

# **First Unitarian Universalist Church of Columbus**

## **Financial Management Policy**

**Approved by the Coordinating Team:**

**6/1/2016**

### **Policy Statement in accordance with Board Policy 9 – Care for Resources and Financial Controls:**

The church shall protect and preserve the financial assets of the church, manage the finances in accordance with the Church Constitution, Board Policy and good accounting practices, and shall provide and maintain reliable reports and records for the Board, the Coordinating Team and the congregation.

#### **Section 1 – Accounting System**

The church shall use a recognized accounting software system to track all financial transactions and donations. This system (or systems) must be password protected and backed-up daily to assure that all records are maintained. The Administrator shall establish levels of security access for individuals who have access to view, add or change data. Access should be reviewed annually and when staff changes occur. Back-ups should be maintained both on and off-site. The church uses a monthly cut-off for transactions and any corrections needed beyond this time period must be processed as journal entry corrections in the current period. No corrections or revisions shall be made to a prior period. Back-up should be retained for correcting journal entries. The church may also choose to engage a reputable outside company to provide payroll and accounting services.

#### **Section 2 – Signatory Policy**

The Board Chair, Vice-Chair, Treasurer and Assistant Treasurer are authorized to sign contracts, sign checks, authorize transfers and authorize investment activity on behalf of the church. When officers change, one of these authorized individuals must work with the associated accounts to get authority transferred to the incoming officers. All checks over \$2,000, other than the mortgage payment, property tax, insurance, pension, UUA Fair Share payments and transfers between accounts, shall be signed by two authorized individuals. The Board may grant limited signatory access to the Administrator as appropriate. Major contracts should be reviewed by the Church Attorney prior to approval.

**Section 3 - Segregation of Duties** – To insure that funds are handled properly no one person should be responsible for any transaction from initiation through processing and reconciliation. Therefore the Office Manager will open all mail and will record any payments received on a payments spreadsheet to be maintained on the office computer. The Bookkeeper will make all bank deposits. The Administrator and Treasurer will review all bank reconciliations. The bookkeeper will prepare checks for signature, will maintain blank checks in a locked file, and will not have check signing authority. Financial transactions, including bank reconciliations and payroll activity, should be reviewed regularly by a person who does not have signatory authority.

## **Section 4 – Internal Controls for the Handling of Money**

All funds collected from church activities shall be deposited with the Bookkeeper. Two unrelated persons shall be responsible to count all cash collected and initial these amounts on the appropriate teller deposit form or deposit envelope. This documentation will be maintained with the bank deposits made by the Bookkeeper. All checks that are contributions will be copied and maintained with the deposit records. Cash and checks will be deposited at least three times per week. The Bookkeeper's Office will be locked at all times. A lock box is located in the Volunteer Office for deposit of funds when the Bookkeeper is not available.

For the Sunday morning offerings two unrelated ushers will carry the baskets to the Bookkeeper's office. After the 9:15 service the collection will be placed in a sealed envelope to be opened after the 11:00 service when two unrelated tellers will be available to count and document the collections. This may be a staff member and a volunteer.

For funds collected other than the Sunday offering the funds should be placed in a deposit envelope (available in the Volunteer Office), the amount, date, description and use of the funds should be documented on the envelope, and the envelope shall be immediately deposited with the Bookkeeper.

Never leave money or credit cards unattended. Funds collected for special events should always be immediately deposited with the Bookkeeper. Expenses should not be paid out of cash collected but should be paid in a separate transaction by submission of an expense voucher, see Section 9 – Payment/Reimbursement of Expenses.

## **Section 5 – Gifts**

All gifts shall be tracked by the Bookkeeper in the donation tracking system and regular acknowledgements / pledge statements shall be sent by US or email. Authorized personnel with access to gift and donor information shall keep this information confidential, disclosing it only to authorized persons as specified from time to time by the Board or the Coordinating Team.

