

FIRST UNITED METHODIST CHURCH WEATHERFORD, INC.
POLICIES AND PROCEDURES

FINANCIAL

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Section A.

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EFFECTIVE SYSTEM OF INTERNAL CONTROLS

Statement of Policy:

Leadership feels that an effective system of internal controls is required to ensure integrity over the receipt and use of God's financial resources and the safeguarding of Church assets which were provided primarily through the members of First United Methodist Church Weatherford.

"Whoever can be trusted with very little can also be trusted with much, and whoever is dishonest with very little will also be dishonest with much. So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?" Luke 16:10

*"But everything shall be done in a decent and orderly manner."
1 Corinthians 14:40*

Procedures:

1.0 REASONS FOR INTERNAL CONTROLS

.01 As part of its fiduciary responsibility, the Administrative Council has delegated to the Finance Committee the responsibility and authority for seeing that an adequate internal control system is effectively functioning over the ministry operations of First United Methodist Church Weatherford.

.02 Internal control is a system of policies and procedures intended to provide reasonable assurance that the ministry objectives/goals/values of First United Methodist Church Weatherford will be achieved.

1.1 Primary Objectives for Strong Internal Controls at First United Methodist Church Weatherford

.01 The Administrative Council and Finance Committee consists primarily of volunteers, many of who have limited management, financial, legal or church operational experience.

.02 In many instances, our staff also have limited experience backgrounds, and are sometimes too few in number to provide appropriate levels of segregation of duties.

.03 Our ministry operations contain a mixture of volunteers and employees. Many times, volunteers instead of employees conduct day-to-day operations. Persons involved with ministry programs and activities, especially volunteers, are more likely to become frustrated with what they view as burdensome control procedures and attempt to ignore or circumvent the procedures.

.04 The manner in which responsibility and authority are delegated could vary among ministry departments. This may affect control over such important areas as financial transactions, particularly with respect to authorization.

.05 Our financial budget, as approved by the congregation, needs proper oversight. Budgetary controls serve as authorization for the ministries to be carried out by Church staff and ministry leaders in attaining the ministry's objectives/goals/values.

.06 The need to provide expenditure limits on Church staff and ministry leaders is so that the Church will operate within its means, avoid debt conditions, and display high levels of operational integrity to our members and the community.

2.0 KEY INTERNAL FINANCIAL CONTROLS

Following, are several key internal financial controls which will be established and continually monitored in the various financial operations and systems of First United Methodist Church Weatherford:

.01 Prepare annual budgets and promptly investigate variances from actual to budget estimates.

.02 Require adequate documentation on all transactions.

.03 Review all transactions by an informed individual and determine their validity. Appropriate approvals and the comparison to underlying supporting documentation will accomplish this.

.04 Check mathematical accuracy on all documents supporting the transaction. The person performing these checks shall initial or sign the document to show completion of task.

.05 Record all reviewed transactions in the appropriate financial journal or register with a notation or cross-reference indicating the completion of the transaction.

- .06 Check completeness of financial journals and registers by matching to established numerical controls.
- .07 Periodically, investigate incomplete or unprocessed transactions. A person other than the recordkeeper shall perform this review.
- .08 Segregate financial functions and responsibilities so that no one individual performs an important function without someone else reviewing it or being aware of the action.
- .09 Perform monthly reconciliations between subsidiary records and control accounts to ensure correct postings.
- .10 Investigate any noted differences on a timely basis.
- .11 Make regular reports to leadership and Church members concerning receipts and expenditures to show fiscal integrity and build confidence in how gifts are received and disbursed.
- .12 Require all persons handling cash to be adequately bonded. Bonding such persons provides effective insurance coverage in case of loss of cash assets.
- .13 Require continued internal audits of the Church's financial systems and an external independent CPA audit every three years.
- .14 Safeguard and ensure the privacy of financial records by maintaining them in a place where they will not be destroyed, altered, or tampered with.

2.1 Internal Controls Checklist

To assist ministry councils, committees, ministry teams and staff in understanding the importance of internal controls, a Basic Internal Controls Checklist ([Form No. 1-84](#)) will be used to train staff and lay leaders. This checklist can be copied and used as a resource during employee and volunteer orientation or ministry meetings.

Section B.

Date Approved/Revised:

Approved By:

RELEASE OF FINANCIAL INFORMATION

Statement of Policy:

The release of financial information must be in accordance with standards established by First United Methodist Church Weatherford and under the approval of the Finance Chair. All requests outside the norm of operations will be referred to the Finance Chair. The Staff Parish Relations Committee will evaluate all Staff Parish Relations related requests.

First United Methodist Church Weatherford leadership believes in and practices "full disclosure" of its finances. However, certain financial information may be considered confidential. Under such circumstances, the Finance Committee will receive all non-Staff Parish Relations requests for such information.

"But I tell you that men will have to give account on the day of judgment for every careless word they have spoken." Matthew 12:36

"For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of men." 2 Corinthians 8:21

Procedures:

1.0 STANDARD FINANCIAL DISCLOSURES

.01 The financial policies and procedures, as found in this section of the Policies and Procedures Manual, will set forth the acceptable financial disclosure practices relating to the applicable area being covered.

.02 The [Fiscal Reporting](#) section of these policies will disclose the standard internal financial reports and statements. The [Governmental Reporting Obligations](#) section discloses applicable governmental disclosure requirements.

2.0 REQUESTS FROM NON-CHURCH MEMBERS

.01 All written requests from non-Church members, for certain Church financial

information, will be forwarded to the Finance Chair. He/she will review all such requests and determine if the request shall be granted. If the request is approved, he/she will also authorize who will make the reply.

3.0 REQUESTS FROM CHURCH MEMBERS

.01 Annual budgets and monthly financial statements will be provided to any Church member of First United Methodist Church Weatherford upon request. All other financial requests shall be forwarded to the Finance Chair's office. Every effort will be made to meet the member's request if the request is reasonable and appropriate under the circumstance.

.02 The Finance Chair will forward all requests regarding Staff Parish Relations matters (i.e. salaries, benefits, evaluations, etc.) to the Chairperson of the Staff Parish Relations Committee for follow-up with the member.

Section C.

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GENERAL ACCOUNTING SYSTEM

Statement of Policy:

It is the desire of leadership to maintain an accounting system which is simple enough to be used by Church officers and staff, who might not have had formal or professional training, but adequate enough to provide detailed information to compile meaningful reports on a timely basis. Efficient record-keeping procedures provide assurance that Church funds are being used in accordance with the instructions of the Church and the will of the contributor. Record-keeping procedures shall contain sufficient internal controls to protect those who handle the funds of the Church. The financial records must also provide a historical record of the Church's fiscal transactions which allows evaluation of the Church's financial status. The records shall aid in anticipating cash-flow problems and ensure that the Church is in compliance with governmental regulations.

Therefore, a General Accounting System will be maintained to record all financial transactions of First United Methodist Church Weatherford, Inc. This system will be the primary internal control for maintaining integrity over the financial operations of our ministries.

The Financial Secretary is responsible for the proper posting of journals and entries to the General Accounting System and for maintenance of the accounts to ensure accuracy, validity and reliability of financial records.

"Everything was accounted for by number and weight, and the entire weight was recorded at that time." Ezra 8:34

*"The Lord abhors dishonest scales, but accurate weights are his/her delight."
Proverbs 11:1*

Procedures:

.01 The General Accounting System prints the general ledger, trial balance and various ledgers and subledgers for each ministry and financial operation that First United Methodist Church Weatherford oversees.

1.0 RECORDKEEPING REQUIREMENTS

.01 All tax-exempt organizations, including churches and religious organizations (regardless of whether tax-exempt status has been officially recognized by the IRS), are required to maintain books of accounting and other records necessary to justify their claim for exemption in the event of an audit. (Refer to [Special Rules Limiting IRS Authority to Audit Churches](#) that is found in the Governmental Reporting Section of these Financial Policies and Procedures for additional information). Tax-exempt organizations are also required to maintain books and records that are necessary to accurately file any Federal tax and information returns that may be required.

.02 There is no specific format for keeping accounting records. However, the types of required records frequently include general ledgers, receipts and disbursements journals, payroll records, banking records, contribution records and property records. The extent of the records necessary generally varies according to the type, size and complexity of the organization's activities.

2.0 COMPUTER USE IN FINANCIAL RECORD KEEPING

.01 A Church computer system greatly speeds bookkeeping tasks and helps to ensure accuracy and completeness. Accounting software adds: (1) greater accuracy and less error, (2) more efficiency with more up-to-date information, and (3) vastly improved reporting procedures. Computer users however, must still have some knowledge of accounting procedures and shall be trained in the use of the financial software package. The software company with whom First United Methodist Church Weatherford has purchased its Church software modules from will provide this training.

.02 The Trustees must review and approve all computer software purchases. The requesting ministry must discuss their specific needs with this committee. The Trustees will complete an Evaluation of Computer Software ([Form No. 3-02](#)) and a Software Reference Checks ([Form No. 3-03](#)) on every new purchase. These procedures are performed to assure wise stewardship of Church funds, compatibility with existing Church software and usefulness to the overall ministries of First United Methodist Church Weatherford.

