

LCP-11 Financial Policies and Procedures

Change history:

Date:	Change:	Made by:
12/2018	Established as an official policy with revisions to reflect changes in internal procedures, hiring an outside accounting firm. Approved with example Exhibits by LC on December 12, 2018.	Treasurers, LC
6/2019	Updated to reflect hiring of Business Manager	

Plymouth Congregational Church UCC Financial Policies and Procedures

Prologue

It is our mission to worship God and help make God's realm visible in the lives of people, individually and collectively, especially as it is set forth in the life, teachings, death, and living presence of Jesus Christ. We do this by:

Inviting: Actively inviting others into our faith community, providing a safe welcome for a diverse people.

Transforming: Creating an open and affirming faith community with opportunities for caring and fellowship that deepen relationships and promote a spirit of unity. Encouraging the spiritual growth of our members and engaging their ministry by nurturing their relationship with God, calling forth their gifts, and equipping them for Christian service.

Sending: Joining others within broader communities to promote the integrity of creation and a more just, inclusive and peaceful world.

Being a responsible steward of the financial resources for Plymouth Congregational Church UCC is important. The Church is blessed to receive pledges, offerings, and donations from its members and community members. With these blessings come responsibilities – legally, ethically, and spiritually. In order to fulfill these responsibilities, this

document has been created to establish clear and specific policies and procedures of the Church. This manual is designed to assist those individuals responsible for the financial operations of the Church and to create confidence in their financial reports.

This policy and procedure manual should be given to each committee/board member and to all employees. A copy of the signature page should be kept on file with the Business Manager.

Policies and Procedures

Plymouth Congregational Church UCC (PCC)'s fiscal year begins January 1 and ends December 31. The financial records of PCC are maintained on a cash basis of accounting.

1. Accounting System

The purpose of the accounting system is to record, summarize, and report systematically all financial transactions of PCC. PCC has selected QuickBooks Online through Rodahl and Company CPAs to provide accounting services. The membership/donor management system utilized is Fellowship One, which is currently not directly linked to QuickBooks. The chart of accounts has been set up to meet the current needs of PCC. Account descriptions should be maintained in QuickBooks Online for any accounts needing additional information. Any additional accounts should be reviewed by the Business Manager, Treasurer, Assistant Treasurer, Past Treasurer, and the Vice Moderator, who chairs the Budget and Finance Committee.

2. Basis of Presentation

Donor contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Unrestricted amounts are those currently available at the discretion of the Leadership Council for use in PCC's operations and those resources invested in property and equipment. Unrestricted amounts (reserves) include monies designated by the PCC Leadership Council for future operations and programs. Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs. Permanently restricted amounts are assets that must be maintained permanently by PCC as required by the donor; but PCC is permitted to use or expend part or all of any income derived from those assets. [Please see Exhibit A for more information on Net Assets.](#)

3. Restricted Cash

Restricted Cash consists of cash held in segregated accounts, the choice of which are based on resolutions passed by the Leadership Council or Budget and Finance Committee.

4. Revenue Recognition

Pledges and cash donations received during the year are recognized as income in the year that the payment is received, although contributions received late in the year and designated for the next year by the donor are not recognized as income in the year received. All support is considered available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

5. Income Taxes

PCC is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to PCC's tax-exempt purpose is subject to taxation as unrelated business income. Currently, PCC derives income from rental of the Parsonage and for rental of the Church's parking lots. A copy of the IRS' [Tax Guidelines for Churches and Religious Organizations](#), publication 1828, Catalog number 21096G is on hand in the PCC business office and should be reviewed annually for changes. Concerning rental income, the publication states that "generally, income derived from the rental of real property and incidental personal property is excluded from unrelated business income". In regards to parking lots, the publication states that "If a church enters into a lease with a third party who operates the church's parking lot and pays rent to the church, such payments would not be subject to tax, as they would constitute rent from real property". This is the current situation for the leases held by PCC for rent of the parking lot.

6. Contracts/ Agreements

Signature Authority

Currently, the PCC Moderator can approve and execute contracts in an amount of \$5,000 or less of previously budgeted PCC funds.