Pledges to the Operating Budget shall be tracked by fiscal year. If a pledge has not been paid in full by the end of the fiscal year, the payments made in the following year shall be tracked as Prior Year Payments until the past pledge is fulfilled, unless the donor specifies that they do not intend to fulfill the prior year pledge.

Stock gifts are welcome and can be used to fulfill Operating pledges, Capital pledges or other special gifts. Stock should be transferred to the current church broker.

The Treasurer shall instruct the broker to sell all stock gifts immediately. The Treasurer will prepare an acknowledgement that includes the number of shares, the name of the stock, the high, low and average value on the transfer date and the total value of the gift. The value of the gift equals the number of shares times the average value on the date of transfer.

Special Gifts – The church may receive special gifts for the Endowment Fund, for Capital projects, or for special restricted purposes (see Section 6 Gift Acceptance Policy). Special gifts must be

administered and invested in a manner consistent with the trust bestowed upon the church by the donor. If the donor does not specify the purpose of a bequest or lifetime gift (including “in honor of” and “in memory of” gifts), and the gift is less than \$1,000, the gift will be considered an unrestricted gift to the Endowment Fund. Gifts over \$1,000 will be reviewed by the Finance Committee, which will make a recommendation to the Board on the gift’s disposition. From time to time a special gift cannot be used for the original purpose. After a period of 10 years, if a special gift has not been spent according to the original designation, the Board may expand the use of the gift to meet current needs. The Board shall consult with the original donor(s) to establish a revised purpose.

### **Section 6 – Gift Acceptance Policy**

The church may accept unrestricted gifts and gifts for specific purposes of cash, stock and property in support of the mission of the church. Highly restricted gifts, gifts of closely held securities or real estate, must be evaluated by the Coordinating Team in consultation with the church attorney, and accepted or rejected by the Board. The Church urges all donors to seek the assistance of personal legal and financial advisers in matters relating to their gifts and resulting tax and estate planning consequences.

### **Section 7 – Fundraising Projects**

Special fundraising projects related to congregational life should not interfere with established fundraising activities of the church as a whole. Consequently proposals for special fundraising activities should be reviewed by the Coordinating Team, which may consult with the Stewardship Team and Finance Committee as appropriate. Unless an exception is granted by the Coordinating Team, all funds generated by approved fundraising projects will share 20% of the net revenue over \$250 with the Operating Budget.

### **Section 8 - Concert Series**

Musical events by outside musicians are encouraged as both an outreach activity for the community and an artistic opportunity for the membership. The music director shall organize such activities and arrange for space, sound system staffing and communication of the event. The music director shall make financial arrangements with the musicians that benefit both the performers and the church. For example the musicians may receive the first negotiated amount of donations or ticket sales, with the remainder split between the church and the performers on an agreed upon basis.

### **Section 9 – Ministerial Compensation**

Ministerial compensation is normally established by contract between the Board and the minister. Annually the Board shall approve the split between salary and housing for each minister. If a minister is receiving a social security equivalent as part of the compensation package this will be calculated as 7.65% of salary + housing. Pension calculations will also be calculated as a percent of salary + housing.

## **Section 10 – Payment / Reimbursement of Expenses**

All payments shall be accompanied by an invoice and payment voucher if appropriate. Payment vouchers are available in the Volunteer Office. Routine budgeted items shall be approved by the staff member under whose direction these expenses fall. Other expenses shall be approved by the Committee Chair or Team Leader responsible for that activity. If the approver and the recipient are related, the expenditure should also be approved by the Senior Minister, the Administrator or the Treasurer. The Church will not reimburse for payment of sales tax unless a special exception is granted, and encourages members making purchases on behalf of the church to obtain a tax-exempt certificate from the Office Manager or the Bookkeeper prior to making such purchases. Vouchers for payment of expenditures should be submitted in a timely manner. At the end of June fiscal year expenses will be accepted through the first week of July to allow for proper year end closing and reporting. Persons seeking reimbursement or advance payment should anticipate that the Bookkeeper will need at least a week to prepare a check for signature by the Treasurer. Payments from Restricted Funds must follow the donor restrictions. Any questions regarding these restrictions should be referred to the Administrator or Treasurer.