.03 Setting up financial records on the computer requires time and forethought. The effectiveness and accuracy of each accounting system depends on the accurate assignment of account and system codes. As each new financial module is installed, users are required to maintain the existing system for a period of at least three months, to make sure the computer system is generating the same results, before the existing system is discontinued. Once the computer module has proven its accuracy and reliability, the existing system can be discontinued.

.04 All financial module software must include these important internal controls:

- Password protection - This feature protects the security and confidentiality of the records. Only persons who enter the correct password can view or enter information on the Church's books.
- Audit trail - This feature automatically records in a separate, password-protected file, any changes that are made to the books whether there are changes in amount, account, date, or spelling. The auditors will study this record to be sure that there have been no inappropriate alterations of the records.
- Annual updates - Many accounting programs provide their registered users with annual updates (i.e. current tax tables for payroll). The Church will budget for the nominal charge for these updates.

.05 First United Methodist Church Weatherford will maintain back-up copies of all electronic accounting data files.

3.0 BASIS OF ACCOUNTING

.01 There are three primary bases for accounting of financial transactions. They are the:

- Cash Basis
- Accrual Basis
- Modified Accrual Basis

.02 "Cash basis" accounting reflects only the transactions that have been completed within a given time period (for instance, one month or one year). Only cash actually received and deposits made during the month and only expenditures actually disbursed during the month are recorded. No attempt is made to record outstanding bills or accounts receivable. The month-end reports will reflect only the cash received and disbursed for that month. This simple accounting method is adequate for most smaller-membership and medium-size churches.

.03 "Accrual basis" accounting provides a more accurate and more complex picture of the church's financial status. This method takes into account bills left outstanding at the end of the month and receivables due but uncollected.

.04 The "modified accrual basis" of accounting, in effect, combines the two methods mentioned above. Under this method the Church's books would be kept on a cash basis, but month-end financial reports would reflect all amounts outstanding (accrual basis).

.05 First United Methodist Church Weatherford has elected to record its financial transactions under the cash basis of accounting.

4.0 ACCOUNTING BY FUNDS

.01 Fund accounting is a system of recording resources whose use may be limited by donors, governing boards, or other individuals or entities or by law. To keep records of these limitations for internal purposes, First United Methodist Church Weatherford maintains separate funds for specific purposes. Each fund consists of a self-balancing set of asset, liability, and net asset (fund balance) accounts. The Net Asset balance will be classified on the monthly Statement of Financial Position (Balance Sheet) as unrestricted, temporarily restricted, or permanently restricted net assets based on the existence and type of donor-imposed gift restrictions. Following, are the three basic accounting funds for First United Methodist Church Weatherford:

4.1 General Operating Budget (Unrestricted) Fund

.01 This is the primary fund which will be used by the Church to meet its ministry objectives and goals. Members' gifts to this fund are considered unrestricted in nature over which the Finance Committee has discretionary control. Deposits into this fund will be used to support the numerous general operating budget programs and support activities of the Church.

.02 The Church has also approved an operating reserve account. This reserve account will be drawn upon only in the case of an emergency when budget receipts fall short of operating needs. The operating reserve account allows First United Methodist Church Weatherford to maintain its mission and ministry support even when receipts have declined for a temporary period (i.e. summer months). The Finance Committee will approve all disbursements from this reserve account.

.03 The Finance Committee does have the right to designate excessive unrestricted financial reserves for a specific event or project.

4.2 Restricted Fund

.01 The principal sources of restricted gifts are contributions from donors where the donor has stipulated the specific purposes for which the resources are to be used. It is the practice of First United Methodist Church Weatherford to not receive donor restricted gifts until the Administrative Board has first approved the specific restricted purpose. This is to ensure that all restricted purposes are actually in the furtherance of First United Methodist Church Weatherford's statement of purpose and leadership's

ministry plans. There are two types of restricted gifts as noted below:

4.2.1 Temporarily Restricted Funds

.01 These are contributions that were given for a specific restricted purpose as established by the Administrative Board. Gifts to these funds will be in addition to memorials and gifts given to support budgeted activities. The Church may establish certain major temporarily restricted funds that will be accounted for separately. Expenditure of these funds will only be made for the fulfillment of the specific donor restricted purpose. Following, are two restricted funds that have been approved by the Administrative Board:

- Building Fund - Gifts to this fund are given for new construction, major renovation, or the purchase of new property.
- Benevolence Fund - Gifts to this fund are given to assist needy Church members and friends.

.02 The portion of the fund balances, if any, that represents amounts contributed with donor-imposed restrictions, will be classified as temporarily restricted net assets.

.03 When the time or use restriction associated with the gift has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

4.2.2 Permanently Restricted Funds

.01 These are gifts which have been received by the Church where the donor has permanently restricted the principle portion of the gift on a perpetual basis (meaning the gift proceeds cannot be used by the Church even though the Church has title to these proceeds). These types of gifts are typically defined in a legal instrument from the donor. Wills, trusts and endowments are examples of this type of gift. The legal instrument usually allows the Church to use the interest earnings on the principle portion for a specific ministry use. All permanently restricted gifts will be strictly administered according to the instructions of the donor and the funds will be kept in a separate bank account from general operating budget and temporarily restricted funds.

5.0 FUNCTIONAL REPORTING OF EXPENSES

.01 General Accepted Accounting Principles require the reporting of expenditures by functional classification, such as major classes of program services and supporting

activities. Program services are defined in paragraph 27 of FASB Statement No. 117 as "the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the organization exists. Those services are the major purpose for, and the major output of, the organization and often relate to several major programs." Expenses for such program services shall be reported by the kind of service function or group of functions. First United Methodist Church Weatherford's ministry emphases will be the basis for establishing program services. The four primary ministry programs of First United Methodist Church Weatherford are as follows:

- Worship
- Instruction
- Fellowship
- Evangelism

.02 Supporting services (stewardship emphasis) are defined in paragraph 28 of FASB Statement No. 117 as "all activities of a not-for-profit organization other than program services. Generally, they include management and general, fund-raising, and membership development activities." Management and general activities are those that are not identifiable with a single ministry program, fund-raising activity, or membership-development activity. They are indispensable to the conduct of those activities and to the Church's existence. They include oversight, business management, general recordkeeping, budgeting, financing, and all management and administration except for direct conduct of program services or fund-raising activities. The costs of oversight and management usually include the salaries and expenses of the Finance Chair and the Financial Secretary. The two primary supporting services of First United Methodist Church Weatherford are as follows:

- Management and General Administration
- Fund Raising

.03 Each program service and supporting service will be the basis of accounting for ministry expenditures in the financial books and records of First United Methodist Church Weatherford.

6.0 GENERAL LEDGER CHART OF ACCOUNTS

.01 The General Ledger Chart of Accounts contains a listing of all the account titles and numbers being used in recording financial transactions of First United Methodist Church Weatherford. All ledger accounts will be assigned an account number, descriptive account title, and a brief description of account meaning and use. By means of machine procedures, the entries to these accounts shall be converted monthly to the respective

General Ledger accounts to which they apply.

6.1 Establishment of Accounts

.01 Each established account will consist of an assigned number and a descriptive title. Following, are examples of such accounts:

- Cash in Checking (Texas Bank)
- Furniture, Fixtures and Equipment
- Accounts Payable - Vendors
- Tithes and Offerings
- Program Literature

.02 The chart of accounts will list established accounts in a sequence that follows the Church's financial statement format. Asset accounts will be listed first, followed by liability accounts, net assets accounts, revenue accounts, expense accounts and other capitalization accounts. Following is the general account number scheme:

1000 - Asset Accounts
2000 - Liability Accounts
3900 - Equity
3100 - Income
4000 - Expenses
5000 - Benevolence
6000 – Capital Improvements

.03 The account code scheme allows for the recording of revenue and expenses for each ministry department and detailed programs within that department. This provides for the matching of revenue and expenses for established ministry priorities.

.04 The 9000 accounts are reserved for expenditures that were charged to budgeted expense accounts but are in fact balance sheet transactions. Two examples of such transactions are the purchase of fixed assets and the payment on a mortgage. Since the Church approved these transactions as part of the general operating budget, postings must be made to the appropriate budget expense accounts to reflect such budgeted disbursements. At each month-end, a journal entry will be prepared where the Capitalization of Balance Sheet Activity accounts would be credited for the monthly budgeted disbursements and the appropriate balance sheet account (i.e. Furniture, Fixtures and Equipment and Mortgage Payable) would be debited. If this journal entry is not made, these balance sheet account balances will not be properly stated.

.05 While assigning account numbers, consideration must be given for leaving adequate spacing of unassigned numbers between account groupings for future use. The system allows for unlimited subdivision and adding new accounts without revising the entire

chart of accounts. Consistency in the numbering of accounts is important.

