certifying United Methodist professional Christian educators, communicators and musicians;
- Assuring United Methodists speak and work to help encourage a more ethical, just & human world;
- Continuing a proud tradition of cooperation and dialogue with other faith traditions through interdenominational and ecumenical work;
- Giving our denomination a presence in the mass media and making new communications technologies accessible to the church.
General Church Apportioned Funds

The **Africa University Fund:**
- continues to develop the first private university for young people in Africa
- offers post-secondary education for students through colleges of agriculture and natural resources, management and administration, theology, education, health sciences, and humanities and social services
- offers post graduate faculties in agriculture, management and administration, theology, health sciences, and peace and governance

The **Black College Fund:**
- helps these institutions to maintain solid, challenging academic programs; strong faculties; and well-equipped buildings
- creates vibrant spiritual environments which encourage pride and self-esteem in the accomplishments of African-Americans
- provides opportunities for students to interact with academic staffs that serve as strong cultural and spiritual mentors
- prepares and educates people for the new global and technological world without veering from an academic excellence based on the Christian perspective of community service and social responsibility
General Church Apportioned Funds

The **Episcopal Fund:**
- pays the salaries of our bishops
- pays the expenses of episcopal offices
- supports the costs of providing and maintaining episcopal residences
- provides pension and health benefit coverage for bishops and their families
- provides disability coverage for bishops
- covers the costs of episcopal travel and meeting expenses
- defrays moving expenses
- provides pensions for surviving spouses, and minor children of deceased bishops

The **General Administration Fund:**
- implements a trustworthy system of administrative oversight and fiscal accountability
- underwrites the legislative work of the General Conference
- funds the work of the Judicial Council to adjudicate questions of church law
- maintains United Methodism's official documents and historical artifacts
- designates historical shrines, landmarks and sites
General Church Apportioned Funds

The **Interdenominational Cooperation Fund**:  
- enables United Methodists to have an effective presence in the activities of several national and worldwide ecumenical organizations  
- provides the United Methodist share of the basic budgets of those organizations which relate to the ecumenical responsibilities of the Council of Bishops and the General Commission on Christian Unity and Interreligious Concerns  
- pays for the travel expenses of United Methodist representatives to meetings of these organizations

The **Ministerial Education Fund**:  
- enables churches to unify and expand financial support for the recruitment and education of future pastors and bishops  
- quips annual conferences to meet the increased needs of people in the ministry  
- accounts for 12 to 20 percent of the annual budget of most United Methodist seminaries  
- 25% of the receipts assist candidates for ministry, to support continuing education for pastors and clergy recruitment and to provide financial aid for students in your annual conference.  
- 75% is disbursed to the 13 United Methodist seminaries to assist candidates for ordained ministry through scholarships and faculty salaries. It also goes to the General Board of Higher Education and Ministry to support the work of the Division of Ordained Ministry.
Church Finance & Administration
Resource Packet

East and North District Training
Arborlawn UMC
February 21, 2016
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1. Checklist for Protection of Church Finances (1)
2. Suggested Minimum Internal Accounting Controls for A Local Church (2)
3. Tips for Preventing and Catching Misuse of Church Funds...(4)
4. Tips for Handling a Pastors Discretionary Fund (5)
5. Accountable Reimbursement Plan (3)
6. Local Church Statistics and Why They Matter (1)
7. The Connectional Principle (1)
8. Figuring Local Church Decimals (1)
9. Church Finance Job Descriptions (4)
10. Record Retention (2)
11. CTCUMC Electric Purchase Group (1)

(#) indicates number of pages in that group of information
CHECKLIST FOR PROTECTION OF CHURCH FINANCES

The following is a Pastor's checklist to help ensure adequate control over church finances.

<table>
<thead>
<tr>
<th>CONTROL POINTS</th>
<th>Compliance?</th>
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<tbody>
<tr>
<td>1. Finance Committee is organized according to the 2012 Book of Discipline, including the designation of a Treasurer and Financial Secretary.</td>
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<tr>
<td>2. The Finance Committee Chairperson, Treasurer and Financial Secretary are not the same person, nor from the same family or household.</td>
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<tr>
<td>3. The church has a budget approved by the church Council.</td>
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<tr>
<td>4. Treasurer's financial report is submitted at least quarterly. Results are compared to the budget and inquiries made of variances at Finance Committee meetings.</td>
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<tr>
<td>5. All checking and savings accounts are under control of the Treasurer. Investment accounts are accounted for and activity reported monthly to the Finance Committee.</td>
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<tr>
<td>6. At least two unrelated people count the weekly church offerings for deposit, and prepare the deposit slip. The deposit slip and deposit are placed in a bank deposit bag and locked. (See 2012 Book of Discipline ¶258.4a)</td>
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<tr>
<td>7. Deposit slip stamped by the bank is given to the Treasurer for recording and comparison to the bank statement.</td>
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<tr>
<td>8. Annually the Finance Committee approves the signatories on all church bank accounts. <strong>Pastor should NOT be a signatory on any church account.</strong></td>
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<tr>
<td>9. Bank account reconciliations are performed monthly and reviewed by the Finance Committee Chairperson or designee at least quarterly. This review includes examination of copies of cancelled checks to ensure proper church purpose.</td>
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<tr>
<td>10. Quarterly, the Finance Chair asks the Treasurer at a committee meeting for documentation of timely payment of state and federal payroll taxes.</td>
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<tr>
<td>11. Annual audit is completed by a qualified person and reported to the Church Conference. (See 2012 Book of Discipline, ¶258.4d-h)</td>
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</tr>
<tr>
<td>12. All financial records are retained in accordance with an appropriate record retention guidelines provided by the Conference Treasurer. <strong>Records should be securely maintained at the church with duplicates of critical records kept off-site.</strong></td>
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</tr>
</tbody>
</table>

______ Pastor should have access to church records, including individual giving records.

Checked and certified by Pastor: __________________________ Date __________

Checked and certified by Finance Chair: ______________________ Date __________

Resources:
- Questions about internal controls over church finances can be directed to David Stinson, Conference Comptroller/Treasurer, at 817-877-5222 or davidstinson@ctcumc.org.
- The Local Church Audit Guide, developed by the General Council on Finance and Administration, and suggested Record Retention guide can be obtained from the GCFA website, www.gcfa.org.
The 2008 General Conference added to paragraph 258, item c the responsibility of establishing written financial policies to document the internal controls of the local church. It goes on to say that the policy would be presented to the Charge Conference. In an effort to resource the local church, following is a broad policy that should be adapted before declaring it to be the plan for a specific church.

