

# 2023 Conference Wide Local Church Training The Ministry of Financial Stewardship

Florida Conference Office of the Treasurer  
Conference Council on Finance & Administration

Presented by:

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# Internal Controls

Finance Committee Suggested  
Admin Council Adopted



## *2016 Discipline 258 4 c*

- ◆ **The committee on finance** shall establish written financial policies to document the internal controls of the local church. The written financial policies should be reviewed for adequacy and effectiveness annually by the committee on finance and submitted as a report to the charge conference annually.



# Policy of Internal Controls Discipline Required

## — Responsibilities

- Committee, Pastor, Treasurer, Financial Secretary, and others

## — Processes

- Check writing, Deposits, Use of Credit Cards, Online payments and donations, Annual Audit, and others

# General Objectives

- ◆ Safeguard Assets
- ◆ Reliability and accuracy of financial records
- ◆ Compliance with church policies





# General Objectives Provide

- ◆ Accurate recording
- ◆ Reliable reports for effective planning and budgeting
- ◆ Efficiency of current operations



# Separation of Duties

- ◆ Authorization of transactions
- ◆ Recording of transactions
- ◆ Custody of assets



## Internal Controls Must Be Beneficial-Financially and Emotionally

- ◆ Remove temptation for misappropriation
- ◆ Prevent a cloud of suspicion
- ◆ Save time and expense in record reconstruction
- ◆ Improve error detection
- ◆ Reduce confrontations
- ◆ Reduce board division
- ◆ Reduce chance of losses
- ◆ Reduce embarrassment and negative media





# Finance Committee



# What is my job as the Finance Committee?

- ◆ Monitor the Financial Health of the Church
- ◆ Institute and monitor a system of controls and accounting practices
- ◆ Oversee Budget Preparation
- ◆ Ask questions


**SO THAT**

- ◆ The mission and vision of the congregation **can** be achieved



# Committee Membership

- ◆ Chairperson
- ◆ Pastor
- ◆ Lay member of annual conference
- ◆ Chairperson of council or board
- ◆ Chairperson or representative of SPRC
- ◆ Trustee representative to be selected by the trustees
- ◆ Chairperson of the ministry group on stewardship
- ◆ Lay leader
- ◆ Others by charge conference action
- ◆ Financial secretary (No vote if paid)
- ◆ Treasurer (No vote if paid)
- ◆ Business Administrator (No vote if paid)



The committee shall carry out the church council's directions in guiding the treasurer and financial secretary.

- ◆ Supervise the work of the financial secretary and designate the counters
- ◆ Supervise the work of the treasurer
- ◆ Establish written financial policies to document the internal controls of the local church
- ◆ Make provision for the annual audit
- ◆ Recommend to the council proper depositories for church funds
- ◆ Compile annually a budget and submit it to church council for approval
- ◆ Report to church council all designated funds



# Functions and Responsibilities

- ◆ Committee shall give stewardship of financial resources priority throughout the year.
- ◆ Explore creative ways with the church council to turn their congregation into a tithing congregation with an attitude of generosity.
- ◆ All financial askings to be included in the annual budget are to be submitted to the finance committee.
- ◆ Compile the annual budget and submit it to the council for review and adoption.
- ◆ Providing for a funding program that will raise sufficient income to meet the council adopted budget
- ◆ Administer the funds received according to instructions from the church council



## *2016 Discipline Requirement*

- ◆ Paragraph 258 (4) page 202-first paragraph
  - No immediate family members of any appointed clergy may serve as treasurer, finance chair, financial secretary, counter or serve in any paid or unpaid position under the responsibilities of the committee on finance, as directed herein. These restriction would apply only to the church or charge where the clergy serves.



# Gift Policy

- ◆ Policy should be in writing and have the following:
  - Apply to all gifts
  - Limitations on noncash gifts
  - Procedures on creating designated funds
  - Procedure for accepting restricted gifts
- ◆ Board and donors must be made aware of the policy.



# Gift Policy

- ◆ Once a restricted fund is created, the governing body cannot not change the terms of the designation.
- ◆ However, if the governing body has communicated to the donor **BEFORE AND IN WRITING** that it reserves the right to change the terms of the designation. The board is free to change or eliminate the designated fund.





