**Our Ministry [INSERT MINISTRY NAME]**

Sample to Modify

**Financial Management Policy and Procedure Handbook**

**Last Modified:**  / / .

**NOTE: This policy handbook is provided for reference use only. It does not represent ECFA Standards or best practice recommendations.   
Please consult professional counsel in drafting policies specific to your ministry’s needs**.

This Handbook belongs to Our Ministry. The recipient is responsible for knowing this Handbook’s contents and updates, for safeguarding it, and for returning it to the Chief Financial Officer [or other appropriate officer] upon termination.

Issued to:

Acknowledged by:

Date Received:

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Welcome!

The management, staff, and board welcome you to the ministry team at Our Ministry.

It is a privilege for the entire staff—paid and volunteer—to work together as a team for the LORD.

This Handbook is for staff at all levels of employment and volunteerism in Our Ministry, and it enjoys the unqualified approval of the board. It is designed to acquaint you with Our Ministry and provide you with information about our financial management policies and procedures.

Our Ministry, wanting to model and reflect the teachings of Christ at all times, is committed to the highest standards of ethical, moral, and legal conduct. The board has approved this Handbook to establish policies and procedures intended to ensure proper handling of the ministry’s financial transactions, along with communicating to staff and volunteer its policies and expectations. Depending on your role within the organization, some areas may not be applicable to you. If you have any questions regarding your responsibilities, or need clarification on any material in this Handbook, please contact your immediate supervisor.

You should read, understand, and comply with all provisions of the Handbook. It describes many of your responsibilities as a team member, and violation of these policies is grounds for disciplinary action, up to and including termination of employment or volunteer service.

Please thoroughly familiarize yourself with the contents of this Handbook and help ensure that all of Our Ministry’s financial management policies and procedures are administered as consistently and fairly as possible. Please note, however, that this Handbook and the policies and procedures it contains may be revised by Our Ministry at any time, with or without notice, as the board may determine is in the best interests of Our Ministry. Nothing in this Handbook is intended to create contractual obligations on the part of Our Ministry to any person or entity, nor should it be relied upon for that purpose.

In our work together as a team, our goal is to have a heart for people while we fulfill Jesus’ command:

*“...go and make disciples of all the nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, and teaching them to obey everything I have commanded you. And surely I am with you always, to the very end of the age”* (Matthew 28:19–20 NIV).

God bless you.

[Signed by Chief Financial Officer or appropriate officer]

General Provisions

Handbook Conventions

This Handbook contains the basic financial management policies, practices, and procedures for Our Ministry. It applies to all of Our Ministry’s employees, volunteers, contractors, and consultants, whether full-time, part-time, or temporary. (All such persons are referred to in this Handbook as “team members.”)

As used in this Handbook:

1. The words “shall” or “will” are understood to be mandatory in nature, and the word “may” as permissive in nature;
2. The masculine gender includes the feminine gender; and
3. “Supervisor” means an individual with the authority to assign, direct, and review the work of two or more subordinates.

Chief Financial Officer

The Administrator is Our Ministry’s Chief Financial Officer (CFO) and is responsible for fair and consistent enforcement of Our Ministry’s financial management policies and procedures. The Administrator advises the Treasurer and other staff as directed by the board on all matters concerning financial management. The Administrator provides staff assistance to supervisors and department heads in developing, communicating, and carrying out Our Ministry’s financial management policies and procedures.

Human Resource Records

[Note: Many ministries already have policy manuals that include a statement on personnel records. This section should be conformed to, or made consistent with, any such existing policy, and should be reviewed by qualified counsel to ensure that it conforms to applicable law.]

Our Ministry maintains human resource records for applicants, employees, and past employees to document employment-related decisions, evaluate and assess policies, and comply with government recordkeeping and reporting requirements. Our Ministry strives to balance its need to obtain, use, and retain employment information with each individual’s right to privacy. To this end, it attempts to restrict the human resource information maintained to that which is necessary for the conduct of its ministry operations or which is required by federal, state, or local law.

Each employee’s signed acknowledgment of this Handbook will be kept in their personnel record, along with documentation of any actions taken to enforce this body of policies and procedures.

Employees are responsible to make sure their human resource records are up-to-date and should notify the Human Resource Officer in writing of any changes in at least the following:

1. Name;
2. Address;
3. Telephone number;
4. Number of dependents;
5. Beneficiary designations for any of Our Ministry’s employee benefit plans;
6. Addresses and telephone numbers of dependents and insurance beneficiaries; and
7. Persons to be notified in case of emergency.

Employees may inspect their own human resource records in the presence of the Human Resource Officer and may copy, but not remove, certain documents in the file. Such an inspection must be requested in writing to the Human Resource Officer and will be scheduled at a mutually convenient time during regular office hours. Documents obtained in connection with investigations of a possible criminal offense, ratings, reports, or records that were obtained prior to the employee’s employment, documents prepared by identifiable examination committee members, or documents obtained in connection with a promotional examination may be withheld from the employee’s inspection.

Employees who feel that any file material is incomplete, inaccurate, or irrelevant may submit a written request to the Human Resource Officer that the files be revised accordingly.

Our Ministry Ownership of System Contents

[Note: Many ministries already have policy manuals that include a statement on ownership of information system contents. This section is included here because most financial records may be kept on the ministry’s information systems. This section should be conformed to, or made consistent with, any such existing policy, and should be reviewed by qualified counsel to ensure that it conforms to applicable law.]

All information systems are the property of Our Ministry and are provided to enable users to carry out their duties of employment and volunteerism. All messages sent or received by employees on Our Ministry’s information systems are and shall remain the exclusive property of Our Ministry. To ensure that its systems are dedicated to ministry purposes and are secure, Our Ministry maintains the right to monitor all information systems and their use. Those using Our Ministry systems should not have any expectation of privacy in their use or in anything which is created or maintained on them.

General Financial Management

Financial Integrity

It is Our Ministry’s board policy that all accounting and financial management be done with integrity, fulfilling the command of Jesus, the Light of the World, when he said “let your light shine before men, that they may see your good deeds and praise your Father in heaven” (Matthew 5:16 NIV).

## Whistleblower

Please see the Human Resource Officer for a copy of Our Ministry’s Whistleblower Policy.

Records Retention

Our Ministry has set the Records Retention Policy according to the attached schedule. Records no longer required shall be destroyed, but no records shall be destroyed if they may have an impact on any litigation involving Our Ministry.

Independently Prepared Financial Statements

The board has determined that Our Ministry’s financial records will be [audited, reviewed, or compiled] annually by an independent, licensed CPA. In addition, these statements will be furnished to anyone on written request.

ECFA (Evangelical Council for Financial Accountability)

Because the board has established financial integrity as a top priority, it has adopted ECFA’s Seven Standards of Responsible Stewardship™ (see [ECFA.org/Standards](http://www.ecfa.org/Content/Standards)). Furthermore, the board has decided to seek and maintain ECFA accreditation.