Professional Service Agreements

Professional Service Agreements are made and entered into between PCC and Independent Contractors hired by PCC. If insurance is required, the Office Business Manager will be responsible for obtaining the certificates of insurance and maintaining the file for all needed certificates. The Office Business Manager is also responsible for obtaining Forms W-9 and preparation of year-end Forms 1099-Misc.

Certificates of Insurance or Building Use Waiver and Release for Third Parties using the Church

If PCC requires a third party to obtain a certificate of insurance or Building Use Waiver and Release for using the Church, the Business Manager will request the documentation. The certificate or waiver will be maintained in the file for said documents. **Please see Exhibit B for a copy of PCC's Building Use Waiver and Release.**

Certificates of Insurance needed to be provided by PCC

In some circumstances, PCC needs to provide a certificate of insurance from its insurance company. In this case, the person responsible for the event will need to contact PCC's Business Manager to request the document from the insurance company.

Leases

All lease agreements entered into by PCC should be kept in the PCC Business Office by the Business Manager. If deemed appropriate by the Leadership Council, a certificate of insurance should be attached to the lease.

7. Cash Receipts Procedures

Checks: The Office Manager receives all incoming mail. All checks related to donations and pledge payments received by Office Manager will be scanned and entered into Fellowship One. The information will be given to the Business Manager and Treasurer via a Fellowship One report to be entered into QuickBooks. All other checks (refunds, misc. income, etc.) are also tracked in Fellowship One by the Office Manager, with a report given to the Business Manager and Treasurer so that the information can be recorded in QuickBooks. The checks need to be stamped with the endorsement stamp and delivered to the bank by the office manager as soon as possible. Any checks and cash on hand at PCC will be locked in the safe until they are deposited. The deposit slip should be given to the Business Manager/Treasurer by the Office Manager to reconcile and file at the end of the month. A deposit not taken to the bank should be locked in the PCC office.

Quarterly statements will be sent to members and non-members who write checks or use electronic funds transfers for pledges or loose offerings to PCC with the amounts received recorded on the statement. For those persons who pledge, the statement will show the outstanding balance of the pledge, if any.

Cash and Checks: Sunday offerings will be counted and verified by two deacons. Special projects collecting cash and checks after Sunday services will be counted and verified by two members. Coordinators of special project will notify the Deacon's chair that a special project will be collecting cash so the amount received can be given to the Deacon's to be placed in the deposit bag. The designated counters will take the offerings immediately after the service to the designated area. The two counters will then tally all cash, coins and checks, fill out the PCC Count Sheet and a deposit slip, using a separate count sheet and deposit slip for each service, and sign off in ink. The offering and special projects and the deposit slip will be placed in the bank bag and put in the church safe. The Office Manager and Business Manager will open and recount the funds and sign off in ink for verification as soon as possible. The deposit is entered into Fellowship One with a copy of the report and the deposit slip given to the Business Manager for entry into QuickBooks. The deposit to the bank will be made as soon as possible. **Please see Exhibit C for a copy of PCC's Count Sheet.**

8. Cash Disbursements Procedures

All vendors must submit an IRS Form W-9 "Request for Taxpayer Identification and Certification" (Please consult the IRS website for the W-9 Form) to the Business Manager prior to any payment being processed. The year-end 1099's will be compiled and processed by the Business Manager.

Checks will be processed on a weekly basis. Checks may not be postdated, signed blank, or made out to cash.

Incoming invoices will be received by the Business Manager. All invoices should be reviewed for proper signature authority before any invoices are processed. Each invoice will be reviewed by the responsible staff person for his/her approval and for the correct general ledger account code prior to the due date for the invoice. Please see Exhibit D – Template for Approving Invoices.

The staff person responsible for the invoice will check the validity of the invoice against proposals/bids and work accomplished/delivered. If there is any discrepancy on the invoice, the staff person needs to notify the Business Manager/Treasurer of the discrepancy and follow up with the vendor to resolve the issue. If the invoice is valid and correct, the staff person will sign the invoice, attach any supporting documentation, and forward to the Business Manager/Treasurer, who will have the Board or Committee Chair for that expense sign his/her approval for payment. Any invoices greater than five thousand dollars (\$5,000.00) require the approval of the Moderator. This documentation should be attached to the invoice. The Business Manager will enter the invoice into Bill.com for payment. The payments recorded in Bill.com are integrated into QuickBooks.