Every church shall adopt a budget which becomes the framework for the accounting records. Budgets are recommended to the admin council by the finance committee. Budgets can only be amended in the same body in which they were approved. It is at the admin council level, not the charge conference level, where the budget should be adopted. This is done so that in the event of the need for a budget amendment, a charge conference does not have to be called. Clergy salaries must be approved at the charge conference level and can only be changed at that level.

**Responsibilities**

1. Finance Committee
   a. In consultation with the Pastor, determines person or persons who can authorize expenses (i.e. youth director, choir director, etc.).
   b. In consultation with the Pastor, determines unrelated persons to serve as the Counting Committee

2. Pastor
   a. As chairperson of the Nominating Committee and in consultation with Lay Leadership, the pastor determines the nomination of the elected positions of Church Financial Secretary and Church Treasurer.
   b. Remind the Finance Committee and Church Council why it is important to follow these procedures.

3. Church Treasurer (volunteer or paid)
   a. Process all checks, recording in the appropriate accounting software.
   b. Signs checks
   c. Process all payroll checks, Tax Form 941's, W-2's, form 1099's and other government records required in a timely fashion.
   d. Insure that computer files are backed up weekly, at a minimum monthly, and the back-ups are stored off premises.
   e. Prepare and presents the monthly finance report for Finance Committee meeting. In the event there is no meeting provide the report to the finance chair, administrative or Equivalent chair, and the Pastor
   f. Supervise daily cash balances to insure sufficient funds are maintained.
   g. Maintains filing system and storage system for all financial records and banking records for easy retrieval.
   h. Prepares records for annual audit.
   i. Maintain historical data, and establish a retention system for old financial records in accordance with government requirements (minimum of 5 yrs).

4. Financial Secretary (volunteer or paid)
   a. Supervise the Counting Committee, which shall consist of at least 2 persons not related. After the contributions have been properly counted, the Financial Secretary is responsible for recording the contributions to each family's contribution record, providing information to the treasurer for recording on the general ledger and providing for the depositing of the funds in the bank in a timely fashion as established by the Finance Committee.
   b. Responsible to report to the Finance Committee each month the status
5. If church size allows, the following duties should be performed by a person designated by the Finance Committee other than the Financial Secretary or Church Treasurer.

a. Perform bank reconciliation each month in a timely fashion.
b. Verify that all checks have been properly signed.
c. Verify that the bank balance reconciles to the bookkeeping records.
d. Verifies that the beginning balance equals the ending balance of the previous month both in the checking account and the general ledger.
e. Signs and dates the reconciliation report.
f. If church size does not allow for another individual to perform the above duties, the audit committee needs to examine monthly bank reconciliations in detail.

Processes

1. Check writing

a. Ideally there should be 5 people who can sign checks in case of an emergency and cannot include the Financial Secretary.
b. All checks should be signed with 2 signatures.
c. If there is only 1 signature, the person signing the check must never be the person authorizing the expense. The Finance Committee, in consultation with the Pastor, is to designate persons who can authorize expenses.
d. The check stub, copy of the check or the check number should be attached to the authorization and documentation (receipts, etc.) and filed for auditing purposes.

2. Deposits

a. All checks and cash that are received should be processed in a timely fashion with all checks stamped, "For Deposit Only".
b. Records must be kept so that retrieval of the items deposited can be verified in case there is a dispute over an item deposited.
c. Develop a numbering system to match deposit slip with computer records.

3. Use of Credit/Debit Cards for authorized church purchases.

It is important to adopt a policy for credit card use. Cash advances should never be allowed by agreement with the issuing financial institution. Cards should be issued and controlled by the treasurer. Monitoring of the usage and immediate accounting upon return to the treasurer should occur. A debit card should never be used.

4. Annual Audit:

An independent auditor, not necessarily a CPA, and not related to the Finance Secretary, Treasurer or the person performing bank reconciliations, is to audit the records annually.

a. The audit should include the bank accounts of all affiliated ministries of the local church.
b. The audit must include verification that proper internal accounting controls are being maintained.
c. There is an audit guide on the Conference and GCFA web site that provides guidance for the audit of the local church.
d. Submit copies of the audit to the Pastor, Chair of the Administrative Council, the Chair of the Finance Committee and the District Superintendent after review and approval of the Finance Committee. Corrective actions, if any, should be included with the report.
Tips for Preventing and Catching Misuse of Church Funds for Pastors/Audit Committees from a Church that Has Been There

FOLLOW THE MANDATES OF The Book of Discipline - THEY HAVE BEEN PUT THERE FOR A REASON.

When you think of embezzlement, do you think of a high-powered thief stealing millions from a multimillion dollar corporation? On the contrary, much embezzlement is done simply and on a small scale by trusted employees, and churches can be vulnerable because of the high level of trust of all persons. It often happens because of inadequate internal controls in a church organization’s accounting system.

Below you will find tips for preventing and catching the misuse of funds. If you maintain the suggested controls, it is a good indicator that everything possible is being done to prevent leaks possibly facilitated by employee or volunteer fraud. An internal control system must, of course, be designed to fit the needs and size of a particular church organization. But the tips can serve as a starting point for determining whether you need an internal control review. An internal control review may help set up and maintain stronger controls.

Note: There are no foolproof guarantees against embezzlement and fraud! Internal controls can only help prevent them. Remember the Book of Discipline requirement of fidelity insurance or bonding.

Many internal control procedures are strictly observed when they are first implemented; then, because of job turnover, for the sake of convenience, or because employees and volunteers are trusted, they are no longer enforced. Thus, a periodic checkup for internal controls is a good idea.

1. Be sure you are seeing the original checkbook, checks, and records. Don’t take your work for granted

2. Run a total for an account at random (for instance, altar flowers). Does the treasurer’s figure come close to the amount you think it should be? Most churches have a set weekly fee: simply multiply it by 52.

3. The mail should be opened by someone other than the treasurer (or his/her assistant).

4. Bank statements should be reviewed/reconciled by someone other than the treasurer (or his/her assistant).
5. A regular list of checks received should be prepared by someone other than the treasurer (or his/her assistant). The list should be reconciled to the cash-receipts journal.

- Arrange with your bank for night deposit on Sunday
- Do not remove cash to a home; many insurance policies will not cover the loss of funds under these circumstances
- Secure cash in a fireproof safe if it cannot be deposited immediately

6. Cash receipts should be deposited immediately on Sunday and whenever cash is received.

7. A duplicate deposit slip should be made out by the bank and retained.

8. Pre-numbered checks should be used for all payments.

9. Petty cash payments should be backed up by vouchers that have proper approval.

10. Checks should not be signed until made out (not pre-signed). The check signer should be given supporting documents such as invoices at the time s/he is given the check to sign.