# Gift Policy

- ◆ Acknowledgement of the donation
  - Single donation \$250 or more
  - Must include:
    - Name of donor
    - Amount
    - Statement: No goods or services were provided to the donor in exchange for this contribution
  - Timely, normally by January 31<sup>st</sup>
    - Deduction can be denied if statement not provided before taxes are filed.



# Budget Preparation



# Strategic Planning

## Starts with having a vision

- Where do we want to be in 10 years?
- How do we want to impact our community and spread the gospel?
- What kind of church do we want to be?



# Importance of Budgeting

1. Formalizes planning
2. Reduces the drama
3. Provides a way to evaluate performance
4. A method for control and authorization to spend
5. Helps communication



# Importance of Budgeting

6. Gets members involved
7. Increases giving commitments
8. Gives members confidence in leadership
9. Helps address low cash flow times
10. Allows time to borrow prudently



# Budgeting Mistakes

1. Not allowing enough time to properly put together budget
2. Not proving the need to spend more money
3. Not allocating enough to do the job right
4. Not being specific enough on how the money will be spent.
5. Not forecasting income available



# Budget Direction

- **Top-Down Approach**-Budget development is done by church leaders.
  - **Advantages**
    - Leaders have the best view of church operations
    - Efficient
  - **Disadvantages**
    - Members feel left out of the process



# Budget Direction (continued)

- **Bottom up Approach**-Seeks broad based participation in the budget development process..
  - **Advantages**
    - Budgets are self imposed
    - More realistic
  - **Disadvantages**
    - Time consuming





# Budget Approaches

- ◆ **Incremental** (line item or traditional)- based on the question “how much did it cost last year”

- **Advantages**

- Easy to put together
- Easy to read

- **Disadvantages**

- Too automatic- no evaluation of activities and cost
- Relies on past instead of focusing on future
- Focuses on cost not outputs



# Annual Operating Budget

## ◆ Inflows

- Get the full picture of inflow of income
  - Weekly offerings
  - Restricted Gifts
  - Interest on endowments
  - Tuition or fees for VBS, youth events etc.
  - Other fund raisers



# Annual Operating Budget

- Weekly offerings
  - Pledge/Commitment cards
    - Useful for obtaining the commitment of members and preparing their own budget
  - Averages to analyze contribution
    - Remember 80% of funds come from 20% attenders
  - Giving potential
    - Giving units times average family income
- Restricted



# BEWARE of the Budget Games

- Foot in the door
- Getting the pastors blessing
- Implied support
- We've always done it this way



# Financial Secretary



# Practical Helps for the Financial Secretary

- Offerings, Collecting, Counting
  - Committee designates 2 to count not of the immediate family
  - Financial secretary keeps the giving records
- Depositing
- Designation
  - Board/Church Designation
  - Donor Designated
- Reporting
  - Donor
  - Church



# Cash Receipts

- ◆ Use offering envelopes
  - Not to know who gives but to say thank you
  - Verify amount if identifiable-name or number
- ◆ Secure area for counting
- ◆ Restrictive endorsements
- ◆ Pastor access to giving records 340.2 c) 2(c)



# Cash Receipts (Continued)

- ◆ Deposit Daily
- ◆ Deposit in tact (as received)
- ◆ Reports-Counters provide to Financial Secretary, Treasurer, internal audit
- ◆ Mail/Drop off at bank-not by one maintaining accounting records
- ◆ Never cash checks payable to church





# Cash Receipts (Continued)

- ◆ Maintain contribution records
  - Primarily to say thank you & IRS Requirements
- ◆ Periodic notices to members
  - Mainly generosity
- ◆ Maintain copies of notices sent to members
- ◆ Account for any differences to internal audit committee



# Church Treasurer



# Practical Helps for the Treasurer

## – Bookkeeping

- Receipts and Disbursements: Built around the budget and how the local church is living into the adopted plan
- Assets: Bank Accounts, Investments, Fixed Assets, Liabilities, Designated/Restricted Funds
- Stats, Payroll Taxes, 1099 Forms

## – Reporting

- Sunday School/Men's Club/Youth, etc
- Clergy Discretionary Fund
- Benevolence/Good Samaritan Fund