The Budget and Finance Committee will review the Church's insurance policy each year, when approving the contract to insure adequate coverage.

The Business Manager defines procedures for the submission of invoices. The Business Manager reviews coding and approves payments, using procedures as defined Bill.com. After the payment is entered into Bill.com by the Business Manager, the Treasurer or Assistant Treasurer will approve the payment which will be processed through Bill.com. Bill.com has been delegated with the authority to issue payments for both ACH and checks. Files will be kept by year.

Examples of supporting documentation for expenses can include but are not limited to the following: third-party generated invoices, receipts, reimbursement report with receipts, copies of contracts or agreements, and petty cash vouchers.

Currently, PCC has church credit cards for certain staff members of the church for church authorized expenditure purposes. These cards are to be used only for purchases for use by PCC. Authorized holders of a PCC's credit card attach their receipts to the credit card statement, list and code their transaction, and give them to the Business Manager for review and the Treasurer or Assistant Treasurer for approval. Once approved the Business Manager will process the credit card documentation through QuickBooks and payment. All charges are audited for valid church expenses as per the PCC Credit Card Policy on an ongoing basis by the Business Manager and Treasurer or Assistant Treasurer. Please see Exhibit E for the PCC Credit Card Policy and Exhibit F for the Plymouth UCC Church Expense Report.

9. Reimbursements:

Employees and volunteers requiring reimbursement for out of pocket expenses will need to fill out the appropriate reimbursement form, (located outside of the Work Room in the folder mounted on the wall). A receipt will be required for all requested reimbursements. After the reimbursement form has been filled out, the appropriate authorized staff member, board or committee or ministry team chair, will need to sign the form. In situations where the board, committee or ministry team chair seeks reimbursement, the proper signature authority would be the ministerial staff person responsible for that board or committee. Please see Exhibit G for an example of the Authorization Document. Upon receipt of the proper authorization signature, the form should be given to the Business Manager for payment. This payment will be processed in the next accounts payable check run.

Reimbursement to the Treasurer, Assistant Treasurer, or past Treasurer need to be approved by the Vice Moderator before submission to the Business Manager.

PCC provides cell phone service for the Senior Minister and the Director of Christian Formation for Adults. The Director of Christian Formation for Children and Youths, the Director of Music, and the two Associate Ministers are reimbursed for their cell phone expense to the equivalent of the Church's cell phone plan.

10. Reconciliations

Reconciliations are to be completed monthly by the Business Manager. These reconciliations are reviewed and monitored by the Treasurers

Bank Statement: The Business Manager will reconcile the bank account promptly upon receipt of the bank statement and forwarded to the Treasurer or Assistant Treasurer for approval. All bank statements should be reconciled no later than seven (7) days after receipt of the monthly bank statement. When reconciling the bank accounts, the following items should be included in the procedures:

- A comparison of dates and amounts of daily deposits as shown on the bank statements with the cash receipts journal
- Reconciliation of credit card/text contributions in F1Go to the bank statement and the recording of the credit card/text contributions in Quick Books
- An investigation of items rejected by the bank, e.g., returned checks or deposits. The bank emails PCC when an ACH contribution has been returned.
- A comparison of canceled checks with the disbursement journal as to check number, payee and amount
- An accounting for the sequence of checks both from month to month and within a month
- An examination of canceled checks (on-line) for authorized signatures, irregular endorsements, and alterations. A review and proper cancellation of any voided checks including the removal of the signature block. All voided checks are to be filed in numerical order. The Treasurer or Assistant Treasurer should also make sure that the check has been voided in Bill.com and QuickBooks.
- Investigate any checks which have been outstanding for more than three (3) months in Bill.com. A record of the telephone call or written letter by the Business Manager will be kept on file in the PCC office. The Great Colorado Payback program will be used for any un-cashed checks. Information on this program can be found in the PCC business office.
- Completed bank reconciliations should be signed off by the Treasurer or Assistant Treasurer.
- ACH's will need to be investigated for valid church transactions. These will need to be entered into QuickBooks, if not already in the system.
- After the review, any adjusting journal entries needed are to be made by the Business Manager with the approval by the Treasurer or Assistant Treasurer.
- A review needs to be done of any reconciling item on the bank reconciliation over 90 days old.
- When finalized, all completed bank reconciliations are to be filed by the Business Manager.