11. Vendor invoices should be approved by the proper party before payment and marked paid after payment, with a notation for the date of payment and check number.

12. Canceled checks or equivalent bank documentation should be stored at the church. Yes, storage is a problem, but requesting bank copies of checks is extremely expensive and time-consuming. The audit committee should review checks/documentation to be certain that the stubs match the checks/documentation. Get at least one bank statement. Does it agree with the treasurer’s books?

13. Read the treasurer’s reports to your administrative council and to the charge conference. Does one statement’s ending balance equal the next beginning balance? Are there accounts (heat, etc.) that seem unreasonably high? If nothing else, you might bring expenses under control.

14. Sign the checkbook itself with the date and balance at the time of the audit. Next year, begin at this point.

15. You don’t have to wait until the end of the year for an audit or have your treasurer do the charge conference report. If you do, don’t simply file the reports in last year’s charge conference file! Look them over and compare with the previous year. Between December 31 and January 1 one church lost as much as $15,000 on paper (the treasurer had already spent it, and this covered the trail). The treasurer simply began the new report with a different balance from the end of the last report. This way, there was $15,000 that did not have to be accounted for in the new year. The committee on finance is to provide annual audits of records of financial officers of the local church and report to the charge conference (Book of Discipline).
16. Ask your auditor for suggestions to improve your accounting procedures and internal controls and then take their suggestions to heart.

17. Make sure your finance secretary and treasurer are two separate people. Funds can quietly disappear when the same person deposits the money and writes the checks.

18. If your treasurer is not an accountant or bookkeeper, provide training and consultation.

19. Know the requirements of The Book of Discipline! There are provisions in place designed to protect the local church from having these problems (annual audit; bonding; regular and detailed reports from the treasurer to the Committee on Finance and Church Council).

20. Sudden changes in apportionment payouts may be a sign of trouble. Can you make it one year and not the next without really knowing why? The same can be true of general expenses if you don’t know how or why you sometimes make or miss your budget, take a look at your finances and find out. It may or may not be the treasurer, but you need to find out what forces are driving your church.

21. Instruct your bank to notify the pastor or the church office of any overdrafts. Many times statements go only to the treasurer, who can then manage to cover misdeeds.

22. Questions deserve answers. When questions are raised to the pastor (or chair of the church council) that something is wrong, follow-up! It may be difficult to imply that something is wrong, but it is worse to have the contributions made to God through the church misused. Everyone may feel better if the treasurer is totally cleared and an explanation is given.

23. If you find that groups or committees are setting up their own treasuries, you have a problem. If they do it because the "church" cannot afford to pay its bills, why is it that all of these separate groups can? These separate groups can "enable" the embezzler because they confuse the financial situation. They also can prolong the embezzlement because they put off the eventual financial crisis.

24. Put the canceled checks in numerical order or have the treasurer tape them back into the checkbook. Make sure all the checks are accounted for, even the voids. It is important to mark the check and the stub "void" and tear the signature area. If other than checks are provided as documentation from your bank, retain and verify with voided checks. These tasks should be done by someone other than the treasurer.

25. The committee on finance should designate two persons (preferably not related and not the treasurer) to count the offering, giving a record of funds to both the financial secretary and treasurer (Book of Discipline 262.4a).

26. Make sure that there is adequate bonding on church officials who handle money. (See Book of Discipline 262.4b)
27. All employees should take annual vacations and their jobs reassigned to others in their absence. Funds should not wait to be deposited until the usual depositor returns from an absence.

28. Rotate your treasurers (See Book of Discipline 249.7). Embezzlers will strike you as the most dedicated of people. They cannot afford to take time off or be replaced, because they will be found out.

29. Don't get paranoid. Most treasurers are good, honest people. But embezzling is a sickness that doesn't go away or get better. In fact, the activity and amount generally grow to the point where the embezzlement becomes obvious and the person is caught. Embezzlers were good, honest people at one time, and are able to make excuses for themselves in their own minds. The United Methodist system does work when you use it. We have budgets, audits, and rotations for reasons. Don't let your local church down by ignoring the safeguards. For additional information on local church audits, see Local Church Audit Guidelines from GCFA (Jeanine Schmidt, 847-869-3345, ext 6706).
A MATTER OF GOOD STEWARDSHIP:
TIPS FOR RESPONSIBLE HANDLING
OF A PASTOR'S DISCRETIONARY FUND

By the GCFA Legal Department

United Methodist churches commonly have a fund called the pastor's discretionary fund, which is intended to give the pastor complete discretion and authority to provide confidential financial support to persons in need. In some local churches, the pastor is given free reign, with no guidelines or instructions on how the church intended for the pastor to handle these monies. In other local churches, the pastor is given some guidance, but it may be very general or unclear, given orally or understood culturally. In addition, in some churches pastors understand that they can use these funds to pay for program or other expenses that are not totally covered by the budget. All of these churches and their pastors no doubt are unaware of the potential for misuse of funds and the income tax consequences to these arrangements.

Regardless of the level of trust between the congregation and its pastor (or between the pastor and the finance committee, treasurer and financial secretary) written policies for the responsible handling of the pastor’s discretionary fund are beneficial for everyone and should minimize misuse of funds and negative income tax consequences. If the pastor has complete discretion, without clear guidelines or financial policies, there is a risk that the entire fund could be construed as income to the pastor, simply because the pastor ultimately has the discretion to pay the funds to himself.

Tips

Set forth below are some tips for local churches on the responsible handling of a pastor’s discretionary fund.

- Establish a written policy that: 1) sets forth the exclusive purpose(s) of the fund with specificity and clarity (Is it to be used only for providing assistance to the needy? May the pastor use it for any other purposes and, if so, for what specific purposes, consistent with the program and budget of the church); 2) requires the pastor to document and record distributions from the fund (and authorizes the church to request additional documentation) showing the types of assistance provided during any given year (for example: $100 gift card from a local grocery was given to a needy family to purchase groceries; $500 was paid to the hospital for a needy family to pay for hospital emergency room treatment for a seriously ill child; $150 was paid to a transportation company for a needy elderly woman to provide her with transportation to and from a kidney dialysis center for a year; bus tickets and a new pair of shoes and slacks were purchased for a homeless person who had a job interview); 3) encourages the pastor to use the monies for goods and services rather than cash assistance (examples: taxi fare, bus ticket, a bag of groceries, a pair of shoes, a doctor bill), which helps to protect the pastor, the church and the persons receiving assistance from accusations of irregularity or private inurement; 4) requires the pastor to request the funds from the treasurer on
some type of request voucher form, as an internal control mechanism over access
to the fund (note: this can be done and still maintain confidentiality for the
specific needy persons who will be beneficiaries); 5) requires the fund to be
audited with the other church funds; 6) states that the fund may not ever be used
by the pastor for himself or his family, and 7) limits the dollar amount that may
be expended at any one time without advance written permission from the church
council or finance committee.