6.2 Meaning and Use of Accounts

.01 Each established account number and description will be defined further as to its meaning and use. An important internal control is put into place when the meaning and appropriate use of each account is documented in a narrative format. This allows leadership to instruct the users of the chart of accounts as to the proper use of each account. Users can refer to these narratives to determine proper and consistent coding of each transaction. Consistency in application is a very important accounting principle.

.02 These narratives shall be concise and descriptive. The user shall be able to quickly read the narratives and make the proper account selection that is relevant to the transaction. Several brief comments or sentences should be adequate. Unique conditions relating to an account must also be mentioned. These narratives shall be updated or revised when actual coding errors occur.

.03 Following, are two account examples describing their meaning and use:

1500 - Cash in Checking (Texas Bank)	Cash held in Texas Bank checking account. This account is an imprested account. All computer and manual checks will be drawn on this account. Account balance will be reconciled on a monthly basis.
--------------------------------------	--

3101 - Tithes and Offerings	Unrestricted budget tithes and offerings in cash (i.e. coins, currency, checks, money orders, etc.) form. No donor designated gifts or sales proceeds from non-cash gifts (i.e. securities, coin collections, etc.) would be posted to this account. Account balance will be reconciled to the Contribution subsidiary ledger on a monthly basis.
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.05 The Finance Committee is authorized to establish, revise or delete general ledger accounts.

7.0 POSTING TRANSACTIONS AND JOURNALS

.01 Transactions that provide the input into the General Accounting System are transactions that are coded directly to general ledger accounts and general transactions that are created mechanically by other applications (journals). An example of mechanically generated transactions is the contribution entries created by the

Contribution Journal.

.02 All transactions to each ministry operation's ledgers and journals are held on a batch file pending the processing of the General Accounting System. When the System is to be processed, all transactions are matched against the ledger table which will "point" each transaction to the appropriate ledger and journal.

.03 The following functions shall be performed on a monthly basis to update the general ledger for the month's activities:

7.1 Journals

.01 All transactions recorded in journals will be posted to the general ledger using the computer posting menu option. First United Methodist Church Weatherford uses the following journals:

- General Ledger Journal
- Contribution Journal
- Cash Receipts Journal
- Purchases Journal
- Cash Disbursements Journal
- Payroll Journal
- Fixed Assets Journal

.02 All of these journals must be completed and posted to the general ledger before any journal entries are made. This is important since transactions in these journals could very likely change the amounts used in preparing month-end standard and adjusting journal entries. These entries are discussed below.

7.2 Adjusting Journal Entries

.01 Adjusting journal entries (AJE's) are prepared when corrections need to be made to account balances because of prior posting errors, or for transactions that have not yet been recorded through the normal journal posting process. Certain transactions require the posting of recurring monthly adjusting journal entries to the same accounts but in differing amounts, while others require a journal entry only on an "as needed" basis (i.e. errors). Following, are examples of adjusting journal entries that are presently being made or have been made in past months:

Made on a Recurring Monthly Basis

- Interest earned on money market account
- Bank service and NSF check charges on checking account
- Allocation of monthly copier, postage and kitchen charges to the various ministry departments that used such services
- Capitalization of principle reduction on monthly debt payments

Made on an "As Needed" Basis

- Corrections of mispostings and errors
- Capitalization of fixed asset purchases
- Recording of non-cash gifts (i.e. gifts of stocks, coin collection, etc.)

.02 Journal entries shall be prepared on a Journal Entry ([Form No. 1-78](#)). A numerical method shall be used to account for all monthly journal entries. Each entry must include the proper chart of account numbers affected, a brief description regarding the entry (note that this description must be brief and concise since it will be printed in the general ledger) and a signature or initial of the preparer. All adjusting journal entries must be recorded at "gross" and not "net" to aid in future research. Adequate supporting documentation must be attached to each journal entry.

.03 Journal entries dealing with payroll shall have descriptions or explanations that do not reveal any confidential information. If confidential supporting documentation cannot be attached to the journal entry, note on the journal entry that support can be found in the Senior Pastor's Office. A copy of the journal entry must be sent to the Senior Pastor's Office. The Senior Pastor will attach the appropriate supporting information and file the journal entry in his/her office for possible future research.

.04 A separate journal entry shall be prepared for each accounting "fund". In other words, if a transaction requires to be corrected where it impacts two accounting funds (i.e. general fund and the restricted fund), a separate journal entry must be prepared for each fund. Supporting documentation can be attached to only one of the entries with notation being made on the other entry as to where the support can be found.

.05 If a journal entry is the result of a Purchase/Funds Request ([Form No. 1-29](#)), attach a copy of the P/FR to the journal entry.

.06 For journal entries to void a check, pull the original check request. Mark through the "Date Paid" and "Check Number" area and write "VOID". Copy the check request and attach it to the journal entry as support. Additionally, attach a copy of the journal entry to the check request. The check request can then be refiled.

.07 All journal entries must be reviewed and authorized by the Finance Chair before being posted. The Finance Chair will sign or initial all entries once approved.

8.0 TRIAL BALANCE AND DETAILED GENERAL LEDGER

.01 A trial balance will be printed after all journals and adjusting entries have been posted in the general ledger. A trial balance is a printout of all account balances in the detailed general ledger. This trial balance will be reviewed by the Financial Secretary to make sure the detailed general ledger is in balance. This procedure applies to each ministry operation maintained in the Church system.

.02 All transactions and resulting balances for the current month are printed as well as beginning and ending balances.

.03 The Budget Comparison report is printed monthly which presents all current month and year-to-date budget projections for each ministry operation. A comparison is made of actual expenditures to the predetermined budget and an over/under expense variance is calculated.

.04 Any reconciliation differences will be investigated and appropriate adjustments will be made.

.05 The Financial Secretary will perform a final check of the trial balance, reviewing for unusual account balances, before the monthly financial statements are prepared.

9.0 RECONCILIATION OF SUBSIDIARY LEDGERS

.01 On a periodic basis (preferably monthly), a reconciliation shall be performed between all subsidiary ledgers and the general ledger. These reconciliations are performed to help ensure the accuracy of the detailed records and the control account located in the general ledger. Those subsidiary ledgers to be reconciled are the following:

- investments
- property, plant and equipment
- accounts payable
- contributions

.02 All discrepancies shall be investigated. The person performing the reconciliations shall not be an individual who maintains the detailed records or the control account. All reconciliations shall be reviewed and approved by the Finance Chair.

10.0 FISCAL YEAR

.01 First United Methodist Church Weatherford shall operate on a calendar fiscal year that begins on January 1 and ends on December 31. Any changes to the fiscal year must be approved by the Administrative Council.

Section D.

Date Approved/Revised:

Approved By:

BUDGETING

Statement of Policy:

Budgets will be prepared for the purpose of "estimating the cost" of all significant ministry plans, programs and projects of First United Methodist Church Weatherford. Budgets will function as First United Methodist Church Weatherford's spending plans. All prepared budgets will be monitored with significant variances between actual and budget estimates promptly investigated.

*"Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him."
Luke 14:28-30*

*"The plans of the diligent lead to profit as surely as haste leads to poverty."
Proverbs 21:5*

Procedures:

1.0 ANNUAL GENERAL OPERATING BUDGET PROCESS

.01 A budget is one of the most important internal controls when it is effectively prepared and occasionally compared to actual results on a monthly basis. If the Finance Committee carefully monitors variances from the budget, the likelihood of a large misstatement (intentional or unintentional) or misappropriation taking place, without being detected quickly, is reduced considerably. This type of overall review of the budgeted financial statements of First United Methodist Church Weatherford is very important. Every ministry Department Head, lay ministry leader and Finance Committee member shall feel free to ask any questions regarding any items which appear to be significantly out of line, either with the budget or with what he/she would have expected the actual figures to have been. It is this type of probing for reasons why deviations exist that has uncovered many present and potential financial problems.

1.1 Determining Next Year's Ministry Objectives and Goals

The annual general operating budget process begins well before the new budget year begins. Each ministry leader will be required to evaluate their ministry by completing a Ministry/Program Planning Questionnaire ([Form No. 8-03](#)). These questionnaires will be reviewed at the Finance Committee meeting. These budget meetings are entirely centered on the purpose of determining next year's ministry objectives and goals. Too often Church leadership overlooks this important starting point. Instead, they let "tradition" establish next year's ministry plan by adding a few percent to last year's budget. Good spiritual overseers will review the condition of their flock annually and develop plans to meet their needs. Good stewards will evaluate what resources they presently have and develop plans to effectively manage them.

1.2 Projecting Anticipated Revenues and Other Sources of Income

.01 As the Staff and Ministry Leaders are developing ministry plans for the upcoming year, the Finance Committee is planning as to how much they feel the Church might receive in tithes, contributions and other unrestricted sources of revenue. This projected receipts total must be determined before the expenditure portions of the budget are approved. The Finance Committee and Administrative Council are committed and the congregation expects that the annual General Operating Budget of First United Methodist Church Weatherford will be at a level where expenditures do not exceed revenues.