Treasurer

On behalf of the board, the Treasurer is responsible for all of Our Ministry’s financial matters.

Qualifications**:** The Treasurer shall be a member of Our Ministry [IF APPROPRIATE] and have the skill and experience required to oversee Our Ministry’s financial activities. The Treasurer should also show evidence of being a Christian maturing in his faith since he will be dealing with Our Ministry’s staff, board, and sensitive financial areas.

Appointment & Term: The Treasurer will be appointed annually at the start of each fiscal year by the board. The Treasurer will serve a one-year term, but may serve more than one consecutive term.

Reporting Relationship**:** The Treasurer reports directly to the board. Although the Treasurer will have other working relationships within Our Ministry, the position is ultimately responsible to the board. The Treasurer will serve as a resource to the board in financial matters, and should therefore be present at all of the board’s meetings (except when in Executive Session).

Finance Committee Chair**:** The Treasurer is the Chairman of the Finance Committee and, as such, is responsible to lead all Committee meetings. This includes taking initiative for providing agenda items and coordinating the work of the Committee.

Finance Committee

The Finance Committee is responsible to review and approve the budget prepared by the Chief Financial Officer as well as other projects requested by the Treasurer. The Committee will ideally include the Treasurer, the immediate past Treasurer (if available, during the first year after leaving office), the Chief Financial Officer, and [if a church, at least one member of the church at large]. The Committee will meet monthly to review the financial statements prepared by the Chief Financial Officer, or more often if necessary.

Audit Committee

The Audit Committee will be appointed by the board annually and is responsible to:

* oversee the financial reporting process,
* monitor accounting policies and methods,
* monitor internal control processes, and
* oversee the hiring and performance of external auditors.

The Committee will consist of at least three people who have adequate financial expertise.

Finance & Audit Committee Meeting Minutes

Minutes of all meetings must be submitted to the board for review and approval.

Internal Controls

To better protect Our Ministry’s assets and team members, the board has approved internal control minimums as recommended by the Audit Committee (see Appendix for a checklist).

Financial System Security/Access

To protect the confidentiality of Our Ministry and our contributors, all financial records must be safeguarded. The accounting system must be protected with appropriate passwords that are not easy to guess, and all physical records (hard copies of invoices, checks, etc.) must be kept in a secured area. Only authorized individuals should have access to view the accounting system, and only those authorized should be able to make changes to the data in the system.

Bonding of Staff

All individuals working with Our Ministry’s finances will be bonded and will be included on a list given to Our Ministry’s liability insurance carrier.

## Insurance

Our Ministry desires to provide a safe environment for employees, volunteers, and guests alike. Recognizing that accidents may happen, Our Ministry strives to maintain appropriate insurance coverage commensurate with the degree of risk and financial resources of the organization.

*General Liability Insurance* – A commercial liability policy typically covers damage from accidents involving non-employees injured on Our Ministry’s property.

*Workers Compensation Insurance* – A worker’s compensation policy replaces lost wages and covers medical costs to employees injured by workplace accidents.

*Directors and Officers Insurance* – A D&O policy should protect Our Ministry’s board of directors and officers during lawsuits alleging fraud or financial mismanagement by providing defense costs and some damages. The policy should not exclude employment-related claims.

*Other Insurance* – When appropriate or required by law, Our Ministry will also obtain property, auto, product liability, unemployment, and/or professional liability insurance.

Embezzlement

Our Ministry’s policy is to investigate all suspicions of embezzlement. If evidence is found supporting the suspicion of embezzlement by any individual or individuals, that information will be turned over to local law enforcement and to Our Ministry’s insurance carrier. The board is to be made aware as soon as possible of any suspicion of embezzlement.

Fiscal Year

Our Ministry’s fiscal year runs from January 1st through December 31st [OR INSERT OTHER FISCAL YEAR].

Accounting Method

Internal financial statements may be presented on a modified cash basis to help in leadership’s decision-making processes. Modified cash means that most receipts and expenses will be processed on a cash basis. Payroll and receivables, however, will be processed on an accrual basis.

Our Ministry requires year-end audited financial statements to be presented in accordance with GAAP. Audit adjustments must be made annually to bring the audited financial records into accrual basis.

Financial Statements

Our Ministry’s financial statements are to simply and effectively communicate Our Ministry’s financial position to staff, donors, and others as may be appropriate.

*Timeliness* –Our Ministry’s financial statements should be completed and distributed by the fifteenth of the following month or sooner if possible. When extenuating circumstances occur (such as short staffing due to vacation or turnover), this policy may be temporarily modified for one month at a time by the Treasurer and ratified by the board.

*Required Report* – Minimally, Our Ministry’s financial reports will include:

* Statement of financial position (balance sheet) showing the current period with prior year comparison, and
* Budget variance report showing the current period and year-to-date budget performance.

These reports, when presented to the board, should be presented with a summary statement cover sheet that includes remarks on significant budget variances, cash position, and overall financial health of the ministry.

*Functional Allocation* –General and administrative expenses will be allocated to major programs based on reasonable allocation methods approved by the Treasurer. The basis may be a percentage of total time (salaries), usage, square footage (building use expenses), etc.

*Distribution* –Our Ministry’s financial statements should be distributed to—

* The Finance Committee and the board as a whole, and
* Department heads reflecting only their areas of budgetary responsibility.

Government Tax Requirements

Our board policy is to obey Jesus’ mandate in Matthew 22:21 in which He said that we are to “give to Caesar what is Caesar’s.” At the same time, the board wants to minimize the taxes governmental authorities require of Our Ministry.

*Payroll Tax* – All payroll tax deposits will be made according to the schedule set by each appropriate government agency.

*Garnishments* – All garnishments shall be withheld from employee wages and remitted to the appropriate state agency according to the garnishment order subject to federal and state garnishment limits.

*Unrelated Business Income Tax (UBIT) –* Our Ministry will file IRS Form 990-T whenever required, and any state or locally required forms when unrelated business gross income is received above the reporting threshold.

*Property Tax –* All property taxes levied will be paid in a timely fashion. Properties owned and/or used by Our Ministry should be removed from the property tax roles through appropriate authorities and processes whenever permitted.

*Sales/Use Tax –* Sales and use taxes should be paid in accordance with appropriate state and local regulations in a timely fashion.

Cash Management

Petty Cash

The purpose of petty cash is to satisfy those situations where there is an immediate need for cash due to timing or vendor policies. Our Ministry’s preferred method of payment is always following our disbursements policies. Petty cash may not be used for loans to team members or for personal use.

*Petty Cash Balance –* Only one petty cash fund of $250 is authorized for the organization. [Note: This amount should be set to the approximate amount needed in any given month.]

*Procedures –* The Chief Financial Officer will identify an individual to be the custodian responsible for the petty cash fund. This custodian must submit Petty Cash Log & Reconciliation forms to the Chief Financial Officer at least monthly.

