

Bedington United Methodist Church
580 Bedington Road
Martinsburg, WV 25404



Financial Policies and Procedures Manual

Approved/updated on _____

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1 Purpose

This document puts in one place a comprehensive view of the financial policies and procedures used at Bedington United Methodist Church. This document is intended to provide clear guidance to members and ministry leaders on the procedures that safeguard the appropriate use of church funds and provide for prompt payment of debts incurred by the church as an entity or those of individuals who seek reimbursement for expenses incurred on behalf of the church. Fiscal control is important and therefore warrants procedures, policies and controls to manage spending, the commitment of funds, and the solicitation of funds.

2 Finance Committee

2.1 Members for the Finance Committee shall be:

Steve W Hose-Chairman
Toni Sigler-Treasurer
Shannon Keefer
Sylvia LeMaster-Past Chairman
Rev. John Rudisill-Pastor
Rodney Emery-Administrative Board Chair
Scott Sassaman-Lay Leader

2.2 Authorized signers on BUMC's financial accounts are:

Toni Sigler
Shannon Hose
The following accounts will be maintained for BUMC: General Fund accounts, Designated Fund accounts as needed, and a \$500 checking account with a debit card for the Secretary's daily needs.

2.3 The Finance Committee will meet before every scheduled Board meeting.

2.4 The Stewardship Committee shall be sub-committee of the Finance Committee and regularly report to the Finance Committee

3 Type of Funds

3.1 Undesignated or Unrestricted Funds

Members of the church are encouraged to support the ministry of the church through regular gifts and offerings to the general operating funds of the church. Each year a spending plan for the work of various ministries is developed through

the budget process. The budget directs how the gifts from the congregation will be used. These funds may be used as directed by the Administrative Board (referred to as the "Board" in the remaining document) to fund any area of ministry the Board may designate. The Board reserves the right to move money from one budget item to another to insure adequate resources for ministry areas. The Board may authorize the Finance Committee to adjust items within the budget as necessary and report such changes to the Board in printed form or in an oral report at a church business conference.

3.2 Designated Funds and Gifts

Any individual can give designated gifts for ministry items. If the designated gift is a gift of property, not cash or cash equivalent, then the church reserves the right to not accept the property. The process for establishing a cash or cash equivalent designated fund by the church is as follows:

3.2.1 Any member of the church may request that a designated fund be established.

The individual making the gift should present a written request to the Finance Committee requesting such a fund be established.

The Finance Committee must approve the establishment of the requested fund. If the Budget Committee fails to approve the request for a designated fund, the designated fund cannot be established.

Once the designated fund has been approved by the Finance Committee, a member of the Finance Committee shall bring the request to establish the designated fund before the Board for discussion and approval. If the Board fails to approve the request for the designated fund, the designated fund cannot be established. If the Board approves the designated fund, it shall be established, and include the following:

- The purpose of the fund and how it furthers the mission of the church.
- The procedures on how the fund will be used.
- The procedures on how the funds will closed or terminated.

Contributions received must be designated to a specific fund and not earmarked for a specific individual in keeping with IRC 170.

A list of contributors and a record of their contributions shall be maintained by the church.

Should any gifted cash or cash equivalent remain when the designated account is closed, the donor and or donors will be notified that the remaining gifted cash or cash equivalent shall be transferred to another account.

4 Annual Budget Process

The various ministry areas of the church shall prepare a budget proposal per line item for review and approval by the Budget Committee by August 31st.

These budget proposals should require, at a minimum, the amount requested, basis for the amount requested, planned use of the amount requested and the requesting individual's signature.

The Treasurer and/or a Finance Committee member may assist those responsible for submitting a budget line item with historical data and in determining the expected cost of services.

All staff, committee chairs, and ministry team leaders will be given the opportunity to submit new line items for consideration.

The Budget Committee chair will develop a spreadsheet for the preparation of the budget during the process. The Budget Committee will review the budget proposals and reserves the right to return the budget proposal to the requesting ministry area for changes and/or additional information.

The Budget Committee will then approve the final budget, and present it to the Board for approval prior to September 30th.

The fiscal year for the church is January 1 through December 31.

5 Records and Retention

The church will be responsible for maintaining adequate financial records in the church facilities. These records shall include, but are not limited to records of individual contributions to the general operating fund, contributions to the designated funds, and disbursement of funds.

Financial records shall be backed up on a weekly basis and kept in a safe and secure location offsite. Additionally, financial records will be backed up quarterly and stored in the church's safe deposit box.

Financial records will be retained for at least seven years.

6 Financial Reports

The financial reports, in section 6.1, shall be prepared by the Treasurer and reviewed by the Finance Committee on a monthly basis. The Finance Committee shall (at their regularly scheduled meetings) review, discuss, and approve the financial reports. The approved reports shall (by a member of the Finance Committee) be brought before the Administrative Board (at their regularly scheduled meetings) for review, discussion, and approval.