.02 The revenue budget will consist primarily of projected revenues from tithes and offerings and miscellaneous income. The Finance Chair will prepare or will have the Financial Secretary prepare various schedules for the Committee regarding contribution and other revenue sources. Following, is a listing of such support:

- Actual Receipts and Budget Comparisons ([Form No. 2-24](#))
- Budget Tithes and Offerings Receipts (For Past 5 Years) ([Form No. 2-25](#))
- Analysis of Church Membership Growth ([Form No. 2-27](#))
- Analysis of General Operating Budget Actual Receipts ([Form No's 2-31 & 2-32](#))
- Analysis of Other General Operating Budget Receipts ([Form No. 2-35](#))

.03 Special approved designated or donor-restricted programs (i.e. building programs, benevolence, etc.) are not included in the annual General Operating Budget process.

1.3 Projecting Anticipated Expenditures to Fund Ministry Plans

.01 Another important budgeting concept needs to be mentioned at this time. Since next year's budget is based on next year's ministry objectives and goals, then the budget must be "zero based". What this means is that all Staff and Ministry Leaders have zero funds in their next year budget. The only way dollars can be added to their budget is if the dollars requested meet the ministry objectives and goals for the upcoming year. Each approved ministry program or event for next year must be individually budgeted. Last year's budget is not relevant this year because it was based on last year's ministry plans. Adequate time must be planned into the budgeting process to allow Staff and Ministry Leaders the needed time to properly create their individual ministry budget needs.

.02 As ministry budgets are established, they are placed on a Ministry Budget Request Worksheet ([Form No. 2-05](#)). These worksheets will be supplied by the Financial Secretary since they provide financial information. They will disclose last year's budget, how much has been spent against that budget so far this year, and additional space will be provided to add next year's needed expenditure categories and requested budget amounts. Even though the budget process is "zero based", these current year amounts will be helpful to see what was needed and has presently been spent against the current year's budget.

.03 Separate budgeting forms will be provided to request funds for the following areas:

- Furniture, Fixtures and Ministry Equipment Request ([Form No. 2-06](#)). Since the Trustees oversee all capital expenditures, such requests shall be made on this form and not be included in [Form No. 2-05](#). Items required to be placed on this request are purchases of capital items where the projected cost is more than \$500 each. Small equipment purchases of less than \$500 can be requested on [Form No. 2-05](#) under an expense category referred to as "Small Equipment Purchases."
- Repairs and Maintenance Request ([Form No. 2-07](#)). At budget time, Staff and Ministry Leaders have the opportunity to make requests for needed repairs and maintenance to the Church facilities where they primarily hold their ministry functions. Even though the Church maintains a facilities staff, who better can be good stewards of the facilities God has blessed the Church with, than those who actually use the facilities.

.04 For those programs and events which are entirely new and have no expenditure categories established in the Church's computerized system, a New Program Budget Request ([Form No. 2-08](#)) shall be used. This form can also be provided to Church members who feel impressed to establish a new ministry next year and might need some financial assistance. If this is the case, the completed form would need to be returned to the Finance Chair.

.05 Since personnel related costs represent such a significant portion of the total budget, additional budget considerations must be taken relating to these costs. The Staff Parish

Relations Committee will be required to complete the Personnel Budget for Ministerial Staff ([Form No. 2-09](#)) for all ministerial staff. This form can also be used for all other staff if they so elect. This form requires the projecting of: ministry related expense reimbursements, protection coverages and personal (take home) compensation. As Staff Parish Relations costs are budgeted, the Staff Parish Relations Committee shall take into consideration all adopted Personnel Policies and Procedures Manual. Other personnel supporting budget forms are:

- Staff Conferences, Conventions and Training Requests ([Form No. 2-10](#))
- Staff Professional Dues and Licenses Request ([Form No. 2-11](#))
- Summary of Salaries and Other Forms of Compensation ([Form No. 2-12](#))
- Summary of Employee Protection Coverage Costs ([Form No. 2-13](#))
- Summary of Ministry Related Expense Reimbursements ([Form No. 2-14](#))
- Distribution of Personnel Costs by Ministries ([Form No. 2-15](#))

.06 All of the budget request forms discussed in this section would be given to those individuals who are listed on the Responsible for Preparation of Budget Listing ([Form No. 2-02](#)) as mentioned above. The time requirement for completing and submitting these forms to the Finance Chair would be listed on the Anticipated Time Schedule ([Form No. 2-01](#)) along with other budgeting process time requirements.

.07 After the Administrative Council has approved the budget as discussed below, all Staff and Ministry Leaders who have funds budgeted for next year's ministry plan will be asked to complete the Anticipated Monthly Cash Requirements ([Form No. 2-16](#)). Each individual will need to project, on this form, the dollar amounts needed per month for each of their approved programs and events. These projections are needed for the purpose of providing the Financial Secretary with monthly cash flow projections. These monthly amounts will be entered into the Church's computerized accounting/budgeting software program. From this software program, the Staff and Ministry Leaders will be provided monthly financial printouts showing actual-to-budget expense comparisons. These printouts will be used to monitor budget expenditures.

1.4 Reviews and Approval of the Ministry Directed Budget

.01 Once the budget has been finalized it will be presented to the entire Administrative Council for their review and approval. Once the Administrative Council has approved the budget it will be printed and presented to the congregation for final approval.

.02 After the budget has been presented and all questions answered, the budget will be voted on. Once approved, the budget will be entered into the Church computer system before the New Year begins.

.03 If the Church pledges the budget, commitment cards would need to be distributed to all members. Following, are two types of cards that could be used:

- Stewardship Commitment Card ([Form No. 2-41](#))
- Budget Pledge Card ([Form No. 2-42](#))

2.0 BUDGET REVISIONS

.01 As mentioned in Section 1.0 above, the membership of First United Methodist Church Weatherford has the final authority for approving the annual General Operating Budget of the Church.

.02 Desiring to remain sensitive to the leadership of the Holy Spirit, certain originally budgeted line items might need to be revised during the year to more effectively and efficiently minister to the needs of the body.

.03 Therefore, the Finance Chair has been delegated the authority by the Administrative Council, to authorize any line item budget revisions throughout the year, except for those noted below, which he/she and the Senior Minister feel would be in the best interest of the Church. He/she shall not authorize any revisions that would increase the total membership approved annual budget or increase/decrease ministerial staff salaries. Support staff salaries can be revised by agreement of the Staff Parish Relations Committee, the Finance Committee and the Administrative Council.

.04 If the total annual General Operating Budget needs to be increased, this action will require Church membership approval. The Administrative Council, Senior Minister and Finance Committee will work closely in determining what circumstances and percentages would be required to constitute a significant alteration in its financial condition which would require a revision to the originally adopted annual budget.

3.0 CAPITAL BUDGETS

.01 The following committees and ministry teams are responsible for preparing other capital budgets of First United Methodist Church Weatherford which are not part of the annual General Operating Budget process.

- Building Steering Ad-Hoc Committee - Construction projects
- Trustees - Special office and ministry equipment purchases

.02 A Building Program Procedures summary ([Form No. 13-65](#)) must be prepared before any type of building program begins. This summary outlines the various assignments for the survey, planning and construction phases. The committee's effective use of this summary will assure stewardship of time and dollars.

.03 Each item of proposed construction or purchase shall be supported by a justification

giving evidence of sufficient benefit to be derived, such as increased growth, more efficient operations, replacement of obsolete equipment, etc. Budget estimates shall be separated into general property classifications. The Building Project - Budget Review worksheet ([Form No. 1-72](#)) will summarize all budget categories. The Justification for Purchase of Equipment/Furnishings ([Form No. 1-28](#)) shall also be used when purchasing equipment or furnishings.

.04 All budget estimates must be accompanied by at least three independent bids. If a committee recommends a bid that is higher than the lowest submitted bid, they must be prepared to explain their decision.

.05 Budget recommendations shall be forwarded to the Finance Committee for review and ultimately to the Administrative Council for approval.

.06 Special building construction or equipment purchase budgets shall be organized by the Finance Chair's office by establishing property classifications and shall assign budget account numbers for control of the budget.

.07 The Building Chair or someone appointed by the Building Committee shall be responsible for interpreting and explaining the contractual relations between the contractor and the Church. General Counsel for the Church shall be secured to review all contracts. The appropriate committee, as noted above, shall originate all change orders within budget constraints. The committee shall be responsible for reviewing any points of design, operation, or code compliance that may be questioned during the course of construction. They shall also be responsible for making corrections in the drawings for errors or omissions not sufficiently serious to warrant a reissue of the drawings.

.08 The Building Committee shall assign the Building Chair or another person appointed by the committee for proper inspection of all construction. He/she will supervise construction or purchase projects covered by the contract. He/she shall represent the Church in determining that the work is performed in compliance with the provisions of the contract and accepted construction practices. He/she shall see that all material and outside services to be furnished by the Church are at the proper location, as required, and generally coordinate all aspects of the work.

.09 The appropriate committee will approve all financial draws and construction expenditures. The Finance Chair will prepare the Building Project - Projected Monthly Financial Activity ([Form No. 1-73](#)) report on a timely basis for the committee's review.

Section E.