# Cash Disbursements

- ◆ Signers inspect supporting documents
- ◆ 2 signatures (If treasurer reconciles bank account)
  - Treasurer
  - Finance Chair
  - Trustee Chair
  - SPRC/Admin Council Chair
- ◆ Supporting documentation canceled when paid
- ◆ Retain void checks
- ◆ Never make checks to “Cash”
- ◆ Safeguard blank checks



# Cash Disbursements-continued

- ◆ Expenses in correct period
- ◆ Petty cash for minor disbursements
- ◆ Vouch petty cash expenditures
- ◆ Are transfers between bank accounts authorized
- ◆ **NEVER** use a church debit card



# Reconciliation

- ◆ Bank accounts not reconciled by person involved in writing checks if one signature
- ◆ Surprise audit of Petty Cash
- ◆ Examine outstanding items on the bank reconciliation



# Reporting to the Church

- ◆ Financial Statements are the responsibility of the Treasurer-Do them Monthly
- ◆ Balance Sheet, Budget Comparison, Bank Reconciliation
- ◆ If an Admin Council meeting, do a pre-meeting
- ◆ If no admin council meeting this month, give reports to: Admin Council Chair, Pastor, Finance Chair, Trustee Chair, SPRC Chair



# Auditing





# Auditing and Internal Controls

◆ Just what is an audit?

An **independent** evaluation of the financial reports, records, and internal controls by a **qualified** person for the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being **safeguarded**, and whether the law, the Discipline and policies and procedures are being **complied** with.



# Disciplinary Requirement

- Section 258.4d of the Book of Discipline makes it mandatory that every local church finance committee “shall make provisions for an annual audit of the records of the financial officers of the local church and **all** its organizations and shall report to the charge conference.”



# So, just what does an audit do?

- Independently verify the reports of the treasurer.
- Follow the money and test how it is treated at different steps.
- Document that funds have been used as stipulated by donors.



# “all its organizations.....”

- Treasuries to be audited:
  - Financial Secretary
  - Church Treasurer
  - Local Church Foundation or Endowment funds
  - All other separate bank accounts using the same tax id number (UMM, church school, etc..)
  - NOT UMW**, should be audited separately



# We have finished, now what?

- ◆ Review the work done with the church treasurer, financial secretary, finance chair and Pastor.
- ◆ Written report to Finance Committee
- ◆ Finance Team provides to Admin Council along with any needed changes in Internal Controls



# Payroll

- ◆ Hire a payroll company
- ◆ Why so serious on payroll?
  - Problems are easy to cause and expensive to fix
  - Failure to file correct forms timely or pay taxes timely = large IRS penalty
  - Board of Trustees or others with responsibility (i.e., Treasurer) can be held personally responsible even if the church is incorporated



# Contractors?

- ◆ Just executing a contract for services may not be sufficient.
- ◆ Musicians (choir director, worship leader, accompanist), Church Secretaries, Janitors are generally going to be considered employees.
- ◆ True contractors receive a 1099 if they cumulatively receive \$600 or more in a calendar year.



# Independent Contractor New Hire Reporting

- ◆ Report their being contracted with to the Florida Department of Revenue – State Directory of New Hires
- ◆ Purpose of reporting is for child support enforcement; also used for State Medicaid, re-employment assistance benefits, food assistance programs eligibility
- ◆ Applies to individuals who provide a service to the church that you classify as a contractor (Pay with an A/P check/Issue 1099)





Let us help you!

- ◆ Web sites
  - <http://www.flumc.org/administration>
  - <http://www.gcfa.org/gcfa/legal-manual>
  
- ◆ **Conference Administration Senior Staff**
  - Craig Smelser, Treasurer & CBO
  - Christine Shutters, Controller
  - LaNita Battles, Director of Ministry Protection
  - Diana Welsh, Human Resources Administrator
  - Sue Bennett, Technology and Facilities Administrator
  - Steve Loher, Manager of Knowledge & Information Services
  
- ◆ **Conference Office Phone Number**  
**863-688-5563**



# Questions

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- ◆ Email [csmelser@flumc.org](mailto:csmelser@flumc.org)