- Educate new pastors, finance secretaries, treasurers, finance committee chairs and
  church council chairs on the existence and purpose of the fund and the internal
  controls and policy that have been established to protect the church and all
  persons from accusations of irregularity or private inurement;

- Give the pastor authority to distribute the fund only for the specified purpose and
  consistently enforce the limits on this authority;

- Educate all new pastors about the policy, and ensure that they understand the
  church’s protocols (for example, make sure the pastor knows that the funds can
  never be used personally or for any family member, for any purpose, including
  but not limited to college tuition for the pastor’s children or other family
  members; health care expenses for the pastor and his family; emergency cash for
  the pastor or family members; etc.)

- Educate all new pastors, treasurers and financial secretaries about these matters,
  and ensure that they understand the potential income tax implications if the
  church’s policy is not followed carefully

- Ensure that the pastor does not keep a stash of emergency cash in his/her desk for
  quick disbursement, because security and internal controls for cash in a desk
  drawer are inadequate;

- Account for all expenditures on church financial statements and reports, including
  the Local Church Statistical Table II

- Retain administrative control over the fund to ensure that all distributions further
  the church’s mission and ministry, and are in keeping with its tax exempt status.

- The church should make provisions for an annual audit of this fund according to
  The Book of Discipline ¶ 617.

Examples of Inappropriate Use of Pastor’s Discretionary Fund

1) **Appropriate**: Pastor Dave’s church has a written discretionary fund policy
with careful internal controls. The annual budget for the fund is $2,500, and
Pastor Dave is allowed to spend no more than $300 at any one time. The
written policy specifies that the discretionary fund may be used only to provide care for the needy. During the year, Pastor Dave submits appropriate documentation for the following expenditures under this fund: 1/5/01 - $100 for grocery coupons for needy family in church community; 2/14/01 - $200 to Meadows Community Center, Inc. for winter boots for children of needy families; 2/20/01 - $100 paid directly to utility company for heat bill for needy family; 4/10/01 - $172 for groceries for homeless family in church community; 4/3/01 - $100 for 5 bus passes for men at homeless shelter; 8/1/01 - $300 for Wesley House for school supplies for needy children; 8/20/01 - additional $300 for Wesley House for school supplies for needy children (approval of church council obtained for additional expenditure); 10/15/01 - $275 for groceries for food pantry for Thanksgiving baskets for needy families; 11/2/01 - $200 for winter coats for children at Meadows Community Center; 11/30/01 - $50 for cab fare coupons for elderly woman in need of transportation for kidney dialysis until regular volunteer driver’s car is repaired.

2) Appropriate expense but troublesome procedures: Pastor Bob is given a $5,000 discretionary fund each year. The church does not have a written policy about how the funds are to be used. The funds are kept in a separate checking account, for which Pastor Bob is the sole authorized signer on the account. Pastor Bob always uses the funds for the same purposes each year: to purchase school supplies and winter coats for needy children in the area; to provide homeless persons with a Thanksgiving and Christmas dinner at a local restaurant; to purchase food and bus passes for the church’s most needy families. While the use of the funds in this example is fine, the scenario is troublesome because of: a) the lack of internal controls (two signers on the account; documentation of the expenses for the church treasurer or financial secretary; b) the absence of a written policy stating that Pastor Bob may not use the funds for anything other than assistance to needy persons and families; and c) the absence of any protocols to prohibit Pastor Bob from using the funds for any personal purposes may make the entire $5,000 taxable income to him.

3) Might be inappropriate: Pastor Nancy used the discretionary fund to buy a bag of groceries for all new members of the church. While it is certainly appropriate for the church to give a small gift of hospitality to all new members of the church, the pastor’s discretionary fund should not be used for this purpose unless the written church policy specifically states that this is one of the authorized purposes for the discretionary fund. It would be more appropriate for the hospitality gifts for new members to come from the budget of the evangelism committee. It would be especially inappropriate to use the discretionary fund for hospitality gifts to all new members if the church’s policy intends for the discretionary fund to be used for needy families, unless all new members of the church qualified as needy.
4) **Unwise under most circumstances:** Pastor Tom distributed $1,000 out of the discretionary fund to pay for Christmas gifts to his staff. It is appropriate for a church to authorize its pastor to use church funds to take staff out for a Christmas lunch, at the church’s expense, and it is appropriate for the church to buy small gifts of appreciation to staff for special occasions. It is best for these expenses to come from a specific line item in the budget where other staff support expenses are borne; also it might be more appropriate for these types of expenses to come from the budget of the pastor parish relations committee, where there may be greater accountability and control over the expenditure.

5) **Probably inappropriate:** Pastor Frank used $2,000 of the discretionary fund to pay for new appliances in the kitchen of the parsonage. While new appliances might have been needed and would be an expense appropriate for the local church to make, if it chose to do so, this scenario is troublesome because: a) the church should make the decision about what to upgrade in the parsonage, if the church is going to pay for that expense; b) the expenses of upgrading the parsonage should come from the budget for church property, or out of the pastor’s housing allowance, depending on the circumstances and the arrangements between the church and the pastor regarding parsonage expenses; c) the discretionary fund should not be used for anything that appears to be for the benefit of the pastor or his family.

6) **Always inappropriate:** Pastor Alice borrowed $5,000 from the discretionary fund to pay for her son’s college tuition expense.

7) **Always inappropriate:** Pastor Sally distributed $5,000 out of the discretionary fund to assist her daughter with the down payment for the purchase of a first home. Her daughter otherwise would not have been able to purchase the home.

8) **Always inappropriate:** Pastor Sue’s church has a written discretionary fund policy with careful internal controls. The annual budget for the fund is $5,000, and Pastor Sue is allowed to spend no more than $500 at any one time. The written policy specifies that the discretionary fund may be used for any of the following purposes: 1) providing care for the needy; 2) for special church projects that come up during the year without other budget dollars for support, provided that the pastor seeks approval of the church council before spending the money for any such project. The youth group approaches Pastor Sue to ask for help with a mission project that the church council will not agree to fund. Pastor Sue agrees to provide $400 for the project. While the project might qualify for support under the discretionary fund policy (purpose #2), Pastor Sue should have gone to the church council for approval before agreeing to support the project.
In summary, regardless of how a church decides to fund a pastor’s discretionary account (through the annual budget, special offerings, etc.), a written policy on usage with specificity and clarity, together with sound internal controls, are important protections for the pastor, the church, and those who are recipients of the funds. Confidentiality for recipients can be maintained even with these sound internal controls. Protecting the church’s assets is a matter of good stewardship of the gifts that have been entrusted to the church to do God’s work in the community and world.
**Accountable Reimbursement Plan Policy**

Central Texas Conference
United Methodist Church
3200 E Rosedale Street
Fort Worth, TX 76105
(817) 877-5222

THIS PAGE SHOULD BE FILLED IN BY YOUR PRIOR CHOICES.
Further instructions are on the Instructions tab of this worksheet.