*Disbursements –* All disbursements must include a receipt or signed cash-advance voucher. These must document the recipient of the petty cash funds (individual and/or organization), the amount and date of the transaction, the ministry purpose for which the funds were spent, and the recipient’s signature.

*Replenishment –* The petty cash fund will be replenished during the month-end reconciliation. The fund can be replenished more often if needed, and each replenishment must include a Petty Cash Log & Reconciliation form.

Check Cashing

Our Ministry is not to serve as a check-cashing resource for any staff, volunteers, members, constituency, or others.

Ministry-Provided Credit Cards

In certain cases, Our Ministry may provide a team member with a ministry credit card. The team member must provide receipts for each expenditure with a written purpose of the expenditure on the receipt. Expenditures must have the prior approval of the team member’s supervisor. Receipts must be turned in to the Chief Financial Officer or his designee within one week of the expenditure unless other arrangements have been made in advance. Personal charges are prohibited on any Our Ministry charge accounts. Any non-ministry or unauthorized expenses will be the team member’s personal responsibility.

Activity, Event, & Retreat Cash Advances

Activity, event, and retreat cash advances must be approved by the requestor’s supervisor, and must be accounted for according to Our Ministry’s Accountable Reimbursement Plan.

Bank Accounts

*Establishing New Checking Accounts –* The board’s preference is to manage as few checking accounts as possible—preferably only one. The board has authorized the Treasurer to determine the number and type of cash management accounts necessary to support Our Ministry’s cash management needs. All bank and investment accounts must be recorded on Our Ministry’s financial statements and be reconciled monthly.

*Designation of Authorized Check Signatures –* The Finance Committee will recommend to the board persons authorized to sign checks for each account held. Those authorized will generally include the Chief Financial Officer and two or more other members of the Finance Committee. Those prohibited from being authorized check signers include the [CEO, Senior Pastor, or other top leader] and any others (not including the Chief Financial Officer) who have access to the general ledger.

*Check Signer Responsibilities –* Check signers, prior to signing, are to verify that expenditures are appropriate. This is measured by asking the following five questions (a “yes” response is required to each):

1. Is the check request signed by the person responsible for the general ledger expense account being charged?
2. Is there supporting documentation, such as an invoice?
3. Is the expenditure reasonable, both as to amount and items being purchased?
4. Is the request for the expense account being charged within its approved budget?
5. Is there sufficient cash on hand to cover the expenditure and still meet Our Ministry’s other fixed obligations?

Cash Reserves

Though the board would prefer to have at least one quarter of annual operating expenses and all designated funds in reserve, it has determined that the *minimum* cash reserve level is one twelfth of annual operating expenses and all designated funds. board approval is required before allowing reserves to fall below this minimum.

Investments

The Chief Financial Officer will manage Our Ministry’s funds so as to maximize earnings within a conservative cash environment. When cash reserves exceed twice the preferred amount specified in the Cash Reserves policy, the Treasurer may invest those funds in medium risk investments to yield higher returns.

Long-Term Debt

Unless otherwise specified in Our Ministry’s founding documents (Articles of Incorporation, Constitution, or Bylaws) all notes and leases must be approved by the Finance Committee.

Net Assets/Restricted Gifts

Net assets are the not-for-profit organization accounting term for equity. Net assets are the difference between the assets and liabilities. Not-for-profit organizations report three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Temporarily and permanently restricted net assets are stated based on the existence of donor-imposed restrictions.

Permanently Restricted Net Assets/Gifts

Permanently restricted gifts, such as endowments, whose equity can never be spent may only be accepted with the prior approval of the board. At that time, the board will determine whether the donor’s designated purpose for the gift is in agreement with Our Ministry’s mission and purpose, and if accepted, how the gift will be managed.

Temporarily Restricted Net Assets/Gifts

Temporarily restricted gifts— those given with a specific purpose restriction or duration— may only be accepted for designations established by Our Ministry’s board. Gifts given for purposes that the board has not established must be handled in the following manner:

1. The gift must not be deposited, but rather be held for action by the Chief Financial Officer.
2. The Chief Financial Officer will contact the donor in a timely manner and ask the donor if they—
   1. would be willing to designate the gift for an already-established restricted or unrestricted purpose, or
   2. want the gift returned.

If the donor insists on restricting the gift for an unapproved purpose, the donor may elect to have it returned to them or be presented to the board for a final determination.

The temporarily restricted purposes the board has approved are:

* [NAME FUND 1]
* [NAME FUND 2, etc.]

Board-Designated Net Assets

When the board chooses to designate amounts from unrestricted net assets for purposes such as building repair reserves, etc., these will be categorized in the Unrestricted Net Assets section of the financial statements under the heading: Board Designated.

Annual Budget

The board has determined that an annual budget is required to help Our Ministry achieve its mission and goals and to achieve the best possible stewardship. The budgeting process will help ensure that each expenditure is driving Our Ministry closer to its targeted goals and accomplishing its mission.

Timing & Oversight

The Chief Financial Officer is responsible to

* meet with team members to discuss budget goals and procedures at least annually,
* meet with the Finance Committee to prepare a fair and balanced budget for presentation to the board,
* communicate any changes in the proposed budget to team members, and
* monitor and report on budget performance throughout the year.

The budget process for the next fiscal year is to begin three months prior to the end of the current fiscal year and should be completed by the end of the eleventh month of the current fiscal year [insert other timeframe as appropriate].

Process

Each year the budget should be approached freshly, as though this was Our Ministry’s first year. This will help avoid continuing programs and activities that do not help the ministry achieve its goals or fulfill its mission. The budget process is as follows:

1. Each person responsible for a ministry program shall prepare a Budget Worksheet detailing each income and expense in their ministry area—including events and activities—and the month it should occur. Each expense should be justified with respect to Our Ministry’s mission, stating it was done previously will not be considered acceptable justification. The Budget Worksheet should be submitted to the appropriate supervisor with documentation for approval.
2. Once the Budget Worksheet has been approved, the department head will prepare a Departmental Budget Summary for his entire department for presentation to the Chief Financial Officer.
3. The Chief Financial Officer will then prepare a budget based on all Departmental Budget Summaries for presentation to the Finance Committee.

Activities, Events, & Retreats

All activities, events, and retreats are to be self-funding unless agreed to in advance through the budget process. This means budgeting realistic income as well as expenses for each event, and tracking income and expenses separately in the general ledger (versus tracking the net).

Income

Contributions & Gift Handling

When receiving and handling cash contributions:

1. There should be a minimum of two people pre-approved by the Chief Financial Officer with the contributions and gifts at all times.
2. The contributions and gifts need to be counted in a secure area.
3. Counter teams should be rotated, avoiding pairing up the same partners and ensuring the same people count on different weeks of the month.
4. The Contribution/Receipts Log and Deposit Form should be completed in ink and signed by each counter present.
5. The cash portion should be deposited right away to minimize the risk of loss, and the check portion should be deposited as soon as possible to allow them to be used in the posting process.
6. Cash received should never be used to cash checks or pay for expenses, but should, instead, be deposited in full.