Please see EXHIBIT H for the Bank Reconciliation Form.

Fellowship One Transaction Reports

The Office Manager prepares the Fellowship One reports on a weekly basis and forwards the reports to the Business Manager for recording into QuickBooks. This report is compared to the bank statements on a monthly basis and more frequently, if desired, by comparing them to deposit slips.

General Ledger Accounts: Each month, the Business Manager will review ending balances shown on the balance sheet accounts. Each account showing a balance needs to be reconciled and documented as follows:

- Cash - The balances in the cash accounts should agree with the balances shown on the bank reconciliation for each month
- Petty Cash - The balance in the account should always equal the maximum amount of the petty cash fund. The current amount equals \$150.00
- Accounts Payable - The balance in this account should equal amounts owed to vendors at the end of the accounting period and the aging report.
- Other Payables - The balance in this account should equal amounts owed for other payables. All independent supporting documentation should be included in the month end binder.
- Deferred Revenue – Prepayments of income, e.g., parking lot and contributions, need to reviewed monthly to determine the proper allocation of income

The monthly reconciliations will be provided to the Treasurer and Assistant Treasurer for approval.

11. Petty Cash Fund

- The petty cash fund should never exceed \$150.00
- The Office Manager is the custodian of the petty cash fund.
- The petty cash should be kept in a locked, limited access container, such as a metal box, in the safe.
- A single disbursement from petty cash should never exceed \$25.00.
- All disbursements require the form - "Petty Cash Reimbursement Form" (available from the Office Manager) to be filled out with all receipts attached as well as the reason for the expense.
- When the petty cash fund needs to be reimbursed, the Business Manager will total the expenses made and identify those expenses by general ledger account number on the PCC Petty Cash Reconciliation Form. (Please see EXHIBIT I for a copy of the Petty Cash Reconciliation Form). When the check request is submitted for payment, it should indicate the total amount needed to bring the fund back to \$150.000. The check request will identify the various expense accounts being charged with the amount charged to each.
- The petty cash box is to be locked at all times when the Office Manager is not disbursing or replenishing the fund. The locked petty cash box is to be kept in the safe.
- At least once annually, the Business Manager and Treasurer or Assistant Treasurer should conduct a surprise review of the fund. When this is done, he/she should count, while the Office Manager is present, the total monies on hand and the total amount of receipts in the petty cash box. The two amounts should equal exactly \$150.00. Any discrepancies should be discussed and resolved immediately.
- No personal checks should be cashed through the petty cash fund.

12. Payroll

Currently, the PCC payroll is processed twice a month by Payroll Vault. The sexton records hours worked on a calendar whereupon the Business Manager calculates hours semi-monthly and submits them to Payroll Vault. Child care workers' hours are submitted monthly to Payroll Vault. Child care workers are paid monthly. As outlined in the PCC Personnel Policy, vacation, time off, sick days taken, leaves of absence taken, etc., are tracked for employees with a record of such kept in the employee's file.

13. Financial Review Committee

The Financial Review Committee, which has been appointed by the Leadership Council, will review the financial books of PCC at least annually. Reviews should include:

- Tracing balance sheet accounts to appropriate supporting document
- Reconciling fund balances reported on the prior year statements to this year balances
- Reviewing a sample of receipts and disbursements to the financial statements
- Evaluating the adequacy of supporting documentation being kept
- Providing a written review to the Leadership Council

14. Budget

The PCC budget provides a standard by which to measure performance, encourage planning, and allocate resources consistent with funding source availability. Budgets will use reasonable assumptions of income and expenses, broken down by departments, where applicable. All budget assumptions will be documented to facilitate a thorough analysis and evaluation, not only of the budget, but also of the actual revenue and expenditures as they relate to the budget. Each year the Chair of the Budget and Finance committee and the Treasurer will establish a budget calendar in order to meet the deadline needed for presentation of the budget to the Leadership Council and to the congregation at the Church’s annual meeting.