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CTC United Methodist Church ("Church") recognizes that certain expenses of ministry paid by the pastor/staff person are part of the ordinary and necessary cost of ministry in this Church/charge. Accordingly, we hereby establish an accountable reimbursement policy to defray them directly. The reimbursement account shall be an annual line in the Church budget. It shall be in addition to the pastor's annual salary and housing.

The reimbursement account for 2016 is set in the amount of $14,000.

Accordingly, the Church hereby establishes an accountable reimbursement policy, pursuant to IRS regulation and upon the following terms and conditions:

1. The pastor/staff person shall be reimbursed from the reimbursement account for his/her ordinary, necessary, and reasonable business expenses incurred in the conduct of the ministry for or on behalf of the Church. The expenses as allowed by the IRS are budgeted in this accountable reimbursement policy, as suggested for the employment needs of the pastor/staff person.

2. The committee on SPR chairperson, Church payroll person, or treasurer, as designated by the Church, ("church designee") must be given an adequate account of each expense, including but not limited to a statement of expenses, account-book diary or other similar record showing the amount, date, place, business purpose, and business relationship involved. Such documents shall include receipts for all items of $75 or more (a church may set a less amount). Appropriate documents, cash receipts, canceled checks, credit card sales slips and contemporaneous records for those non-receipt expenses less than $75 must be attached to each expense report. A log of total miles per day and enumeration of their general purpose shall suffice to substantiate automobile mileage, but under no circumstances will commuting mileage between the pastor's/staff person's home and the Church office be reimbursed. Copies of the documentary evidence and expense report shall be retained by both the pastor/staff person and the Church. The "church designee" shall be responsible for approving the expense. The "church designee" shall exercise his/her discretion regarding the adequacy of the substantiation and the appropriateness of any reimbursement. Questions arising in these areas will be resolved by the SPR chairperson's or treasurer's decision, subject to the review and approval of the committee on SPR/committee on finance.

3. It is the intention of this policy that reimbursement will be paid after the expense has been incurred by the pastor/staff person. However, should circumstances require payment in advance for any particular anticipated expense, the pastor/staff person must account for the expense and return any reimbursement within 30 days of the issuance of the advance. Any excess advance must be returned to the Church before any additional advances are provided to the pastor/staff person.

4. Budgeted amounts not spent must not be paid as salary bonus or other personal compensation. If such payments are made, the entire amount of the accountable reimbursement policy will be taxable income to the pastor/staff person. The Church will be required by law to report the amount as part of the pastor's/staff person's compensation. Disposition of any unspent balances remains at the discretion of the committee on finance/finance/charge conference in building the budget for the next Church year.

5. It is understood by the various parties that all elements of this resolution must be carefully followed to prevent the Church from being required by regulation to list total payments for the following items on IRS information reports (W-2/1099-MISC) as "includable compensation." The primary responsibility of expense reporting is for the pastor/staff person to the committee of SPR chairperson, church payroll person, and/or treasurer.

Signatures to approve this form are found on the Charge Conference Signature Page.
**Examples of Proper Reimbursement Items***

Reasonable travel and related expenses for attending meetings *(e.g., annual conferences, United Methodist meetings, etc.)*

Church-approved trips to preach at another church

Trips to meet with the district superintendent, bishop or director of connectional ministries

Trips to visit members at hospitals, nursing homes, or parishioner’s homes

Lunch meetings with officers of the church to discuss church business

Supplies for the church office *(e.g., paper, pens, forms, notebooks, etc.)*

Church-related continuing education

A computer required for church work

Vestments worn for worship

Church-related books and periodicals

Office furnishings and equipment *(e.g., desk, chairs, telephone, etc.)*

Spouse’s travel expenses where the spouse accompanies the pastor but only if the spouse was required by the church to be present for a business purpose *(e.g., the spouse is an elected delegate to the church meeting or group in charge of registration at the meeting and making a speech to the business meeting, etc.)*

Business-related automobile operating expenses (if standard mileage rate was not used)

Long distance telephone calls to church when on vacation

Church-related telephone calls from the parsonage (most telephone expenses are covered under the housing allowance)

Many business related (non-personal) expenses allowable on Schedule C of the IRS tax return

*The items listed are, in most cases, proper. There may be some circumstances in which the church has specifically prohibited purchases. Each individual church must, in consultation with staff, make its own decision about what expenses are “professional and business” expenses and whether it will cover those items.*
**If the conference pays a pastor 15 cents per mile for attending a conference meeting, it is proper for the church to reimburse the difference between the church's rate and the 15 cents. For example, if the church reimburses staff travel at 31 cents per mile, in this case, the conference would pay 15 cents per mile and the church would pay 16 cents per mile for mileage.**
Local Church Statistics and Why They Matter

"What happens to the statistical reports we fill out each year? Does anybody actually use them? Does it make a difference if I simply "plug in" some figures that look good? These and other questions are directed to annual conference statisticians, district superintendents and the Department of Records and Statistics at GCFA when the Local Church Reports to The Annual Conference, Tables 1, 2, and 3 are distributed to the local churches. These are good questions and the efforts of clergy and laity who take the time to fill out these forms are greatly appreciated! Data gathered on these forms provides important information we all need to enable ministry on a local church, annual conference and general Church level.

Paragraph 340.2c(2)(b) of the Book of Discipline states one of the administrative responsibilities of the pastor is "to give an account of their pastoral ministries to the charge and annual conference according to the prescribed forms." This helps to assure accountability of the pastor to the local church and the annual conference. It is important for pastors to accurately and diligently monitor membership and financial information in the church. Answering the questions posed on the Tables 1, 2, and 3 allows for that. It is also the responsibility of the pastor to share these statistics with the local church leadership so that they can review the data and interpret the underlying meanings. Sometimes raw data can help a congregation assess the story they tell about themselves.