In addition, the following policies apply to the handling of received income:

1. Income should not be stored in any portion of Our Ministry’s premises other than the safe.
2. The secure area where funds are counted and prepared for deposit must remain locked during that process. Church staff is not allowed to access the room until the process is complete.
3. All of the income received through any process (contributions, fees, registrations, sales, etc.) should be sealed with supporting documentation (deposit forms, etc.) in an appropriate pouch and delivered to the Accounting Office.

**Transportation of Deposits**

To protect Our Ministry’s staff and volunteers, contributions must be handled in the following manner:

1. Anytime money is being transferred, whether on-site or off-site, a minimum of two people should be involved.
2. If deposits are made without benefit of an armored car, the procedures are:
   1. The deposit will be placed in a common container that doesn’t allow others to see its contents.
   2. The process will always involve two cars.
   3. The deposit time and the route taken should vary from week-to-week.
   4. Both drivers will leave the church together, one behind the other.
   5. The depositor is to drive in the first of the two cars, and must have a working cellular phone.
   6. The second car will follow the depositor’s car for security purposes, and the second car must have a working cellular phone.
   7. Both drivers should have each other’s phone number programmed into their phone.
   8. Both drivers will enter the bank together (or remain together while the deposit is being made).

Noncash Gifts (Gifts-in-Kind)

All noncash gifts (gifts-in-kind) must be approved in accordance with our Gift Acceptance Policy before Our Ministry accepts them.

When noncash gifts are received, they are to be acknowledged in writing, but never assigned a value in the acknowledgement. An approximate value should be obtained for internal accounting purposes. If a noncash gift is given to Our Ministry with an assessed value above $5,000 (excluding publicly traded securities), the Chief Financial Officer will complete Part IV of Section B on IRS Form 8283 for the donor. If Our Ministry disposes of any gift for which an 8283 was issued within three years of the contribution date, the Chief Financial Officer will complete IRS Form 8282 and send it to the IRS and to the donor. A record should be kept of all noncash gifts received and their disposition.

Stock Gifts

When Our Ministry is given stocks or bonds, they must be in Our Ministry’s name before Our Ministry will receive them. Our Ministry’s broker will then be directed to sell the stocks or bonds on the next trading day.

Pledges

Because pledges can have accounting implications based on their wording, all materials referring to pledges must be reviewed by Our Ministry’s CPA prior to being disseminated.

Vehicles

Our Ministry is willing to accept donated vehicles if they have a free and clear title. Arrangements for receiving vehicle donations must be made with the Chief Financial Officer in advance.

Gift Acceptance Policy

The board has adopted a Gift Acceptance Policy, identifying the types of gifts Our Ministry will accept and what restrictions will be allowed. A copy of the policy may be obtained from the Chief Financial Officer and all employees are responsible to understand and follow.

Real Estate

Gifts of real estate can carry with them hidden costs, of which even the donor may not be aware. Our Ministry does not normally accept gifts of real estate. Rather, we encourage the donor to sell the property and make a gift of the net proceeds.

Statements & Receipts

Due to federal regulations, Our Ministry acknowledges in writing all gifts received. In addition, we will send at least semi-annual giving summaries to help our donors manage their intended donation strategy. All receipts and statements for the previous year will be sent by January 31st.

Contributions Received on Business Checks

Gifts received on business checks of any kind are to be credited to the business and never to an individual.

Checks Received for Non-Exempt Purposes

Fees paid for weddings, funerals, registrations, etc. in which the person paying the fee received a benefit— directly or indirectly—are not tax-deductible and will not be included on contribution statements. Events in which a portion of the amount received is a tax-deductible contribution will be stated as such in advance, and the donor’s contribution statement will only state the deductible amount as such.

Fundraising/Donor Development

Any onsite sales or fundraising appeals require the prior approval of \_\_\_\_\_\_\_\_. These requests will only be considered for projects, organizations, or individuals sponsored or supported by Our Ministry or an accredited member of ECFA (Evangelical Council for Financial Accountability).

Our Ministry List Privacy

Our Ministry lists will not be given, rented, or sold to any outside individual or organization. Any activity by outside individuals or organizations that we discover using an Our Ministry list will be responded to in writing by the Chief Financial Officer requesting they stop using our list entirely and demonstrate proof they have done so.

ECFA’s Donor’s Bill of Rights

The board has established integrity, financial and otherwise, as a top priority. As such, we endorse and subscribe to ECFA’s Donor’s Bill of Rights, in which they advise donors:

When you give, be sure your selected charity employs standards and policies that assure you of a “bill of rights” as a donor. You have the right to:

* Know how the funds of an organization are being spent.
* Know what the programs you support are accomplishing.
* Know that the organization complies with federal, state, and municipal laws.
* Restrict or designate your gifts to a particular project within the organization’s mission objectives.
* A timely and courteous response to your inquiries about finances and programs.
* Visit office and program sites of an organization to talk personally with the staff.
* Give cheerfully without being pressured by the organization.
* Obtain a copy of the organization’s most recent audited, reviewed, or compiled financial statements.
* Know that there is a responsible governing board providing oversight to the organization’s mission.
* Know that all appeals for funds are truthful and accurate.

Good charities willingly answer tough questions. Before you give to any charity, ask these questions. Worthy nonprofit organizations recognize they are recipients of the public trust and are willing and prepared to supply the answers.

* Does the organization have a clear and strong commitment to a certain mission objective?
* Is there an independent board that oversees the organization’s operations and accepts responsibility for its activities?
* Are the organization’s financial records annually audited, reviewed, or compiled by independent certified public accountants?
* Does the organization practice financial disclosure?
* Can anyone receive a copy of the ministry’s most recent audited, reviewed, or compiled financial statements upon written request?
* Can donors obtain financial and other information about any program they have supported?
* How does the organization avoid conflicts of interest?
* What are the guidelines and standards for fundraising?
* Is there a review procedure to assure compliance with fundraising standards and guidelines?

Because of Our Ministry’s commitment to integrity, we expect all communications to graciously comply with the spirit and intent of the Donor’s Bill of Rights. Any questions regarding compliance with such communications should be directed to the Chief Financial Officer.

Compensation for Fundraising

Our Ministry will not compensate employees or outside consultants for fundraising efforts on a percentage basis.

Sales and Related Inventories

Any department that wants to sell items needs to have the prior approval of the Chief Financial Officer. The kinds of issues that must be addressed are collection of sales taxes (where required by state and/or local laws) and procedures for tracking sales and purchases (see Sales Log, Monthly Perpetual Sales Inventory Log, and Physical Inventory Count forms). A complete physical inventory must be completed at least annually and reconciled to the general ledger.