## **Section 11 – Inventory and Capitalization**

The church does not maintain an inventory of supplies. All items purchased under \$1,000 are expensed. An inventory is maintained for the Bookstore and for Fair Trade items. Annually the Treasurer will review non-personnel expenditures greater than \$2,500, with an expected useful life of at least five years, for capitalization.

## **Section 12 – Endowment Fund**

The church maintains an Endowment Fund with the Unitarian Universalist Common Endowment. No disbursements will be made from funds designated to be principal. As of 6/30/15 this amount is \$178,076. Gifts given to the Endowment Fund increase the principal balance. Disbursements are approved annually by the Board and are reported regularly to the congregation. Disbursements should enhance the mission of the church related to physical plant, social outreach and First UU community-building.

Availability of funds will be calculated in January of each year based on the previous calendar year activity. Distributions from the fund will not exceed the **lesser of** 5% of the fund balance at the beginning of the previous calendar year, or the increase in dollar value of the fund, excluding new gifts, during the calendar year. Funds are to be allocated and disbursed only after the end of the year used in the distribution calculation. Funds may be accumulated over a several year period if appropriate. The Administrator will assure that records are maintained for additions to, expenditures from, and the current principal balance of the endowment fund.

If endowment funds are available for distribution, the first priority for allocation each year is \$200 to support the church library. This reflects the inclusion of funds from the estate of Leona Hollander that were designated for the library.

### **Section 13 – Financial Reporting and Record Keeping**

The Bookkeeper will provide and the Administrator or Treasurer shall review and present monthly and annual reports to the Board and the congregation. All financial reports and records shall be maintained for at least 7 years. Monthly reports will be maintained for 10 years and annual reports shall be maintained indefinitely.

### **Section 14 – ACH Procedures**

ACH payments for pledge commitments are the desired method for members to use for recurring payments. Regular payments assure a positive cash flow and the ACH cost is less than credit cards transaction fees. ACH payments will be processed on specific days of the month to maintain accountability with our members. The current schedule is the 16<sup>th</sup> of the month for Operating Pledge payments and the 23<sup>rd</sup> of the month for Capital Contributions. The Bookkeeper and Administrator will assure that ACH transactions are processed regularly and as requested.

### **Section 15 – Insurance and Bonding**

The church shall maintain property insurance to protect against fire, theft and other natural disasters as well as liability insurance for the church and Directors and Officers insurance for the Board. The church will also maintain bonding for the positions of Bookkeeper, Administrator and Treasurer as well as other staff and officers as deemed appropriate. The church shall cover all employees and ministers with Ohio Workers Compensation coverage. The church does not participate in Ohio Unemployment Insurance. The Administrator will assure that all insurance is appropriately maintained with no lapses in coverage.

### **Section 16– Facility Use Fees**

The Administrator and Office Manager will maintain a fee schedule for rental of space in the facility by outside organizations as well as by church members for private events. Fees may be adjusted with approval of one of the Ministers. There may be special fee schedules for events such as Memorial Services. The fee schedules should be reviewed annually, and every three years an analysis should be done to adjust fees to reflect changes in the facility as well as changes in the Columbus rental market.

### **Section 17 – School for Young Children (SYC)**

SYC is an important outreach program of the church. It is licensed and fully accredited. SYC presents a proposed budget to Finance Committee each December so that it can publish enrollment fees in January for the following school year. It is expected that SYC will cover all expenses from tuition charged. At the end of each fiscal year the full amount of Scholarship Fund Raising will be set aside for the following year; funds for the accreditation process amounting to the lesser of the annual profit or one quarter of the accreditation costs will be set aside; any remaining profit will be divided with 50% tracking to the SYC Enrichment Fund and 50% tracking to the Operating Budget. Any SYC Operating Loss will be charged to the SYC Enrichment Fund. For unbudgeted expenses greater than \$3,000 SYC should consult with the church

administrator and other staff as appropriate. SYC's facility use contribution to the Operating Fund increases annually by the percent that tuition is increasing.