Once the statistics are reported to the annual conference, they are compiled, edited and checked for accuracy by the annual conference statistician. At the level of the annual conference, the statistics are an important tool. In many conferences the bishop and cabinet use the statistics to assist in the clergy appointment process. Another important use for the annual conference is to help identify local churches which are having extraordinary success in a certain area of ministry. For example, I called a conference statistician one year due to a disproportionately large figure in the UMYF membership of a local church. The statistician informed me the figure was accurate, the church having made a very deliberate commitment to its youth ministry. The reporting of that statistic shared an important story, one which could enable other churches to strengthen youth ministry.

New England conference statistician, Joy Mueller, summed it up well in her report to the conference in 2000 when she stated:

"Of course, the statistics do not tell the whole story -- leadership, spiritual growth, economic situation, population increases and many other pieces make up the story of each local church. The statistics do, however, offer a perspective that can help local congregations see themselves as part of a bigger picture..... I hope that when you return home, you will see the statistical report as a tool to be used by leaders in the local church. Have you taken in new members and how are they connecting to the life of the church? Who isn't attending worship this year that was last year and do you know the reasons? Is your average pledge where you as a church feel it should be, given the economic situation in your congregation?..... Perhaps you want to connect with a church in your district or in your size category and find out what is happening differently for them..... I encourage you to use the numbers with the church's story to continue to learn about each other, to learn from each other, and to learn with each other."

Beyond the Local Church and the Annual Conference

When the work of the annual conference statistician is done, the statistics are forwarded to the General Council on Finance and Administration. Once compiled, verified and finalized, they are used for a variety of purposes:

- The General Board of Global Ministries uses them to help annual conferences, districts, and local churches plan how to more effectively minister within their own communities. Church statistics are combined with demographic data by the office of research to help local churches analyze where there are new opportunities for outreach. (For more information go to http://research.gbam-umc.org)
- The United Methodist Publishing House uses them to assist in planning resources and marketing. The statistics help to determine where resources are already being used and where there may be opportunities to provide new resources to local churches. (For more information on the United Methodist Publishing House, go to http://www.umph.com/resources/who/default.html)
- The General Commission on the Status and Role of Women and the General Commission on Religion and Race use them to assist in monitoring and raising consciousness of gender and racial/ethnic inclusiveness in The United Methodist Church. Gender and Racial/Ethnic membership information provides a measure of progress toward the United Methodist Church's commitment toward becoming a fully inclusive denomination. (For more information go to www.gcsw.org, and www.gcsrw.org)
- The Connectional Table uses the statistics as baseline and supplemental information in surveys of local churches. One recent and interesting study is Faith Communities Today, an interdenominational study. (For more information go to http://www.umc.org/socfa/c-lw4KnN1Lth/b/3897191/c-B31G/About the Connectional Table.htm)
- GCFA provides statistical information to annual conferences, other general agencies of The United Methodist Church, ecumenical organizations and other interested persons and/or institutions. And, of course, the statistics from the Tables 1, 2, and 3 are used in determining the apportionments to the annual conferences, enabling United Methodists to be in dynamic ministry together throughout the world. (For more information, go to http://www.gcfa.org/data-services)

While it is recognized churches are about more than the number of persons attending worship or how many persons are baptized in a year, those numbers can help bring attention to matters warranting concern or celebration. Sharing with each other the objective data numbers provide helps us to keep our connection vital. The careful preparation and dissemination of the local church statistics allow us as The United Methodist Church to monitor our membership and financial health, and have a measurable basis to establish future directions.

Beanie Rankin
Former Assistant Director of Records and Statistics
General Council on Finance and Administration

14
The Connectional Principle

Methodists have always understood themselves to be a connectional church. From the days of John Wesley the “connexion” has been a word used to describe the unity of the Methodist family. It describes how we govern ourselves, how churches receive their pastors, how pastors are assigned, and how we make decisions concerning support of United Methodist causes.

It is no accident that our Methodist system of governance and our American republic resembles each other. Both were born in the same decade of the latter part of the eighteenth century. As Methodists we have a representative form of government at every level: local churches elect delegates to Annual Conference, where in turn each four years, delegates are elected to the General Conference. These delegates at each level approve all budgets and funds that eventually come to the local church in the form of our benevolences.

Each four years the General Conference (meeting in Seattle May 10-20, 2016) determines the program of the Church for the next quadrennium and these are prorated to the Annual Conference. The Conference action then adds what funds are necessary to support the benevolences, ministries, institutions, operations, administration, and the districts. A pro rata share is then distributed to each local church via the Decimal.

The Decimal

The Decimal formula has worked fairly for more than forty years as the means whereby we distribute the pro rata share of the Conference budget to the individual Churches. It is much like being at a restaurant with several people, receiving one check, and then sitting down to decide who should pay what. You don’t mind paying your share, but you would just as soon not pay someone else’s part. In fact, the decimal is a Church’s best friend because it assures that you will receive no less or more than your fair share.

The basic principle is that how much you spend on yourselves locally (excepting for capital improvements and debt retirement) determines your slice of the pie. From the last end-of-the-year report to the Annual Conference the figures for local expense for program, other local expenses (includes staff, utilities, insurance, supplies, etc.), ministerial support (pastor’s salary, utilities for parsonage, pension benefit) are all added together for a total. A similar total is figured for the Conference as a whole. The larger figure divided into the smaller figure results in a decimal figure that basically is your church’s percentage of the total Conference expenditures. This decimal is then multiplied times the Conference’s budget approved at Annual Conference to determine your Church’s share of the support, i.e., your Connectional Mission Giving. In this sense, you determine the decimal (and ultimately your share) by your expenditures. The District Superintendent does not have the authority to alter a decimal for to do so would unfairly raise the decimal of everyone else.
FIGURING LOCAL CHURCH DECIMALS AND APPORTIONMENTS

DECIMALS

All Conference items allocated to the local churches of the Conference shall be based on the decimal arrived at by the following formula: Local Church Total Expenditure divided by Conference Total Expenditure equals Local Church Decimal; or \( \text{LCTE} / \text{CTE} = \text{LCD} \).

A. Determine the Conference Total Expenditure (CTE) by adding the total of the following ten Table II statistical items for all chartered churches:

1. Pension for Pastor & Staff
2. Pastor's Base Compensation
3. Associate(s) Base Compensation
4. Housing and Utilities Paid to/for Pastor and Associate(s)
5. Non-ARP Allowances Paid to/for Pastor and Associate(s)
6. Deacon Compensation
7. Diaconal Compensation
8. Other Staff Compensation
9. Current Expenses for Program
10. Current Expenses for Operating

B. Add the above ten expenditures for each local church to get their Local Church Total Expenditure (LCTE).

C. Divide each Local Church Total Expenditure by the Conference Total Expenditure (CTE) to arrive at the Local Church Decimal (LCD). (Each decimal is rounded to five decimal places.)