Date Approved/Revised:

Approved By:

CONTRIBUTIONS

Statement of Policy:

Volunteer contributions received as tithes and offerings from members will be the primary source of support for First United Methodist Church Weatherford. These contributions will be collected, deposited and accounted for in an accurate, timely and confidential manner. No gift will be accepted where there is not obvious charitable, educational or religious intent on the part of the donor.

Donations to the Church will be accepted for unrestricted use or for any one of the special restricted funds or programs that have been established. The Church may also accept a gift designated for a specific purpose for which no special fund has been established if it is within the scope of the Church's mission and approved by the Finance Committee. Unusual gifts, gifts that have conditions attached, or gifts that require the Church to assume an additional or a specific liability, must be reviewed by the Finance Committee before their acceptance.

To ensure that all gifts accepted by the Church further the mission or goals of First United Methodist Church Weatherford, do not conflict with the Church's ethical values and principles, and are accepted in accordance with sound business and fiscal practices, the Finance Committee will provide primary oversight to the acceptance of all Church contributions.

*"What is more, he/she was chosen by the Churches to accompany us as we carry the offering, which we administer in order to honor the Lord."
2 Corinthians 8:19*

"We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of men." 2 Corinthians 8:20-21

"The silver and gold are a freewill offering to the Lord, the God of your fathers. Guard them carefully until you weigh them out in the chambers of the house of the Lord..." Ezra 8:28-29

Procedures:

1.0 GENERAL INTERNAL CONTROLS

.01 For the protection of both the contributions collected and the reputations of those who handle such funds, care will be taken to assure that cash collections are always under the control of at least two unrelated trustworthy individuals.

.02 All gifts will be summarized on an authorized accounting form by those responsible for receipting and counting such gifts. The total amount recorded on this form must also be in agreement with the bank validated deposit slip.

.03 All gifts will be accurately recorded in the Church's financial and donor records on a timely basis (within 7 days of receipt). The only exceptions to this time requirement are gifts that require further information from the donor or a review by the Finance Committee.

.04 A weekly summary of gifts received by giving categories will be provided to the Senior Minister and Chairperson of the Finance Committee. A gifts summary will also be provided to the Church members in its weekly Church newsletter.

.05 Staff and other Church leadership have been instructed to not receive checks made payable to the Church when the donor has specified orally, or in an accompanying note or letter, that the gift is to be given to a named individual or family.

.06 The sale of all non-cash gifts must be supported by a minimum of two independent appraisals.

.07 The Finance Committee must approve the acceptance of contributions intended to fund projects not yet approved. The following factors will be taken into consideration:

- Need for the project in relation to other projects
- Availability of space and/or land
- Financial feasibility of ongoing operating expenses

.08 Advice from General Counsel shall be obtained in all matters pertaining to gifts of real property and planned giving instruments.

2.0 SOLICITATION OF CONTRIBUTIONS

.01 Solicitations of contributions from Church members, nonmembers, businesses, foundations, etc. will be made in accordance with scriptural guidelines and ethical business and fund raising practices. All fund raising appeals at First United Methodist

Church Weatherford must be made in accordance with the following standards:

- Clearly identified as to the purpose and program to which the donation will be applied.
- Presented in a manner where they do not create an unrealistic donor expectation.
- Presented in a manner where they do not compel the donor to make a gift under pressure.
- Avoided when they do not directly relate to the purpose/mission statement of the Church.

.02 To ensure that there will be no misunderstandings on the part of the donor and the Church as to how special appealed funds will be used, it is the responsibility of the Finance Committee and/or Stewardship Committee to review and approve the actual fund raising appeal in written form for all fund raising projects or programs of First United Methodist Church Weatherford. A Fund Raising Facts ([Form No. 1-95](#)) will be used to gather pertinent information regarding the appeal or event.

.03 Appeals to Church vendors and businesses with the potential for having a future commercial relationship with the institution will always be made in the spirit of philanthropy with no overt or implied promise of future business or threat of withdrawal of business. Purchasing and fund raising activities within the Church will remain completely separate. First United Methodist Church Weatherford will not enter into an agreement with any individual, agency, company, or organization on any matter — whether it be ministry, financial, leadership, or other interest — which would knowingly jeopardize or compromise the donor's interests.

.04 At no time shall an employee or Church volunteer make a promise to a prospective donor or expect any favors in return from a donor as a result of a solicitation or contribution.

.05 As stipulated in 1.0 above, regarding the compelling of a donor to make a gift under pressure, Church employees and volunteers shall avoid the opportunity to solicit for a gift when an individual is under emotional or physical distress, such as that resulting from a death of a loved one or serious illness.

.06 Under no circumstances shall an employee of First United Methodist Church Weatherford or any of its volunteers make representation to a prospective donor that they are extending professional tax or planned giving advice. Prospective donors shall be instructed to obtain their own personal counsel from a competent professional advisor regarding tax laws.

.07 Church leadership shall always exercise care in stressing the need to give gifts primarily for tax related purposes. However, it is proper to inform donors of tax deadlines or “windows of opportunity” in which tax benefits of giving may be maximized. All such communications must be made in a timely fashion, without exerting undue pressure to give immediately prior to any tax deadline. Therefore, since federal tax regulations require a donor to receive a written acknowledgement of their contribution(s) on or before the earlier of (1) the date the donor files a tax return claiming a deduction for the contribution, or (2) the due date (including extensions) for filing the return, the Financial Secretary will publish the following statement in the Church's Sunday morning bulletin and weekly newsletters during each week for the month of December:

"To ensure the deductibility of your Church contributions, please do not file your 20___ income tax return until you have received your year-end contributions statement from the Church. Under IRS rules, you may lose your deduction for some or all of your contributions if you file your tax return before receiving a written acknowledgement of your 20___ contributions from the Church."

.08 Occasionally, the Finance Committee will authorize the inclusion in Church publications of a statement or write-up regarding the opportunity of year-end tax planning through the making of tax-deductible contributions to the Church.

.09 No Church insider shall use his/her or her position, or knowledge gained there from, in such a manner that a conflict between the interest of the Church or any of its integrated auxiliaries and his/her or her personal interest arises.

.10 Finally, First United Methodist Church Weatherford will provide a report, including financial information, to a donor or prospective donor on any project or program for which funds are being solicited. This report will be mailed upon request from the donor on a timely basis.

2.1 Donor Bill of Rights

To assure that philanthropy merits the respect and trust of our Church members and the general public as a whole, and that donors and prospective donors can have full confidence in First United Methodist Church Weatherford's ministry causes they are asked to support, we declare that all donors are entitled to the following rights:

- To be informed of the First United Methodist Church Weatherford mission, of the way First United Methodist Church Weatherford intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- To be informed of the identity of those serving on First United Methodist Church

Weatherford's Finance Committee, and to expect the Committee to exercise prudent judgment in its stewardship responsibilities.

- To have access to the most recent financial statements of First United Methodist Church Weatherford.
- To be assured their gifts will be used for the purposes for which they were given.
- To receive appropriate acknowledgment and recognition of their gifts.
- To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
- To expect that all relationships with individuals representing First United Methodist Church Weatherford will be professional in nature.
- To be informed whether those seeking donations are volunteers, employees of First United Methodist Church Weatherford or hired solicitors.
- To have the opportunity for their names to be deleted from mailing lists that First United Methodist Church Weatherford may intend to share.
- To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

2.2 General Fund Raising Guidelines

.01 All special fund raising events which are to be planned and coordinated by a ministry of First United Methodist Church Weatherford or any of its integrated ministry auxiliaries must be approved by the Finance Committee in advance of any promotion. A Fund Raising Facts ([Form No. 1-95](#)) and Special Projects Fundraising Request ([Form No. 1-96](#)) will be used to gather pertinent information regarding the possible event. The Committee will evaluate the event to determine if it complements First United Methodist Church Weatherford's mission and purpose statement. Other considerations will include: planned ministry results, calendar conflicts, demands on staff, financial plans, facility use, planned promotion, etc.

.02 All requests for funds to support First United Methodist Church Weatherford programs and activities, which have not already been approved through the general operating budgeting process, are required to be submitted to the Finance Chair for consideration.

.03 It has long been First United Methodist Church Weatherford's practice that Church membership and leadership would always attempt to concentrate Church program and ministry expense needs through either the unified annual general operating budget, pre-approved mission offerings, or special love offerings taken through worship services.

.04 Ministry leaders or employees are not allowed to receive royalties for any products that are used/given for fundraising or promotional purposes. Furthermore, no portion of any fundraising proceeds may inure to the private benefit of a member, leader or employee of the Church.

2.3 Deputized Fundraising

.01 Many religious, charitable, and other organizations that qualify for tax deductible contributions use a practice known as “deputized fundraising” to support some or all of their activities. Deputized fundraising consists of paid staff and/or volunteers conducting grass roots fundraising to support the organization. This practice has occasionally been controversial because of the tendency on the part of some fundraisers to represent that contributions will only be used to support the work of the individual doing the fundraising. In such cases, the nature of the transaction may become blurred and donors may be led to believe that the organization is a mere conduit and that contributions will automatically be allocated to the fundraiser. Although private giving through an organization to earmarked individual recipients is not tax deductible, and conduit unearmarked contributions to a religious, charitable or other qualified organization for use in its charitable program are deductible.