6.1 The following reports shall be prepared:

- Report of receipts and disbursements or Cash Flow Statement.
- Comparison budget or Income Statement, showing actual receipts and disbursements vs. budgeted receipts and disbursements.
- At least quarterly, a financial report shall be presented to congregation. This may be done by a synopsis in the bulletin, newsletter, or as a PowerPoint presentation.

6.2 Individual Ministry Accounts

Ministries of BUMC may maintain their own accounts as needed. All ministries will submit their financial statements to the Finance Committee on a quarterly basis.

7 Contribution Statements

Contribution statements will be provided on a quarterly basis on all cash giving.

7.1 Per IRS Regulations, a tax deduction for any individual cash (or property) contribution of \$250 or more will not be allowed unless the individual receives a written acknowledgment from the church that satisfies the following requirements:

- The receipt must be in writing.
- The receipt must identify the donor by name (a Social Security number is not required).
- For contributions of property (not including cash) the receipt must describe the property. No value should be stated.
- The receipt must state whether or not the church provided any goods or services to the donor in exchange for the contribution and if so, the receipt must include a good faith estimate of the value of those goods or services.
- If the church provides no goods or services to a donor in exchange for a contribution or if the only goods or services the church provides are “intangible religious benefits,” then the receipt must contain a statement to that effect.
- The written acknowledgement must be received by the donor on or before February 1st.

8 Journal Entries

Journal entries offer a special opportunity to make adjustments to accounting records. Therefore, an appropriate explanation should accompany each journal entry, along with adequate documentation.

Reimbursements/contributions to budgeted expense items will be recorded as contributions to the General Fund and not as expense offsets.

9 Offering, Collections, and Deposits

9.1 Envelopes

Members should be encouraged to use envelopes. They protect the member's offerings until they can be counted, and assist in the contribution recording process.

9.2 Ushers

The ushers will collect the offering during the service, and leave the plates at the front of the sanctuary until the end of the service. The collection should be maintained in its original form, and no change should ever be given from the collected funds.

9.3 Counting/Deposit Process

The counters will include the Financial Secretary and at least 2 other people.

9.3.1 The process for counting is as follows:

- At the conclusion of the service, the counters shall collect the offering and proceed to a secure room with a locked door to count the offering. Note: other sources of income received by mail or in person to the church office should be provided to the counters and included with the offering.
- The church shall provide collection worksheets, bank deposit tickets, tape calculator, and a bank bag to secure the funds to be deposited after the count is complete. Deposit tickets and bank checkbooks will be maintained in a locked cabinet or safe when not in use.
- The counters will complete a collection count sheet by documenting currency, coin and checks for contribution purposes. The counters will open the offering envelopes and remove the contents, verifying that the information on the envelopes matches the contents. For contributions with a designated purpose other than the general fund, verify that the purpose is written on the envelope or the memo line of the check. Any discrepancies will be noted. Checks should be immediately stamped with a restrictive endorsement.
- For the checks received, an adding machine tape will be run for the general fund, and for each designated fund. Another counter, who did not run the adding machine tape, will verify the tape results against the checks received. The counters will individually sign and date the collection count sheet for verification.
- Checks and envelopes should be placed in alphabetical order. Checks should be photocopied and kept with the offering envelopes. (Current copies of checks are to be safeguarded in a locked file cabinet).

- The counters will then record the currency and checks on a bank deposit ticket with all of the information on the ticket completed.
- A copy of the deposit ticket and tapes will be made and attached to the collection count sheet, along with copies of checks and envelopes. The Financial Secretary will use this information to input the contribution records and journal entries into the accounting software.
- The counters will then place the offering, original bank deposit ticket, and adding machine tapes into the deposit bag. The Financial Secretary will then take the bag to the bank for processing.
- Once the deposit is processed, the Financial Secretary will pick up the bag and deposit ticket at the bank. The deposit ticket will be verified against the copies, and any discrepancies noted.

9.3.2 Other Deposits

Should any currency or checks be received during the week, they will be placed in a locked cabinet or safe until the weekly deposit is prepared.

10 Bank Reconciliation

A reconciliation of the various bank accounts for the prior month will occur at the beginning of the following month. Since original bank statements typically do not arrive until approximately the 8th business day of the month, statements may be printed online to be used during the reconciliation process. Someone other than the individual making the deposit, recording the entries, or signing the checks should prepare the reconciliation. Typically the Business Administrator, or his/her designee, will prepare the reconciliation. When the original bank statements arrive in the mail they should be presented, unopened, to the individual performing the reconciliation for verification.

In addition, the petty cash fund will also be reconciled on a monthly basis.

The Finance Committee will review the reconciliations during the regularly scheduled meetings.