CONNECTIONAL MISSION GIVING

D. Multiply the Local Church Decimal times the Conference budget to get the local church Connectional Mission Giving amount (apportionment).

In the June 2015 Annual Conference, the members voted to reduce the number of apportioned funds to one Connectional Mission Giving apportioned fund. The Local Church Decimal times the Conference budget will give the local church's share of the support for the mission and ministry of the Central Texas Conference.

Each Apportionment is rounded to the nearest dollar. Newly chartered churches receive apportionments phased in over three years: 25%, 50%, and 75%.
The Treasurer

As treasurer of the church, you have the unique responsibility of carrying out most of the financial decisions made by the committee on finance. The Discipline (¶258.4b) charges you with broad responsibility for the following three general areas:

- **Disbursing funds:** The church treasurer(s) shall disburse all money contributed to causes represented in the local church budget, and such other funds and contributions as the church council may determine.
- **Reporting:** The church treasurer shall make regular and detailed reports on funds received and expended to the committee on finance and the church council.
- **Making monthly remittances to the conference treasurer:** The treasurer(s) shall remit each month to the conference treasurer all World Service and conference benevolence funds then on hand. Contributions to benevolence shall not be used for any cause other than that to which they have been given.

More specifics on each of these areas are provided below, but first a word about how you interact with others in positions of church leadership.

**RELATIONSHIPS**

As treasurer of the church you will be working with a number of people and groups within and outside the church to make your ministry more effective—and enjoyable. As treasurer you will:

- Be a member of the charge conference, the church council or board, and the committee on finance.
- Work with the financial secretary. You will receive from the financial secretary a deposit slip indicating the amounts deposited, along with a statement summarizing the sources of all cash received and the purposes for which they were given.
- Work with the chairperson of the committee on finance. Any questions about policies or procedures in handling funds should be cleared with the chairperson. You will provide a regular report to the committee, and that becomes the basis of the report from the committee on finance to the church council or board.
- Work with the treasurer of the annual conference. Immediately after election as treasurer of your church, correspond with the conference treasurer to clarify your responsibility in transmitting funds to the annual conference.
- Work with your pastor, who is responsible for all phases of the work of the local church.

**WHAT'S NOT YOUR JOB?**

It is also important to be aware of what is not included in your role as treasurer. As treasurer, here are some key tasks that you are not to do:

- Be personally involved in counting or depositing the offering or other cash
- Reconcile any church bank account(s)
- Sign checks
- Approve expenditures for payment
- Be involved in the annual audit
- Serve as the financial secretary of the church
The Financial Secretary

The position of financial secretary is one of the most important and sensitive offices in the church. You were nominated to this position by the committee on nominations and leadership development and were elected by the charge conference. The information you compile about contributions to the church is important to both donors and to the church. Donors rely on you for accurate data to include on their tax returns. The church, and particularly the treasurer, depends on you to report correctly both the amount and the purposes for which each gift was given so that the donor’s intent can be honored.

The Discipline charges you with broad responsibility for the following three general areas:

- Supervising the offering count
- Promptly depositing cash from offerings in the bank in accordance with procedures established by the committee on finance, and giving a record of each deposit to the treasurer
- Keeping records of contributions

More specifics on each of these areas are provided below, but first a word about how you interact with others in positions of church leadership.

RELATIONSHIPS

As financial secretary of the church you will be working with a number of people and groups within the church to make your job more effective—and enjoyable. As financial secretary, you will:

- Be a member of the committee on finance; if you are a paid employee, you serve on this committee without a vote. You will report to the committee each month as to the status of giving to the church.
- Work with the treasurer. You will give the treasurer a deposit slip that indicates the amounts deposited to the bank each time the offering is received, along with a statement summarizing the sources of all cash received and the purposes for which donations were given.
- Work with the chairperson of the committee on finance. Any questions about policies or procedures in handling contributions should be cleared with the chairperson.
- Work with the congregation by providing them with accurate data about their giving. This normally takes the form of quarterly and annual giving statements.
- Work with your pastor, who is responsible for all phases of the work of the local church.

As financial secretary, you cannot also serve as the treasurer or be closely related to the treasurer.

WHAT'S NOT YOUR JOB?

It is also important to be aware of what is not included in your role as financial secretary. As financial secretary, here are some key tasks that you are not to do:

- Reconcile any church bank account(s)
- Sign checks
- Approve expenditures for payment
- Be involved in the annual audit
- Serve as the treasurer of the church
The Chairperson of the Committee on Finance

The chairperson of the committee on finance has the broad responsibility of leading the financial direction of the church. The Discipline charges you and the committee with oversight of all of the following areas:

- Compiling an annual budget
- Developing and implementing plans to raise sufficient income to meet the budget
- Administering the funds received according to instructions from the church council
- Guiding the treasurer and financial secretary by following directions established by the church council
- Designating counters to work with the financial secretary in counting the offering
- Providing for bonding for the treasurer (and others dealing with cash)
- Establishing written financial policies to document internal controls
- Reviewing the adequacy and effectiveness of internal control policies annually
- Making provision for an annual audit of the financial statements of the church and all its organizations and accounts
- Providing a report to the annual charge conference on the audit
- Recommending to the church council proper depositories for the church's funds
- Using contributions as the donor intended
- Reporting to the church council annually on all designated funds that are separate from the operating budget

Other duties are detailed below, but first a word about how you interact with others in positions of church leadership.

RELATIONSHIPS

As the chairperson of the committee on finance you will be working with a number of people and groups within the church to make your ministry more effective—and enjoyable. As chair you will:

- Be a member of the charge conference and the church council or board.
- Work with the financial secretary answering questions and providing guidance.
- Offer leadership and direction to the treasurer.
- Work with your pastor, who is responsible for all phases of the work of the local church.

Other tasks not listed above that should be considered by the committee on finance include:

- Designating the person or persons who can sign checks on behalf of the church. Your bank should be informed as to who has been given this authority. Neither the treasurer nor the financial secretary should be an authorized check signer.
- Determining the person or persons who can authorize and approve cash disbursements. Neither the treasurer nor the financial secretary should approve expenses.
- Authorizing an individual to perform the monthly reconciliation of all bank accounts on a timely basis. Neither the treasurer nor the financial secretary should reconcile the bank accounts.