Rental Income

Our Ministry may allow the use of its properties, facilities, and equipment for groups or special events when in agreement with our stated purpose, mission, or Our Ministry’s zoning use permit. Fees will be charged on a case-by-case basis managed by the Chief Financial Officer. Any group or individual using Our Ministry’s properties, facilities, or equipment is responsible for scheduling the setup and cleanup for the event unless other arrangements were made in advance. Damages and/or breakages incurred must be reimbursed by the group or individual using the property, facility, or equipment.

*Property & Facility Use Fees –* Unrelated business income tax (UBIT) and property tax regulations, if applicable, will be considered when setting property and facility use fees.

*Events (Weddings, Funerals, etc.*) – All fees, including facility and equipment use fees, honorariums, and reimbursements, must flow through Our Ministry’s financial records. Honorariums will be passed on to affected team members through the payroll process.

Disbursements

Accounts Payable

*Check-Processing Schedule –* Accounts payable checks will be processed once each week according to a regular schedule. To facilitate accounts payable work flow, completed check request forms should be submitted to the proper location throughout the week, and no later than noon the day before the scheduled check run. Although strongly discouraged, exceptions to this policy, if approved, must have the requestor’s supervisor’s signature on the check request form authorizing the off-schedule payment.

*Vendor Forms W-9 –* Completed Forms W-9 (available for download at [www.irs.gov](http://www.irs.gov)) will be required from all vendors, independent contractors, and honorarium recipients. Payments cannot be made until a completed Form W-9 is on file in Our Ministry’s vendor file. [Note: Check with your state to determine if any additional forms are required before disbursing funds.]

*Vendor-Specified Terms –* The board, wanting to protect the name and reputation of Christ’s work on Earth, expects all invoices to arrive at the invoicing vendor’s remittance address no later than the vendor’s due date whenever possible. Our Ministry’s policy is to pay invoices by their due date, as stated, but not immediately upon receipt unless that is the only way to satisfy the vendor’s terms. If, for some reason, satisfying the vendor’s terms is not possible, the Treasurer should be notified and should make alternative arrangements with the vendor.

*Required Documentation –* All Check Request forms must be signed by the authorized person responsible for the expense being charged. In addition, the check request must have supporting documentation such as an invoice, receipt, or other written document. The accounts payable person, at the time checks are processed, must stamp the supporting documentation as “Paid” and also complete the check information on the check request form.

Payroll

*Ministerial Compensation Issues –* Our Ministry’s ministers are employees and receive IRS Form W-2. Under the law, ministers are self-employed for Social Security and Medicare tax purposes, and therefore, Social Security and Medicare taxes are never to be withheld from ministers’ paychecks. Ministers are required to pay quarterly tax estimates to the IRS directly. Our Ministry is not required to withhold Federal Income Tax Withholding (FWT) for ministers, but ministers can elect to have FWT withheld and sent in to the IRS on their behalf. To relieve Our Ministry’s ministers from having to file quarterly estimates, they may elect to have FWT withheld from their paychecks along with an additional amount that covers what they believe will be their Social Security and Medicare tax liability.

*Ministers’ Housing Allowance* – The IRS allows ministries to designate a portion of its ministers’ salary as housing allowance, which is free from income tax. Each year the minister must submit an updated Housing Allowance Request Form. This form should be turned in to their supervisor by November 1st for the following calendar year. The board will review and approve (if appropriate) the housing allowance during the last board meeting of the year for the next tax year. If a minister’s housing expenses change during the year, he may submit a new Housing Allowance Request Form for approval. Housing allowances and/or changes may not be retroactively applied. The amended housing allowance amount will be effective at the time it is approved by the board. The amount of compensation allocated to a housing allowance is exempt from income tax; however, it is subject to self-employment taxes (unless in the rare case the minister has filed Form 4029 with the IRS). It is the minister’s responsibility to calculate the actual housing allowance exemption when preparing their personal income tax return.

*Pay Periods –* Our Ministry pays employees by check or direct deposit on a regular basis and in a manner so that the amount, method, and timing of such payments comply with any applicable laws or regulations. All employees are normally paid on the fifteenth and the last day of the month. If the regular payday occurs on a Saturday, Sunday, or holiday, employees will be paid on the last working day prior to the regular payday.

*Timesheets*

[Note: Many ministries already have policy manuals that include a statement on personnel records. This section should be conformed to, or made consistent with, any such existing policy, and should be reviewed by qualified counsel to ensure that it conforms to applicable law.]

All nonexempt employees (so identified by the Human Resource Officer) are required to complete an individual time record showing the daily hours worked. Time records cover one workweek and must be completed contemporaneously throughout each workday. Because time records are legal documents, their falsification can result in discipline, up to and including termination. The following should be considered in filling out time records:

1. Employees must record their starting time, time out for lunch, time in from lunch, quitting time, and total hours worked for each workday;
2. Employees are not permitted to sign in or commence work before their normal starting time or to sign out or stop work after their normal quitting time without the prior approval of their supervisor;
3. Employees are required to take lunch and/or meal breaks when appropriate;
4. Employees are required to sign each time sheet certifying that it is complete and includes all time worked for the ministry.
5. Employee time records will be checked and signed by the supervisor involved. Unworked time for which an employee is entitled to be paid (paid absences, paid holidays, or paid vacation time) should be entered by the supervisor on the time record. Authorized overtime should also be identified by the supervisor, and prior approval for overtime must be given by the Human Resource Officer.

Exempt employees (so identified by the Human Resource Officer) are not required to fill out hourly time records but must account for daily attendance. In addition, exempt employees will not normally receive overtime compensation.

*Reporting*

It is the CFO’s responsibility to ensure that all government-required forms are accurately completed and submitted to the proper governmental authorities by their required due dates. It is also the CFO’s responsibility to ensure that all payroll taxes are transferred to the appropriate authorities by their required due dates.

*Employee Payroll Advances*

Employee payroll advances are not encouraged. When an employee has an urgent need, advances must be approved by the employee’s supervisor and submitted to the CFO for consideration. If the CFO approves the advance, the advance must be fully repaid by the next normally scheduled payday, whether paid by the employee or withheld from the paycheck.

*Accrued Vacation*

Unused accrued vacation will be calculated annually and recorded in the Liability section of the Statement of Financial Position (Balance Sheet).

Gift Cards

Our Ministry does not give gift cards to employees or to volunteers since all recipients must have the grossed-up gift card value reported on Form W-2. Doing so for volunteers may legally turn them into employees.