11 Purchasing

All purchases of supplies, equipment and services on behalf of the church shall be made only on the authority of a purchase order. Requests for approval should be submitted prior to the purchase. Only emergencies relating to properties and expenditures for contracted services are excluded from prior approval (e.g. insurance, equipment maintenance). Travel, lodging, and meal expenses will be reimbursed through the use of an expense reimbursement voucher.

11.1 Purchase Order Process

Obtain a purchase order form from the church office and fill it out as far in advance as possible. Purchase orders will be sequentially numbered.

Purchase orders must include the budget account or designated fund to be paid from, the estimated amount, and vendor name. Please be as accurate as possible. If the requested amount is exceeded and the allowable budget is consumed, the individual making the purchase may be held accountable for the overage.

The Committee Chairperson responsible for the budget item will approve all purchase order requests greater than \$49.99, verifying that funds are available and the request is appropriate. The Treasurer or Finance Committee Chair, or his/her designee, may approve all amounts less than \$50. Any expenditure greater than \$499.99 must be approved by the Finance Chair and the Treasurer before the expenditure is made. All capital improvements, including but not limited to routine maintenance costs, to the facility and/or grounds need prior approval from the Trustees.

If there are not sufficient funds in the line item, or if the request does not fall within a budget line item or a designated fund, the Finance Committee must approve the request.

Once approved, two copies of the purchase order will be made. The original is returned to the requestor, a copy is given to the Treasurer to enter into the accounting software, and a copy is placed in a binder. If disapproved, a copy of the purchase order will be made. The original and copy are marked "Not Approved" and the reason, if any, noted. The original will be returned to the requestor and the copy will be filed. No funds will be dispersed.

11.2 Purchasing and Payment Processing

Whenever possible, purchases on behalf of BUMC should be made through vendors with whom we have established an account and provided a copy of BUMC's tax-exempt certificate. Those who use other vendors are responsible for providing the vendors with a copy of BUMC's tax-exempt certificate before incurring expenses. BUMC's policy is not to reimburse state sales tax incurred by failure to use BUMC's tax-exempt certificate. It is the responsibility of each member to provide information for those incurring expenses about the availability and use of BUMC's tax-exempt certificate, and to consult with a member of the Finance Committee or the Treasurer for assistance.

11.3 Business Accounts of Credit

This is the preferable method of purchasing.

When purchasing items on behalf of BUMC with established vendors, the individual must provide a purchase order number to the vendor.

The vendor should require a purchase order number prior to allowing an individual to purchase something on behalf of the church.

The vendor will send an invoice to BUMC, billing the church for the items purchased. The invoice must show the purchase order number.

Once the purchase has been made, the individual will bring the purchase order back with receipts and/or supporting documentation and present it to the Treasurer for reconciling.

11.4 Expense Reimbursement Voucher

Expense Reimbursement Vouchers will be used to reimburse expenses made with vendors that the church either does not have business accounts with or don't accept purchase orders, and for travel, lodging, food, and other reasonable ministry-related business expenses.

The purchasing individual is responsible for providing the vendor with the church's tax-exempt certificate. Sales tax will not be reimbursed for failure to present the certificate.

The individual will purchase the item(s), or pay travel expenses him/herself and seek reimbursement.

The expense reimbursement voucher should include the amount, date, place, and purpose of the expense, and the account to be debited. The voucher should include original receipts and other supporting documentation, be approved by member with voucher authority, and should be submitted within 60 days of the date of the incurred expense, but not more frequently than once a week.

The church will reimburse mileage, incurred in the performance of church approved activities, by using the IRS standard rate in effect on the date the mileage is incurred. Receipts and other supporting documentation will be required for reimbursement of meals, lodging and other travel expenses.

The Treasurer will verify that an accompanying purchase order has been received along with the expense reimbursement voucher. After verifying that supporting documentation is proper, the Treasurer will process the request for payment.

11.5 Voucher Authority

Voucher Authority will be granted to the following positions within BUMC. Council on Ministries Chair, Church School Director, Youth Ministry Coordinator, Church Secretary, Choir Director, Staff-Parish Relations Chair, Trustees Chair, and Finance Chair.

11.6 Credit/Debit Cards

Purchases made using a church credit/debit card will require an approved purchase order prior to purchase. A receipt must be returned to the Treasurer, and filed with the approved purchase order. When the credit card bill or bank statement is received, the Treasurer will verify all purchases have an

accompanying purchase order and receipt on file. If the individual purchasing fails to follow the purchase order process, or return receipts in a timely manner, he or she may have to return the church credit/debit card to the church office and may be held personally liable for any expenses incurred outside of the proper purchase order process.

11.7 Petty Cash

BUMC maintains a petty cash account of \$100 to reimburse individuals for minor expenses when repayment is needed immediately. A purchase order form needs to accompany all payments from petty cash. The petty cash fund will be administered by the Secretary, and will be kept in the safe or locked cabinet.