At monthly meetings, the committee on finance should perform the following tasks:

- Check the treasurer's report on cash receipts and disbursements to see that the beginning cash balance on the current month's report is the same as the ending cash balance on the prior month's report, to ensure that the report is complete and includes all transactions.
- Compare the reconciled bank balance to cash as presented on the report on cash receipts
and disbursements.
- Compare current period cash receipts with both year-to-date receipts and with receipts in the same month in the prior year, and evaluate for reasonableness. Also compare current period cash receipts with budgeted receipts for the period.
- Inspect each line of current period cash disbursements with both the year-to-date amount and with the same month in the prior year, and evaluate for reasonableness. Also compare current period cash disbursements with budgeted disbursements for the period.
- Evaluate the monthly ending cash balance and compare it with the cash budget. Based on budgeted cash requirements for the coming months, assess the adequacy of cash for the future.
- Examine the fund activity report provided by the treasurer and discuss any transfers that took place between funds, disbursements out of restricted funds, and any funds with negative balances.

Though it has been stated already, the financial ministries of the church are ministries first. You have a sacred trust to envision and encourage a church in an attitude of abundance and a practice of responsible stewardship.

- Taken from “UM Guidelines for Leading Your Congregation”
# Record Retention

<table>
<thead>
<tr>
<th>RECORD TYPE</th>
<th>RETENTION PERIOD</th>
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<tbody>
<tr>
<td><strong>Accounting and Finance</strong></td>
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<tr>
<td>Accounts payable and receivable ledgers/schedules</td>
<td>7 years</td>
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<tr>
<td>Annual audit reports and financial statements</td>
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<tr>
<td>Annual audit records/workpapers</td>
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<tr>
<td>Bank statement and cancelled checks</td>
<td>7 years</td>
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<td>Credit card numbers</td>
<td>Merchant account dictates</td>
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<tr>
<td>Employee expense reports</td>
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<td>General ledgers</td>
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<tr>
<td>Notes receivable ledgers/schedules</td>
<td>7 years</td>
</tr>
<tr>
<td>Investment records</td>
<td>7 years after sale of investment</td>
</tr>
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| **Electronic Documents** |  |
| Electronic mail and documents | Depends on subject matter |
| Web page files/cookies | Monthly, or per policy |

| **Legal Documents** |  |
| Contracts and related correspondence | 7 years after expiration or termination (consult attorney) |
| Corporate records (minutes, articles of incorporation, Bylaws, annual reports, licenses, and permits) | Permanent |

| **Payroll documents** |  |
| Employee deduction authorizations | 4 years after termination |
| Payroll deductions | Termination + 7 years |
| W-2, W-4, and 1099 | Termination + 7 years |
| Garnishments | Termination + 7 years |
| Payroll registers | 7 years |
| Time cards/sheets | 2 years |
| Unclaimed wage records | 6 years |

<p>| <strong>Personnel Records</strong> |  |
| Commissions/bonuses/awards | 7 years |
| EEO reports | 2 years after filing or superseded |
| Employee earnings records | Separation + 7 years |
| Employee handbooks | 1 copy kept permanently |
| Employee personnel records | 6 years after separation |
| Employment contracts – individual | 7 years after separation |
| Employment records – agencies/advertisements | Hiring decision date + 3 years |
| Employment records – non-hired applicants | 2 years |
| Employment records – non-hired with correspondence that could be construed as an offer | 4 years |
| Job descriptions | 3 years after superseded |
| Personnel count records | 3 years |</p>
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<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
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<td>Forms 1-9</td>
<td>3 years after hiring, or 1 year after separation</td>
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<tr>
<td><strong>Property Records</strong></td>
<td>Permanent</td>
</tr>
<tr>
<td>Deeds, assessments, licenses, correspondence</td>
<td>Permanent</td>
</tr>
<tr>
<td>Property liability insurance policies</td>
<td>Permanent</td>
</tr>
<tr>
<td><strong>Tax records</strong></td>
<td></td>
</tr>
<tr>
<td>Tax-exemption documents/correspondence</td>
<td>Permanent</td>
</tr>
<tr>
<td>IRS rulings</td>
<td>Permanent</td>
</tr>
<tr>
<td>Excise tax records</td>
<td>7 years</td>
</tr>
<tr>
<td>Payroll tax records</td>
<td>7 years</td>
</tr>
<tr>
<td>Tax bills, receipts, statements</td>
<td>7 years</td>
</tr>
<tr>
<td>Tax returns – income, franchise, property</td>
<td>Permanent</td>
</tr>
<tr>
<td>Tax workpaper packages – originals</td>
<td>7 years</td>
</tr>
<tr>
<td>Sales/use tax records</td>
<td>7 years</td>
</tr>
<tr>
<td>Annual information returns</td>
<td>Permanent</td>
</tr>
<tr>
<td>IRS or other government audit records</td>
<td>Permanent</td>
</tr>
<tr>
<td><strong>Contribution Records</strong></td>
<td></td>
</tr>
<tr>
<td>Records of contributions</td>
<td>7 years</td>
</tr>
<tr>
<td>Restricted gift documents</td>
<td>7 years after funds expended</td>
</tr>
</tbody>
</table>


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**Record Retention**

**Keep One Year**
- Offering Envelopes

**Keep Three Years**
- Business correspondence

**Keep Seven Years**
- Bank statements
- Worksheets & related documents for tax returns
- Invoices
- Housing allowance forms

**Keep Permanently**
- Incorporation papers
- Treasurer’s reports
- Audit reports
- Contracts and leases in effect
- Employee records (current employees)
- Employee personnel records (after termination)
- Check reconciliations
- Canceled checks
- Individual giving records
- Minutes
- Tax returns
- Property records
- Insurance policies (including expired)
March 30, 2015

Electric Purchase Group Participants:

In the Spring of 2014 we informed you of the fact that the CTCUMC Electric Purchase Group (EPG), of which you are a member, signed a contract extension for electric service. I have attached that letter as a reminder that it will become effective in July of this year. We limited the term to one year in the hope that the market would drop even further.

I am pleased to tell you that our strategy paid off handsomely as the market dropped far beyond anyone’s expectation and we just recently locked in another two years at 4.99 cents per kWh which is an additional reduction of 11.8% of the energy cost. However, the Public Utility Commission of Texas recently approved a rate increase for ONCOR which will offset a small amount of the 11.8% savings on the energy side.

To summarize; your energy rate will go down from the current rate of 5.88 cents per kWh to 5.66 cents per kWh on your July 2015 meter read date. It will decrease yet again in July of 2016 to 4.99 cents per kWh and will remain at that rate until July 2018. All contracts remain with Hudson Energy Services.

Questions concerning these contracts and how they might impact your church should be directed to:

Trenton Cogdill --- 817-229-9234 or tcogdill@prioritypower.net

Gayla Wigley --- 1-866-948-9100 or gwigley@prioritypower.net

Sincerely,

David S. Stinson
Comptroller/Treasurer