.02 This type of fundraising does occasionally occur at First United Methodist Church Weatherford. Following is an example:

- Volunteers to a short-term mission trip or project attempts to raise their own financial support.

2.3.1 Parent Contributes for Child’s Support

.01 It is common for minors to go on Church-sponsored short-term mission trips. It is also common that most of these minors do not have adequate financial resources to fund such a trip. Therefore, if a parent pays the Church the amount that is needed to fund the child’s trip expenses, can the parent receive a tax-deductible contribution?

.02 It is the position of the Finance Committee that since the church is exercising full accounting and administrative control over the parent’s donated funds, as stipulated above, the parent’s contribution for the child’s support is tax deductible. However, it should be noted that if the parent pays the child’s travel expenses directly to the service providers, or gives the funds to their child for use in paying these trip expenses, their deduction would be questionable.

2.3.2 Other Deputized Fundraising Guidelines

.01 Checks will not be accepted when they are made payable in the name of the fundraiser. All checks must be made payable to First United Methodist Church Weatherford.

.02 Fundraisers will instruct donors not to place their name in the “Memo” section of their check. The name of the short-term mission project shall be placed in this section.

.03 Separate revenue and expense accounts will not be established in the Church’s accounting records for each fundraiser. However, separate accounts will be maintained for each short-term mission project so as to parallel with the project’s adopted budget.

.04 Contributions will not be returned to the donors in the event the fundraiser was not able to go on the trip or when the funds raised was in excess of the fundraiser’s goal. Deputized fundraising gifts are raised to support the project, not the individual raising the funds. Fundraisers must clearly communicate this effectively to the donors. These guidelines will be placed in the letter they provide to potential donors.

.05 Fundraising goals for participants will not be set identical to other individuals going on the trip. While the costs are a significant factor in setting the goals, the Missions Ministry Team may wish to set a higher goal for some or all of the participants. This will provide additional funds for the overall project, and demonstrate that the goals of each participant’s fundraising are not directly related to the cost of participating in the trip.

.06 Fundraisers who do not meet their financial goal will not be prohibited from going on the trip. Their shortfall might be able to be covered from other excess trip funds or mission scholarship funds.

.07 If the deputized fundraiser wishes to satisfy their fundraising obligations by contributing their own funds to the Church, the Finance Chair must determine whether the donor received anything of value in exchange for the contribution. If the trip is entirely a missionary activity with “no significant element of personal pleasure, recreation or vacation” the trip expenses would then not be considered a valued benefit being given in exchange for the contribution.

2.4 Love Offerings

.01 All love offerings must be approved, in advance, by the Finance Committee before a commitment of a love offering is extended to the Church body, nonmembers or an organization.

.02 To assure consistency, avoid the appearance of mishandling of offerings, enable an appropriate audit trail to be maintained in Church records, and be certain that contribution credit will be appropriately granted and recorded, all love offerings taken by First United Methodist Church Weatherford (including love gifts taken for visiting ministry organizations) will be collected, counted and deposited through normal Church offering procedures, properly accounted for by the Financial Secretary, and a check issued by First United Methodist Church Weatherford to the appropriate recipient. At no time will a visiting guest or ministry be allowed to solicit offerings directly on their behalf or receive the actual offering at the conclusion of the service.

2.5 Sale of Guest Speaker's Products

.01 During regular Church worship services and revivals, announcements from the pulpit regarding items for sale by the guest speaker are to be discouraged. If announcements are deemed necessary, they must be made from the pulpit and will be made by a member of the Church staff without any form of "sales pitch."

.02 Records, tapes and books may be sold before and after regular Church services and revivals in the Church office area and/or a room adjacent to the worship center.

2.6 Solicitations from Corporations

.01 At no time shall a gift be solicited from an existing vendor of First United Methodist Church Weatherford where a promise of continued service is given or implied. Furthermore, new vendors shall not be selected based on a stated or implied promise to make a contribution to the Church or any of its integrated ministry auxiliaries. First United Methodist Church Weatherford will always strive to hold its business practices to the highest ethical standards.

.02 A corporate contribution can be acknowledged publicly and in Church publications with full tax benefits provided to the donor. However, at no time shall a public gift acknowledgement be made when the gift was given in regards to a specific service or product that the corporation provides.

2.7 Applications For Grants

.01 The Church is open to consider funding sources from governmental agencies and organizations that provide grants, so long as the purpose of the grant is to enhance the mission and/or purpose statement of First United Methodist Church Weatherford. All grant applications require Finance Committee review and approval.

3.0 TAX-DEDUCTIBLE CHARITABLE CONTRIBUTIONS

.01 The term contribution is synonymous with the term gift, and accordingly, a contribution is not deductible unless it constitutes as a valid gift. A gift is defined:

- When the donor absolutely and irrevocably diverts himself of title, dominion, and control over the item gifted (**unconditional**), and
- As a gratuitous transfer of property **without consideration or benefit to the donor** other than the feeling of satisfaction that it inspires. The contribution must "proceed from detached and disinterested generosity; out of affection, respect, admiration, charity or like impulses; contain no proprietary selfish interest."

.02 Section 170 of the Internal Revenue Code stipulates that a charitable contribution generally must satisfy the following six requirements to be deductible by the donor:

- Gift of cash or property
- Made before the close of the tax year for which the gift is claimed
- Unconditional and without personal benefit to the contributor
- Made "to or for the use of" a qualified organization
- Not in excess of the amounts allowed by law
- Properly substantiated

.03 Contributions to First United Methodist Church Weatherford will be considered deductible (for income tax purposes) if they are given, with respect, to or for the use of the Church, including Church organizations, programs and ministry emphases. A contributor's intent to pass cash/non-cash gifts through the Church, to a named individual or family will not be considered "deductible" nor included on the individual's contribution records. However, gifts designated to, or for the use of, an approved Church program or fund which is entirely administered and controlled as to its use by policies adopted by the Finance Committee, will be reflected on the donor's record of contribution if no "strings" are otherwise attached to the gift by the donor.

.04 The Church in no way will allow contributions to be "diverted or funneled" by a donor through the Church for a tax-deductible contribution. For example, if an individual desires to give money to a needy relative or friend, he/she cannot run those funds through the Church.

3.1 Gifts That Are Not Tax-Deductible

.01 Following, are various forms of gifts which will not be treated as a tax-deductible contribution to First United Methodist Church Weatherford since they do not meet the IRC requirements as noted above:

3.1.1 Gifts of Personal Services

.01 No charitable contribution deduction is allowed for the value of personal services rendered for the benefit of the Church (i.e. services from painters, plumbers, carpenters, accountants, attorneys, doctors, etc.).

.02 It is the practice of First United Methodist Church Weatherford to have a service provider bill the Church for the actual services rendered, and then the Church will directly pay for these billed services. The service provider would then contribute the amount of this check back to the Church as a cash contribution.

.03 Church staff shall inform the donor that unreimbursed expenses incurred in performing personal services on behalf of the Church could be deducted as a charitable contribution by the donor. The donor can also use the standard mileage rate as allowed by the IRS to compute a deduction for any miles driven in performing these services for the Church. An acknowledgement letter will need to be provided to the donor if the unreimbursed expenses exceed \$250.

3.1.2 Childcare Expenses

.01 Unreimbursed childcare expenses for volunteering work at First United Methodist Church Weatherford cannot be used as a charitable contribution.

3.1.3 Gifts of Partial Interest

.01 Contributions of less than the donor's entire interest in the property ordinarily cannot be claimed as a charitable contribution (exceptions relate to irrevocable arrangements). For example, the value of rent-free building space made available to First United Methodist Church Weatherford cannot be claimed as a charitable contribution since that gift is viewed as a partial interest by the IRC. This same principle would also apply to rent-free use of office equipment.

3.1.4 Contingencies

.01 If a contribution will not be effective until the occurrence of a certain event, a tax-deductible contribution generally will not be allowed until the occurrence of the event.

3.1.5 Pledges and Subscriptions

.01 Pledges and subscriptions are not considered charitable contributions since the donor receives nothing in exchange for his/her promise to make a future contribution. All "Faith Promise" commitments from Church members will not be considered charitable contributions until actual cash or property is received by the Church.

3.1.6 Strings Attached

.01 A gift must generally be complete and irrevocable to qualify as a charitable contribution. If a donor leaves "strings attached" that can be pulled later to bring the gift back to the donor or remove it from the control of the Church, such gifts will not be received nor a charitable receipt issued.

3.1.7 Discounts From Vendors

.01 A charitable discount will not be considered as a tax-deductible contribution. First United Methodist Church Weatherford will appropriately word a thank you letter to the vendor but no formal gift receipt or acknowledgement will be issued.