The fund will be an imprest fund, which means that at any time, the fund should contain a combination of cash and vouchers equal to the preset size of the fund.

This allows assurance that all petty cash expenditures are documented and recorded, and allows for easy verification counts of the fund at any time.

No additional cash is added until it is nearly exhausted. At that point, all vouchers are summarized and recorded in appropriate expense or other categories and a corresponding amount of cash is withdrawn by the Treasurer, and placed in the fund.

11.8 Accounts Payable

All payments made by the church will require a purchase order. Any invoices that are sent to the church need to have an accompanying purchase order. The Treasurer will verify that all invoices have a purchase order and have been properly approved. If a bill is received for recurring expenses, i.e. utilities, then no purchase order will need to be prepared, however, the Chair of the responsible ministry shall submit a voucher to the Treasurer within 30 days of the date of the bill.

Check requests by individuals should have a purchase order and expense reimbursement request form.

Invoices should be stamped "paid" once payment has been made. The Treasurer pays bills once a week, typically on Wednesdays. The checks require one signature only.

The individuals signing should verify that supporting documentation, a purchase order, and a voucher accompany all checks. The Finance Committee will approve the addition or deletion of checks signers, and will periodically review the list of check signers for appropriateness.

Blank checks will never be signed in advance.

Blank check stock should be kept in a locked location, preferably in a safe or fireproof filing cabinet, and access limited to those who are authorized to prepare checks.

12 Bid and Contract Process

Members are urged to secure (or have their committee chairpersons secure) multiple bids when they are committing expenditures over \$500 to ensure the reasonableness of the selected vendor quotes. Three bids are preferred, when practical, given the size of the job. The church is not required to take the low bid, but to judge the best of the bids for overall value to BUMC.

In the case of repairs/maintenance/renovations, if only one estimate can be obtained due to limiting factors such as only one company is willing to give an estimate or only one company could be located that could do the work, etc., then one estimate will be considered acceptable. Members are required to provide documentation stating the reason why only one estimate was obtained.

In the event of an emergency, the Trustee chair or designee may waive estimates and or cost comparisons. However, the purchase order process should be followed. Prior to entering into a contract, all contracts will be reviewed and approved by the appropriate committee, and Finance Committee. The Finance Committee will determine whether the contract needs to go before the Board. Once approved, the Corporation Officers are the only individuals authorized to execute a contract on behalf of BUMC. No contract can be initiated without prior approval for the request.

All contracts shall clearly specify what items and/or services are to be provided to BUMC. If items and/or services are provided that are not required by the contract, reimbursement shall not be provided for such items and/or services.

Parties desiring to contract with BUMC for the performance of specific services must provide proof of insurance (Workers Compensation and General Liability) prior to entering into an agreement with BUMC.

13 Payroll and Payroll Taxes

Employees, with the exception of the Pastor, are paid semi-monthly. Payday is the 15th of the month, unless it falls on a weekend or holiday, in which case it is the prior business day. The Pastor is paid on the 15th and 30th of the month, unless it falls on a weekend or holiday, in which case it is the prior business day. A housing allowance is also paid to the pastor on the 15th of the month, unless it falls on a weekend or holiday, in which case it is the prior business day.

Hourly employees record their time on a spreadsheet, which is forwarded to the Treasurer electronically. This spreadsheet should be received by the Treasurer no later than the 10th of the following month. Each employee is responsible for recording his or her hours on a daily basis, and should be approved by the employee's supervisor or his/her designee. The Treasurer enters the total hours worked into the Peachtree payroll software. Salaried employee's pay is figured by Peachtree after it has been inputted into the budget for the year.

After the hours are entered, the software is instructed to create the paychecks, at which time the software calculates the appropriate tax amounts to be deducted from each check.

Three copies of each paystub are printed. One paystub is given to the employee, one is filed in a payroll notebook, and one is filed in the employee's permanent file.

At the end of the month, payroll reports, including payroll tax reports, are printed from the Peachtree software and filed in the payroll notebook.

At the end of the month payroll taxes are calculated in the Peachtree software, and paid to the IRS and the West Virginia Tax Commission. BUMC will not withhold state income tax for any other states.

A check is written to the West Virginia State Tax Department and is sent in with the "WV Employers Withholding Tax Return", which is completed at this time.

The IRS Federal payment is made electronically.

At the end of each quarter, the Employer's Quarterly Federal Tax Return Form 941 is completed electronically using the Peachtree Software and is mailed to the IRS.

14 Annual Audit Process

Annually, prior to April 1st, the Finance Committee will have all books and accounts audited by either an outside capable source or a member/members that are not on the Finance Committee, nor related to any Finance Committee member. All ministries shall submit their bank statements, checkbooks, and financial statements to the Finance Committee for the audit.