### **Section 18 – Minister's Discretionary Fund**

The church has a restricted fund called the Minister's Discretionary Fund that may be spent in support of the mission of the church in response to pastoral needs or crises that may arise. These funds may be distributed at the discretion of the ministers but may not be used to support a minister or a minister's family. Gifts or special collections may be designated to support this fund. Appropriate back-up documentation is required for expenditures. The Treasurer shall review the fund at least annually with the ministers to assure appropriate usage.

### **Section 19 – Use of Church Credit/Debit Cards**

The church will authorize credit / debit cards for individual staff members as appropriate. Staff members will sign an agreement on the proper use of the card (see Appendix C) and will return any card issued at the request of a minister or at the time of termination of employment. The church will set a limit on daily transaction amounts; currently this limit is \$2,500. These cards should only be used for church related business and all receipts must be maintained. These receipts should be attached to vouchers and the expenses should be allocated to the proper budget category. Receipts must be turned in to the Bookkeeper on a monthly basis.

### **Section 20 – Operating Budget**

The Coordinating Team shall recommend an Operating Budget for review by the Finance Committee and endorsement by the Board. This budget will be presented to the congregation at the annual meeting and must not, by Constitution, be a deficit budget. During the course of the year revisions to the budget may be approved by the Board to more accurately reflect expected activity. The Board must notify the congregation if a deficit greater than 3% of the Operating Budget is anticipated by the end of the fiscal year.

### **Section 21 – Justice Action Ministry (JAM) Funding**

The Justice Action Ministry program is funded as a percent of the Net Operating Pledge Budget. The Net Operating Pledge Budget is the Total Operating Pledge Budget reduced by the Allowance for Uncollectible Pledges. The JAM program currently receives 2% of the Net Operating Pledge Budget. There may also be Share the Plate Sunday Collections for special purposes, so designated by a process determined by the Coordinating Team. In such cases 50% of the plate collection, excluding pledge payments, shall be allocated to the special purpose and 50% will track to the Plate Collection portion of the Operating Budget. At the end of the fiscal year the total special gifts plus annual budget is compared with JAM expenditures. Any unused funds will be transferred to a restricted fund for JAM future use. Any over-expenditure will be subtracted from the accumulated JAM restricted fund.

## **Section 22 – Selecting Vendors**

The church will seek out vendors and contractors who are sensitive to the values and diversity of our congregation.

## **Section 23 – Payroll**

Payroll/salary rates will be established annually by the Board using recommendations from the Personnel Committee and Coordinating Team. The church intends to provide fair compensation and benefits for all employees in accordance with UUA guidelines. The church will develop plans for achieving these compensation levels for employees who are below these levels. Payroll will be processed by an external vendor who assumes the liability for proper filing of withholding taxes, and prepares W2 forms as required. Payroll is processed twice a month and is entered by the bookkeeper based on time sheets turned in by hourly staff and approved by supervisors. The Church Administrator reconciles payroll on a monthly basis to assure the accuracy of payroll rates, hours and benefit deductions.

## **Section 24 – Bank and Investment Accounts**

The Board will authorize new bank and investment accounts and related signatories. The staff and the Treasurer will assure that all accounts are reconciled on a monthly or quarterly basis, depending on the statement cycle for the bank or investment.

## **Section 25 – Child Care**

The church shall provide child care as needed for regular church activities. Child care providers will be selected from approved agencies or pre-screened members. A petty cash fund may be established to pay for child care providers. The Office Manager must be notified in advance if child care is needed for a church function. Unrelated or loosely related activities such as the Care and Share Time Bank or Contra Dance must provide for the cost of child care.