3.1.8 Gifts for the Benefit of Specific Individuals

.01 A gift that is made with the condition that the proceeds will be spent by First United Methodist Church Weatherford for the personal benefit of a named individual or individuals is generally not deductible as a charitable contribution. This rule does not apply, however, to deferred gifts satisfying Internal Revenue Code requirement for tax deductibility, such as charitable lead trusts, charitable remainder trusts, remainder interest in a personal residence or farm, and pooled income funds, in which donors retain a life interest. In those instances, the donor's intent is to make a gift for the ultimate benefit of the general public.

3.1.9 Charitable Spilt Dollar Insurance Plans

.01 Gifts that are given for the purpose of paying for premiums on the donor's life insurance policy, where the Church has been named the beneficiary, are not considered tax deductible gifts.

3.2 Special Circumstances Regarding Short-Term Mission Trips

.01 Several times during the year First United Methodist Church Weatherford sends Church volunteers and staff on short-term mission trips. Several of these trips have been enucleated by other First United Methodist Church Weatherford ministry departments (i.e. Music Ministry, Youth Ministry, etc.). Those interested in serving on one of these trips are encouraged to contact the Ministry Departments directly. Short-term mission trips are published in First United Methodist Church Weatherford's media sources.

.02 All short-term mission trips must first be approved by the Administrative Council. This ministry team is responsible for assisting in the planning, coordination, and oversight of all mission trip activities to ensure optimal accomplishment of the Church's local and world mission ministry purposes.

.03 The funding of these short-term mission trips can be accomplished under numerous avenues. However, the tax consequences for receiving a charitable contribution by the donors and/or volunteers can vary significantly for each. Following are several examples of these avenues, and the charitable contribution deduction implication of each:

- If the church pays the entire volunteer's mission trip expenses from the general operating budget of the Church there will be no tax consequences relating to this arrangement. Furthermore, all of the volunteer's contributions to the general operating budget of the Church will be totally deductible since the annual operating budget is under the full control and oversight of the Church's Finance Committee.
- If the volunteer's mission trip expenses are paid from a church-wide special appeals mission offering and the volunteer did not pay any trip costs personally, there will be no tax consequences relating to this arrangement. Furthermore, if the volunteer makes a contribution into this special restricted mission trip fund, no matter as to what the amount might be and does not personally designate his/her name on the check, the contribution would be fully tax-deductible so long as the Finance Committee maintains full administrative control and oversight of the donated funds and ensures that the funds are used to fulfill the intended mission trip purpose. Please refer to the Sample Letter from Church Re: Mission Trip Gifts ([Form No. 1-99](#)) which is used to solicit such support.
- If the volunteer pays all of his/her mission trip costs directly to the church and the Missions Ministry Team makes the trip arrangements and pays all of the mission trip expenses directly to the travel providers, these volunteer payments to the church may be tax-deductible so long as the mission trip does not include a significant element of pleasure. Tax regulations stipulate that a donor "can claim a charitable deduction for travel expenses, necessarily incurred while away from home, performing services for a charitable organization only if there is *no significant element* of personal pleasure, recreation, or vacation in such travel. This applies whether the service provider pays the expenses directly or indirectly (i.e. through the Church). The deduction will not be denied simply because the donor enjoys providing services to the charitable organization." This rule also applies to a taxpayer's spouse and children who accompany them on the trip. The purpose of this more restrictive rule is to deny a tax deduction to persons who perform only nominal services for the benefit of the Church while traveling or who are not required to render services for significant portions of a trip. Furthermore, the volunteer will be required to maintain a time log, while on the mission trip, documenting his/her actual service and noting how many hours were actually involved. Travel days to the mission location would be counted as ministry days (non-travel days require at least six hours of service to be counted as a ministry day). Ministry days must constitute a vast majority of the mission trip to ensure the tax-deductibility of the volunteer's mission trip costs. The Finance Committee has taken the position that one personal day for every six ministry days on the field would be adequate to ensure that the "no

significant element” condition is met. The IRS generally views any significant element of personal pleasure (vacationing, sight-seeing, etc.) between 15-25% of the total trip time. Therefore, a volunteer who has been given specific mission trip responsibilities to be performed over the entirety of the trip, and these responsibilities have been documented will be considered providing ministry services to First United Methodist Church Weatherford and his/her travel costs will be tax-deductible. Individuals who have only nominal mission trip duties, or who spend a significant portion of the trip not performing specific assigned responsibilities, will not be given a charitable deduction for their travel costs relating to the trip.

- When a volunteer solicits his/her own mission trip support directly from family members and friends and these individuals make their checks payable to the church, designating the volunteer’s name on their check to receive the support, and the church uses these funds to pay the travel providers directly, special attention must be given to this type of arrangement. Raising financial support by this means is referred to as “Deputized Fundraising.” The details regarding this method and its tax-deductible consequences are explained in the [Deputized Fundraising](#) section of these Contribution policies and procedures. Please refer to this section.
- Volunteer mission trip expenses can also be funded from other sources such as scholarships. Under certain circumstances a volunteer might not be able to provide the entire amount to go on a mission trip. Under this condition, the volunteer might request partial financial assistance from the Finance Committee in the form of a scholarship ([form no. 11-71](#)).

.04 As seen by the information provided in (.03) above it is critical that the Finance Committee provide full administrative control and oversight to not only the actual mission trip but also all mission trip funds.

4.0 TYPES OF CONTRIBUTIONS

4.1 Cash and Non-cash Gifts

.01 First United Methodist Church Weatherford will receive most any kind of cash (coins, cash, checks, traveler checks, money orders, etc.) or non-cash (furniture, vehicles, coin collections, stocks, etc.) gifts from a donor for the furtherance of its ministry purposes and programs.

.02 The Finance Committee, on behalf of the Church, has the right of refusal of any cash or non-cash gift if it proves to not be in the best interest of the Church or would cause a long term financial burden to the Church. Gifts-in-kind will be reviewed to ensure that acceptance will not involve financial commitments in excess of budgeted items or other obligations disproportionate to the usefulness of the gift. All real estate

gifts will be contingently received until an environmental review has been completed to determine if the Church desires to receive the gift.

.03 In no case will the Church knowingly cooperate in the reporting or crediting of inflated gift values.

4.1.1 Helpful Information for Donors Regarding the Valuation of Non-cash Gifts

.01 The amount a donor is allowed to deduct for non-cash gifts such as clothing, furniture, appliances, or other household goods is the fair market value of the item. The IRS defines fair market value as the price that property would sell for on the open market (referred to as the "quoted market price").

.02 The best way for a donor to establish the amount to be deducted is to determine the actual price you would pay for similar items in used-clothing stores, thrift shops, or flea markets in your area. It is best to visit such a store or shop to make note of prices being paid. The following factors shall be considered:

- the age of the item
- the condition of the item
- the quality of the item as purchased new

.03 The fair market value of items such as clothing, furniture, appliances, and other household goods is usually much less than the original cost. Those who operate Thrift Shops suggest that most donors are unaware of how little these items actually sell for in their shops.

.04 If the donor thinks an item they have donated has a fair market value significantly greater than similar items found in a used-goods store, they may want to make note of the way they arrived at the value, and keep that information with their tax records.

.05 Even though a charitable organization will gladly furnish a receipt for donated goods, it is the donors responsibility to determine the value. An overstatement of the value of a non-cash donation can result in a tax penalty, so accuracy in estimations is important.

.06 If a quoted market price is not available, fair value can also be estimated based on one of the following:

- the asset's replacement cost
- independent appraisals of the asset's fair value
- other valuation techniques, such as discounting the estimated future cash flows

4.2 Unrestricted Contributions

.01 Unrestricted contributions include those cash and non-cash gifts whose use is not restricted by the donor, even though their use may be limited in other respects, such as by the annual Church budget, by contract or by Finance Committee designation.

.02 Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained and expirations of donor restrictions, such gifts are reported when the donated or acquired long-lived assets are placed in service.

4.3 Restricted (Donor Designated) Contributions

.01 First United Methodist Church Weatherford encourages the contributions of its members and friends of the community. The Church desires to be an evangelistic force in the community. Therefore, the Church, under certain circumstances, allows its members and friends to determine where their contribution will go. For instance, the Church encourages giving to the building program that provides the capital funding of future Church assets. There are other ministry programs that are worthy of special giving opportunities by donors. The Finance Committee will review and approve all such recommended programs. Therefore, a restricted (donor designated) contribution is one where the donor has specifically stipulated a purpose for which the gift can be used. Gifts of cash and other assets are reported as restricted support when they are received with donor stipulations that limit the use of the donated amounts.

.02 All designated gifts will be held in trust for the specified purpose. The Church will make every effort to meet the donor's imposed designation but the Finance Committee does reserve the right to use these funds for other needed ministry purpose(s) as it may deem appropriate. The primary reason for this reserved right is because a charitable contribution is a gift, and a gift is a transfer of all of a donor's "dominion and control" over the donated property. If a donor is not in agreement with this reserved right, the donor must notify the Church in writing of his/her/her objection within 30 days of the gift. All objectives will be reviewed by the Finance Committee. However, the Finance Committee has approved that any designated gift, which has been accepted by the Church where the donor has reserved the right to enforce the designation in a written gift instrument will not be used for any other purpose(s) except for the purpose stipulated in the gift instrument. Proposed restricted gifts, which impose on the Church a legal obligation to comply with the terms established by the donor, will always be reviewed by the Finance Committee to ensure that the restrictions do not hamper the usefulness and desirability of the gift to the Church. The Finance Committee will refer to the Uniform Management of Institutional Funds Act of the State for further clarification regarding designated gifts. This following summary statement of this restricted gift

policy will be published on a quarterly basis in the Church's bulletin and given in writing to each donor who makes a restricted gift:

“The Church reserves the right to use these funds in the area of greatest need. If you do not agree with this policy, then notify the Church in writing of your objection within 30 days of the gift.”