Employee Expense Reimbursements

*Accountable Reimbursement Plan*

Our Ministry has adopted an accountable expense reimbursement policy pursuant to Treasury Regulations § 1.162-17 and § 1.274-5T(f). This policy makes it legally possible for Our Ministry to reimburse legitimate approved expenses to employees without having to show the expenses as taxable income. The following are the terms of our accountable reimbursement policy:

1. Our Ministry employees will be reimbursed for ordinary and necessary business and professional expenses incurred on Our Ministry’s behalf, if the following conditions are satisfied:
   1. the expenses are reasonable in amount;
   2. the employee documents the amount, time and place, business purpose, and business relationship of each person or persons entertained with the same kind of documentary evidence that would be required to support a deduction of the expense on the employee’s tax return (receipts are required; oral or employee-written statements will not qualify);
   3. the employee documents such expenses at least monthly by submitting a Monthly Expense Reimbursement Request form that has supporting documentation attached— an expense will not be reimbursed if submitted more than sixty (60) days after the expense is paid or incurred by the employee.
2. Reimbursements will be paid out of Our Ministry funds, and not by reducing compensation by the amount of the reimbursements.
3. Reimbursable and professional expenses may include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, vestments, and professional dues.
4. Our Ministry will not include as taxable income any business or professional expense reimbursement properly substantiated and reimbursed according to this policy, and the employee should not claim the amount as business expense on his tax return.
5. Any advance or reimbursement by Our Ministry that exceeds the amount of business or professional expenses properly accounted for by an employee according to this policy must be returned to Our Ministry within 120 days after the associated expenses are paid or incurred by the employee, and will not be retained by the employee.
6. Under no circumstances will Our Ministry reimburse an employee for business or professional expenses incurred on its behalf that are not properly substantiated according to this policy.
7. All receipts and other documentation from an employee to substantiate reimbursed expenses under this policy will be retained by Our Ministry.

*Automobile Usage*

All vehicle-related expenses (gas, repairs, insurance, etc.) for corporate vehicles will be paid by the organization. However, employees are expected to exercise care in ensuring required maintenance is performed on the vehicle and to notify a supervisor if the vehicle is damaged, defective, or in need of repair.

A contemporaneous log will be maintained for any non-business use of the vehicle. At the end of each calendar year, the ministry will determine the value of the non-business miles, and this value will be added to the Form W-2 compensation of employees driving corporate vehicles for personal use.

It is **prohibited** to operate a corporate vehicle if you are:

* under the influence of **any** alcohol, illegal drugs, or legal drugs which may adversely affect your ability to safely operate a motor vehicle;
* medically required to stop operating a motor vehicle; or
* not currently licensed by a state in the United States (or a country/territory, with which the United States has reciprocity with) to operate a motor vehicle

**I understand that Our Ministry will not be liable for any accidents while the vehicle is being used or parked for personal use.**

**x\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**I understand that I am personally liable for any traffic and parking tickets as well as any other moving violations under the applicable motor vehicle laws. This includes any violations in the organization’s name over which the employee had control, including but not limited to, current registration and proof of insurance.**

**x\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

IMPORTANT

I have *thoroughly* read the above policy, understand it, and agree to follow it.

Printed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Dated: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Benevolent Financial Assistance

[Note: The Financial Assistance Request Form mentioned in this policy is not provided due to the myriad variables different ministries may/may not require.]

Any requests for financial assistance require the completion of the Financial Assistance Request Form. The completed form must be accompanied by government-issued photo identification. If the request cannot be met by giving a gift card (for a meal, groceries, gas, etc.), it must be submitted to the Benevolence Oversight Team for review. If approved, financial assistance will always be in the form of goods, services or direct payments to utility companies, for example. Cash will never be given in response to a request for financial assistance.

Fixed Assets

Inventory

A listing of fixed assets will be maintained by the CFO that includes all assets purchased with a cost equal to or greater than the capitalization level (see the following Capitalization policy). A listing of assets that are portable and do not meet the capitalization level will also be inventoried annually (for example, notebook computers, cameras, cell phones, and instruments). All items in either list should be identified as belonging to Our Ministry with an individually numbered inventory tag. A physical inventory of these items should be taken annually by a person outside of the accounting department and independent of those having custody of the equipment. The physical inventory schedule should be reconciled, signed, and dated by the person taking the inventory and by the CFO.

Capitalization

Our Ministry’s capitalization level is $1,000 (insert appropriate amount). To facilitate the budget process, it is Our Ministry’s policy to expense departmental capital purchases throughout the fiscal year, and then to reclassify them during the year-end general ledger review to the Fixed Asset section of the statement of financial position (balance sheet). Depreciation should, following the year-end reclassification, be posted monthly in subsequent years.

Depreciation

All assets will be depreciated monthly using the straight-line method over the asset’s useful life based on the following schedule:

* 5 years – Vehicles, computers and peripheral equipment, office machinery, and appliances
* 10 years – Office furniture and fixtures
* 15 years – Land improvements
* 30 years – Residential buildings and improvements that extend the life of the asset
* 40 years – Non-residential buildings and improvements that extend the life of the asset

Land is not depreciated.

Retirement

When an Our Ministry asset is about to be retired, it will donated to another ministry or be communicated to all staff through a method chosen by the CFO so that interested employees may bid on purchasing the item. If the winning auction bid is less than the fair market value of the item, the difference will be added to the employee’s W-2 as noncash compensation. All such purchases are without any written or implied warranties as to usefulness, safety, or any other expectation.

Appendix: Forms

**Internal Control and Internal Audit Checklist**

**Financial statements**

❑ Are monthly financial statements prepared on a timely basis and submitted to the ministry’s board?

❑ Do the financial statements include all funds (unrestricted, temporarily restricted, and permanently restricted)?

❑ Do the financial statements include a statement of financial position and statement of activity?

❑ Do the financial statements provide sufficient explanatory notes to provide context for financial data?

❑ Are account balances in the financial records reconciled with amounts presented in financial reports?

**Guidelines for handling digital offerings**

While thefts of physical offerings are tragic, usually only the cash is lost because it is so difficult for a thief to deposit checks made out to the ministry.

But with digital gifts, there is no challenge of checks to cash—it is as simple as redirecting the flow of the digital funds and covering up the missing funds.

Gifts are flooding in through ministry’s websites and other portals, as givers use debit and credit cards, ACH (Automated Clearing House) debits to their bank accounts, electronic checks, charges to their cellular accounts, and even virtual currency, using a variety of devices, including their computers, tablets, and smart phones as well as church giving kiosks.

To understand how to prevent your ministry from being a victim of digital theft, you must first understand the basics of how electronic giving is set up. There are three basic elements in establishing digital giving:

**1. Giving platform.** Typically, the ministry collects credit card information and, depending on the way it’s designed, the bank account information through an online giving platform such as GivingKiosk, PushPay, and SecureGive.

To ensure your giving platform is secure, look for SSL (Secure Sockets Layer) encryption, which establishes an encrypted link, allowing data to be transmitted securely between browsers and web servers (you’ll know if you see “https” in the web address instead of just “http”).

**2. Payment processor.** The giving platform is in between the giver and the payment processor (also called the merchant account provider), which processes the gift and delivers it to the ministry’s financial institution. It is usually a third-party service using a system of computer processes to receive, verify, and accept or decline credit card transactions on behalf of the ministry through secure Internet connections.