- The budget proposals for programs are prepared by the person responsible for that program or unit.
- Overhead expenses will be budgeted by the Treasurer with input and final decision by the Leadership Council or its designee.
- Budget proposals are submitted to the Business Manager and Assistant Treasurer, who creates a preliminary budget for the Budget and Finance Committee. The Committee analyzes and revises, if necessary, the budget prior to submission to the Leadership Council.
- The Leadership Council approves the budget, a condensed version of which is then submitted to the congregation at the annual meeting for final approval.
- Upon final approval of the budget, the Business Manager enters the budget into QuickBooks.
- PCC follows the recommended guideline of maintaining an operating reserve of approximately 30 percent of the annual operating budget.

15. Month-End Close and Internal Reporting

The Business Manager will be responsible for month-end close and the preparation of all financial statements to include the Statement of Financial Position (Balance Sheet) and the Statement of Activities (Income Statement). The Statement of Activities will include budget-to-actual comparisons. The month-end close timeline is currently structured to be finalized, in general, by the Thursday before the Leadership Council monthly meeting. This process will include bank, credit card statement and Fellowship One reconciliations along with posting of any necessary journal entries and all account reconciliations. All reconciliations, adjusting journal entries, and supporting documentation should be kept in a designated month-end binder for each individual month.

The financial statements are included on the Consent Agenda and received by the Leadership Council. Financial statements are also emailed to pastoral and program staff, Committee and Board chairs, and the Office Manager.

The Business Manager with the Treasurer’s approval will be responsible for footnoting the statements before the presentation to the Leadership Council. The Treasurer will report significant variances between budgeted and actual expenses prior to the Leadership Council’s meeting.

Document Retention and Destruction Policy

All financial records will be maintained in the PCC office with the following document retention and periodic destruction schedule:

Type of Document	Minimum Requirement	Responsible Party
Accounts Reconciliations	2 years	Business Manager
Audit Reports with all related back up schedules	Permanently	Treasurer
Applications for open positions	2 years	Office Manager
Bank Reconciliations	2 years	Business Manager
Bank Statements	3 years	Business Manager
Checks (for payments and purchases)	3 years	Business Manager
Contracts, notes, and expired leases	3 years	Business Manager and Treasurer
Correspondence (general)	2 years	Office Manager
Correspondence (legal and important matters)	Permanently	Office Manager

Duplicate deposit slips	2 years	Business Manager
Year-end financial statements Treasurer	Permanently	Business Manager and
Insurance Policies – expired	2 years	Office Manager
Insurance records, accident reports, claims, policies	3 – 5 years (OSHA = 5)	Office Manager
Internal audit and financial review reports Treasurer	3 years	Business Manager and
Payroll records and summaries	Permanently	Business Manager with
Payroll Vault		
Personnel Records	Permanently	Office Manager
Tax returns and worksheets Treasurer	Permanently	Business Manager and
Annual Report	Permanently	Office Manager
Minutes of official meetings	Permanently	Office Manager

Acknowledgement of Receipt for the Plymouth Congregational Church UCC Financial Resources Policies and Procedures Manual

I acknowledge that I have received a copy of the Church Financial Resources Policies and Procedures Manual. I understand that I am responsible for the information contained in the manual.

I understand that the manual is intended to provide me with a general overview of the Church’s policies and procedures. I also acknowledge that the Church may revise, suspend, terminate, and change any of the policies or procedures at the discretion of the Church. Any revisions will be addressed in an updated version of the manual and a copy will be given to me.

Signatures

Reverend Hal Chorpenning, Senior Minister, Plymouth Congregational Church, UCC

Person and title or position at Plymouth Congregational Church, UCC

James Medlock, Council Treasurer, Plymouth Congregational Church, UCC