**3. Giver management system.** While some giving platforms have the option of processing giving records, most churches host giving records on their own IT systems, which may or may not easily integrate with a giving platform.

Strong internal controls for digital giving include:

❑ **Building a strong, multi-person payment processor relationship.** Digital giving involves interaction with at least one outside vendor—the payment processor. Who should have the initial and ongoing interaction with this and other vendors in the digital giving process?

While one person must initially establish an account with each payment processor, multiple staff should verify the initial set-up, including a high-ranking ministry staffer.

❑ **Limit authorized changes to payment processor accounts.** After initially establishing a payment processor relationship, changes to the account routing number should be limited to high-ranking ministry staff, none of whom participate in the reconciliation of digital funds or have access to the giver management system.

❑ **Set notifications to come any time changes are made to payment processor accounts.** Each payment processor should be requested to immediately notify a high-ranking ministry leader of any change to the bank routing information.

❑ **Verify that the payment processor has internal controls in place.** How do you evaluate the quality of the internal controls employed by your payment-processing vendors? Only by insisting it has a SSAE 16 Type 2 report issued by an independent auditing firm covering its internal controls.

❑ **Require regular payment processor transaction reports.** All payment processor transaction monthly reports should be received by a high-ranking ministry leader, in addition to a staff member more directly involved with the transactions. Use the reports to confirm the proper routing number was used.

❑ **Reconcile digital giving accounts regularly.** A high-ranking ministry official should begin each examination of digital gifts with the following reconciliations:

✓ Bank accounts to payment processor transaction reports. This reconciliation ensures that all digital gifts were deposited in the appropriate bank account.

✓ Giving records to payment processor transaction reports. This reconciliation verifies that all digital gifts are recorded in the giver management system (this is in addition to verifying that all non-digital gifts are recorded).

✓ Giving records to bank accounts. This reconciliation verifies that all digital gifts deposited into bank accounts are reflected in the giving records.

**Guidelines for Handling Physical Church Offerings**

❑ **Adopt policies to prevent problems.** Written policies are the ounce of prevention that could avoid serious problems at your ministry. Adopt a series of detailed policies that outline the procedures to be followed from the time the money is received in the mail or delivered to the ministry—until the money is deposited in the bank.

❑ **Make accountability and confidentiality dual goals.** Too many ministries focus so much on confidentiality that accountability takes too low a priority. True, some confidentiality is sacrificed when good accountability exists. But the ministry that does not balance confidentiality and accountability is treading on dangerous ground.

❑ **Use confidentiality statements.** Counters should sign a written statement of confidentiality before participating in the counting process. If the commitment of confidentiality is broken, the individual(s) should be removed from the team of counters.

❑ **Always follow the principle of two.** When a ministry leaves the offering in control of a single person—even for a short time period—before the count has been recorded or has been dropped at the bank, it is a blatant invitation for problems. When sole access to incoming funds is allowed, most people will not take any money. However, for some the temptation may be too great.

❑ **Use a secure area for counting.** For safety of the counting team, confidentiality, and avoidance of interruptions, provide a secure area in which the offering can be counted. (When offerings are significant, consider providing armed security when offerings are transported to the bank.) The counters should have an adding machine, coin wrappers, offering tally sheets, and other supplies. The adding machine should have a tape (instead of a paperless calculator) so the counting team can run two matching adding machine tapes of the incoming funds.

❑ **Deposit all funds intact.** Incoming funds should always be counted and deposited intact. Depositing intact means not allowing cash to be used for the payment of ministry expenses or to be exchanged for other cash or a check.

If funds are not deposited intact, an unidentified variance between the count and the deposit could occur. Additionally, if an individual is permitted to cash a check from incoming funds, the ministry may inadvertently provide the person with a canceled check that could be used in claiming a charitable tax deduction.

❑ **Properly identify donor-restricted funds.** All donor restrictions should be carefully preserved during the counting process. These restrictions can take the form of an instruction attached to a check or simply a notation on the check.

❑ **Place offerings in a secure location when they are stored in the ministry.** If funds are stored at the ministry, even for short periods of time, the use of a secure location is important. A safe implies security, while an unlocked desk drawer connotes lack of security. But defining security is often not that easy.

Follow these steps:

✓ Use a safe with two locks.

✓ Members of the same family should not transport the offering to the safe or open the safe at the same time.

✓ Require two individuals to open the safe, one with the key and the other with the combination.

✓ No one is permitted to have both the combination and the key to the safe.

✓ After placing funds in the safe, each individual must sign the safe opening log (names, date, time of opening).

❑ **Use proper controls when dropping uncounted funds at the bank.** If your ministry drops uncounted funds at the bank, several key principles should be followed:

✓ All individuals transporting funds should have a current background check on file (updated within the last two years).

✓ The funds should be placed in locked bank bags with careful control of the number of persons who have keys to the bags.

✓ Two individuals should transport the funds to the bank.

✓ Two people should pick up the funds from the bank on the next business day, count the funds, and make the deposit.

❑ **Segregate duties when recording individual contributions.** Someone other than a member of the counting team should record individual gifts in donor records. This segregation of duties reduces the possibility of misappropriation of gifts.

➢ **General**

◻ Are cash handling procedures in writing?

◻ Has the bank been notified to never cash checks payable to the church?

◻ Are procedures established to care for contributions delivered or mailed during the week and on weekends?

◻ Are all checks stamped with a restrictive endorsement stamp immediately?

◻ Are money counters rotated so the same people are not handling the funds at all times?

◻ Are donor-restricted funds properly identified during the process of counting contributions?

➢ **Depositing of funds**

◻ Are all funds promptly deposited? Are receipt records compared with bank deposits?

◻ Are all contributions deposited intact? Contribution monies should not be used to pay cash expenses.

➢ **Restricted funds**

◻ Are donations for restricted purposes properly recorded in the accounting records?

◻ Are restricted funds held for the intended purpose(s) and not spent on operating needs?

**Donation records/receipting**

❑ Are individual donor records kept as a basis to provide donor acknowledgments for all cash contributions and all other single contributions of $250 or more?

❑ If no goods or services (other than intangible religious benefits) were provided in exchange for a gift, does the receipt include a statement to this effect?

❑ If goods or services (other than intangible religious benefits) were provided in exchange for a gift, does the receipt

◻ inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of the amount of any money and the value of any property contributed by the donor over the value of the goods and services provided by the church, and

◻ provide the donor with a good-faith estimate of the value of such goods and services?

❑ Are the donations reconciled from the weekly contribution counting sheets to the donor records for a selected time period?

**Cash disbursements**

❑ Are all disbursements paid by check or electronic payment (except for minor expenditures paid through the petty cash fund)?

❑ Is written documentation available to support all disbursements?

❑ Is there an accountable reimbursement plan for expenses?

◻ Do employees report and substantiate expenses within 60 days of incurring the expense?

◻ Does the substantiation include original receipts and documentation of the time, place, amount, and purpose of expenditure?

❑ Is a petty cash fund used for disbursements of small amounts? If so, is the fund periodically reconciled and replenished based on proper documentation of the cash expenditures?

❑ If a petty cash fund is used, are vouchers prepared for each disbursement from the fund?

❑ Are prenumbered checks used? Account for all the check numbers, including voided checks.

❑ Are blank checks ever signed in advance? This should never be done.

◻ If electronic payment is used, is there a separation of duties between preparing the payments and releasing the payment?

◻ Is the ministry using protection services offered by their bank such as check verification, transaction limits, and ACH filters where the bank will only honor ACH payments to vendors approved in advance?

**Information reporting**

❑ Has the ministry filed Form 990 or received written confirmation that it is exempt from the Form 990 filing requirement?

❑ Has the ministry filed Form 990-T for gross unrelated business income over $1,000 per fiscal year, if required?

❑ Were payments made to recipients (other than corporations) of at least $10 in royalties or at least $600 in rents, payments for services, prizes and awards, or medical and health care payments?

◻ Did the ministry obtain Form W-9 for all applicable recipients and file Form 1099-MISC for royalties, rent, prizes and awards, or medical and healthcare payments or Form 1099-NEC for payments of services by someone who is not an employee?

❑ Was a Form 1099-INT provided to each recipient of interest totaling $600 or more during the calendar year?

❑ If operating a preschool or private school which is not separately incorporated, did the church file Form 5578 concerning a statement of racial non-discrimination with the IRS?

**Payroll tax reporting**

❑ Does the ministry withhold and pay the employee’s share of FICA taxes for all nonministerial employees?

❑ Does the ministry pay the employer’s share of FICA taxes for all nonministerial employees?

❑ Were timely deposits of employment taxes made?

❑ Was a Form 941 filed for each quarter of the previous calendar year?

❑ Were the totals from the four quarterly Forms 941 verified with the totals on Form W-3 prepared at year-end?

❑ Was a Form W-2 given to all persons classified as employees (including ministers) by January 31?

❑ Were Form W-2 and Transmittal Form W-3 provided to the IRS for all persons classified as employees (including ministers) by February 28?

**Bank statement reconciliation**

❑ Are bank reconciliations prepared on a timely basis? Test the reconciliation for the last month in the fiscal year. Trace transactions between the bank and the books for completeness and timeliness.

❑ Are there any checks that have been outstanding over three months?

◻ Are there any old, uncleared electronic payments still outstanding on the bank reconciliation or any electronic payments made to unusual vendors?

❑ Are there any unusual transactions in the bank statement immediately following year-end? Obtain the bank statement for the first month after year-end directly from the bank for review by the audit committee, or obtain the last bank statement (unopened) or obtain access to the online bank statement.

**Savings and investment accounts**

❑ Are all savings and investment accounts recorded in the financial records? Compare monthly statements to the ledger.

❑ Are earnings or losses from savings and investment accounts recorded in the ledger?

**Land, buildings, and equipment records**

❑ Are there detailed records of land, buildings, and equipment including date acquired, description, and cost or fair market value at date of acquisition?

❑ Was a physical count of any inventory taken at year-end?

❑ Have the property records been reconciled to the insurance coverages?

**Accounts payable**

❑ Is there a schedule of unpaid invoices including vendor name, invoice date, and due date?

❑ Are any of the accounts payable items significantly past due?

❑ Are there any disputes with vendors over amounts owed?

**Insurance policies**

❑ Has a schedule been prepared of insurance coverage in force? Does it reflect effective and expiration dates, kind and classification of coverages, maximum amounts of each coverage, premiums, and terms of payment?

❑ Is workers’ compensation insurance being carried as provided by law in most states? Are all employees (and perhaps some independent contractors) covered under the workers’ compensation policy?

**Amortization of debt**

❑ Is there a schedule of debt, such as mortgages and notes?

❑ Have the balances owed to all lenders been confirmed directly in writing?

❑ Have the balances owed to all lenders been compared to the obligations recorded on the balance sheet?

**Securities and other negotiable documents**

❑ Are any marketable securities or bonds owned? If so, are they kept in a safe-deposit box, and are two signatures required for access?

❑ Have the contents of the safe-deposit box been recently examined and recorded?

**Credit cards**

❑ Has the church ensured that its credit card merchant processor and any related systems are secure?   
A security audit should be available from your processor.

❑ Are there any ministry-owned credit cards?

◻ Is there written documentation for all uses of ministry-owned credit cards?

◻ Has there been an independent review of the ministry’s use and appropriateness of all ministry-owned credit cards?

◻ Are there any signs of personal use of ministry-owned credit cards? This should be avoided. If this should happen, these amounts must be refunded to the ministry or added to taxable compensation.

**Copyright and licensing issues**

❑ Does the ministry have a policy of prohibiting the unlawful duplication or use of copyrighted works?

❑ Does the ministry pay an annual fee to Christian Copyright Licensing, Inc. for the right to reproduce copyrighted music?

❑ Does the ministry have a policy which prohibits the showing of rented or purchased videos without authorization of the copyright owner?

❑ Does the ministry post a copyright notice at each photocopy machine?

❑ Does the ministry comply with all computer software licensing agreements?

**General**

❑ Are federal (and state) minimum wage and overtime requirements observed for applicable employees?

❑ If overtime payments are required, has the ministry taken steps to avoid paying overtime through compensatory time off?

❑ Is there a record retention policy specifying how long records should be kept?

❑ Are record retention and storage requirements formally considered at year-end?

❑ Do you know the location of the original deed of all property?

❑ Is the ministry in full compliance with restrictions imposed by the deed or mortgage?

❑ Did the ministry refrain from participating in (directly or indirectly) a particular candidate’s political campaign for public office?

Employee Statement of Acknowledgment

I acknowledge that I have received a copy of Our Ministry’s Financial Management Policies and Procedures Handbook. I understand that it provides guidelines and summary information about Our Ministry’s financial policies, procedures, and rules of conduct. I acknowledge specifically that all e-mail, computer, and communications equipment, software, networks, and systems, Internet and other online access and/or e-mail accounts, and all other computer and communications mechanisms, are the property of Our Ministry and are provided to enable me solely to carry out my duties for Our Ministry and in furtherance of its ministry purposes, and that all e-mail messages and other content I may create in my service to Our Ministry are and shall remain the exclusive property of Our Ministry. I also understand that it is my responsibility to read, understand, become familiar with, and comply with the standards that have been established in this Handbook. I further understand that Our Ministry reserves the right to modify, supplement, rescind, or revise any provision or policy from time to time, with or without notice, as it deems necessary or appropriate. I further understand and agree that any violation of Our Ministry’s policies or procedures may lead to disciplinary action, up to and including termination of my employment with Our Ministry.

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Team Member’s Name (Please Print)

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Team Member’s Signature

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Date