.03 If a gift is deemed unacceptable because of the restrictions the donor has placed on its use, the donor will be counseled to remove or modify the restrictions. Gifts will be refused when the purpose is inappropriate or not conducive to the best interests of the Church, when the gift is a clearly commercial endeavor, or when the gift would obligate the Church to undertake responsibilities, financial or otherwise, which it may not be capable of meeting for the period required by the terms of the gift. For example, a restricted gift received from an estate or trust shall not be accepted if the donation purpose is questionable or can't be met through the ministries of First United Methodist Church Weatherford.

.04 Procedures required establishing a new restricted fund:

- The purpose for each fund must be reviewed by the Finance Committee to make sure it is in conformity with the Church's statement of purpose, beliefs and practices, and always in the best interest of the Church's membership as a whole.
- The specific need/program shall be thoroughly documented, outlining appropriate policies and procedures for the administration, disbursement and accounting of such funds on a consistent basis. These guidelines shall state that the Finance Committee has exclusive control and discretion over such funds and reserves the right to use these funds where they believe they can best be used to fulfill the donor's stipulated purpose. Documenting all special appeals will reduce possible confusion with the donors and will assure consistency in receipt and use of the funds.

.05 Leadership feels strongly that the General Operating Budget (unrestricted gifts) of the Church needs to be the primary source of giving to fund the ministries of First United Methodist Church Weatherford. Unified budget giving allows the entire Church family to participate together in the fulfillment of the ministry plans and programs for that year.

.06 All approved restricted offerings will be maintained in a separate accounting fund (titled, Specials Fund) of the Church. Since these funds are gifts which are being "held in trust" by Church leadership for the donor's stipulated purpose, Church leadership feels that it is not proper to commingle these funds with unrestricted (general operating budget) gifts. Restricted program offering balances will be carried over to each new Church year until the balances have been expended for their intended use. All approved

restricted offering account balances must be reported on a monthly basis as part of the normal Finance Committee review procedures.

.07 Donor-restricted contributions are recorded as revenue in the temporarily restricted class of net assets, until the Church has expended the funds for the purposes specified. When a stipulated time restriction ends, or purpose restriction is satisfied, these temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

.08 Permanently restricted contributions are those that contain a stipulation that will always be present. For example, if a scholarship gift is made with the stipulation that only the earnings from the gift may be spent for scholarships, this gift is considered permanently restricted by the donor. The Church must maintain permanently restricted funds in perpetuity. Permanently restricted net assets increase when the Church receives contributions for which donor-imposed restrictions limit the Church's use of the asset or its economic benefits neither expire with the passage of time nor can be removed by the Church's meeting certain requirements. Permanently restricted funds will be accounted for and maintained in a separate accounting fund of the Church.

4.3.1 Benevolence Fund

.01 First United Methodist Church Weatherford, in exercise of its religious and charitable purposes, has established a benevolence fund to assist persons in financial need and/or distress arising from a variety of circumstances. The Church welcomes contributions to the fund which will always be considered "to or for the use" of First United Methodist Church Weatherford. Members are free to suggest beneficiaries of the fund but not designate or restrict the identity to a specific needy individual or family. However, such suggestions shall be considered advisory rather than mandatory in nature. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the Sr. Pastor. This control consists of the selection of the recipients, amounts to be granted and timing of assistance. Anyone wishing to make contributions to the fund, subject to these conditions, may be able to deduct their contributions if they itemize their deductions. Receipt of funds will be accounted for on the donor's annual giving statement. Checks shall be made payable to the Church with notation on the contribution envelope or check that the funds are to be placed in the benevolence fund. The Church reserves the right to return any gifts that do not meet the above conditions.

.02 Benevolence assistance made to a Church employee will under most circumstances be considered additional taxable income. Income tax regulations define charitable and needy very restrictively. The regulations define charitable as "the relief of the poor and distressed or of the underprivileged." Needy is defined as "being a person who lacks the necessities of life, involving physical, mental, or

emotional well-being, as a result of poverty or temporary distress”. Furthermore, regulations define a gift as “proceeds from a detached and disinterested generosity, out of affection, respect, admiration, charity or like impulses”. The tax courts and the IRS have consistently considered employee financial assistance as nothing more than additional taxable compensation for services rendered.

4.3.2 Scholarship Fund

.01 First United Methodist Church Weatherford has established a scholarship fund to assist college students. The administration of this fund, including all disbursements, is subject to the exclusive control and discretion of the Scholarship Ministry Team.

.02 Students who desire to be recipients of the scholarship fund shall make their request known in writing. This is done by completing a Scholarship Application ([Form No. 11-70](#)) or Scholarship Application - Abbreviated Version ([Form No. 11-71](#)). An amount shall be established per student, with funds disbursed directly to the College or University.

.03 A scholarship is not taxable to the recipient so long as the two following requirements are met:

- The recipient is a candidate (full or part-time) for a degree at an educational institution (primary, secondary, college, or university) or attends an accredited educational institution that is authorized to provide full credit toward a bachelor's or higher degree or a program of training to prepare the students for gainful employment in a recognized occupation.
- The qualified scholarship is an amount received by a candidate for a degree, which is used under the scholarship for tuition, fees, books, supplies and equipment that is required for the courses at the educational institution. These requirements must be required of ALL students in the course. If the scholarship is used for room and board or travel expenses such funds will be taxable to the recipient.

.04 The Church welcomes contributions to the fund which will always be considered "to or for the use of" First United Methodist Church Weatherford. Members are free to suggest beneficiaries of the fund but not designate or restrict the identity to a specific recipient. However, such suggestions shall be considered advisory rather than mandatory in nature. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the Scholarship Ministry Team. This control consists of the selection of the recipients, amounts to be granted and timing of assistance. The Ministry Team has the right to accept or reject any donor's recommendations. Furthermore, income tax regulations specify that the term "scholarship" does not include "any gifts provided by an individual to aid a relative, friend, or other individual in pursuing his/her studies where the grantor is motivated by

family or philanthropic considerations." Designated gifts to non-relative recipients will not be "rubber stamped" by the Ministry Team. Each recipient must meet the scholarship requirements as established by First United Methodist Church Weatherford and not the donor. Anyone wishing to make contributions to the fund, subject to these conditions, may be able to deduct their contributions if they itemize their deductions. Receipt of funds will be accounted for on the donor's annual giving statement. Checks shall be made payable to the Church with notation on the contribution envelope that the funds are to be placed in the Scholarship Fund. The Church reserves the right to return any gifts that do not meet the above conditions.

4.3.3 Gifts to Missionaries

.01 Charitable contributions must be made "to or for the use of" a qualified charitable organization. The IRS has interpreted "for the use of" to mean "in trust for," implying the use of a trust or similar legal arrangement for the benefit of the organization.

.02 Therefore, gifts made by an individual directly to a missionary, funneled through the Church, will normally not be treated as a tax-deductible charitable contribution. If funds are contributed to the First United Methodist Church Weatherford's Missionary Fund, which is under the control and oversight of the Missions Committee, such gifts will be treated as a tax deductible charitable contribution to the Church since this ministry team is exercising full administrative and accounting control over the contributions and ensuring that the gifts are being spent in furtherance of First United Methodist Church Weatherford's exempt purpose of evangelism.

.03 Direct payments to missionaries who are citizens or residents of the United States represent taxable compensation for income and social security purposes. Payments must be reported on a Form W-2 for missionaries who qualify as employees of the Church or a Form 1099-MISC for nonemployees. Foreign missionaries may qualify for the foreign-earned income exclusion.

.04 Missionary support payments made to a denominational office or independent mission board do not require reporting to the IRS by the Church. The denominational office or independent mission board is responsible for this reporting.

.05 Payments to missionaries who are not citizens or residents of the United States (nonresident aliens) are often subject to earnings reporting and federal income tax withholding at a 30% rate. All payments, other than expense reimbursements, must also be reported on Form 1042 and 1042-S. These forms are filed with the IRS by March 15 for the previous calendar year, and a copy must be sent to the nonresident alien.

4.3.4 Mission Volunteers Support

.01 The funding of a volunteer mission project is the responsibility of the individual. This financial commitment is part of the overall sacrifice and service to our Lord. Yet, occasionally there will be those individuals who truly have been called to volunteer mission service, who truly understand the commitment involved, and who for some reason are unable to provide all of their financial support. The following statements will provide an understanding of First United Methodist Church Weatherford's position on financial assistance for mission projects.

.02 We encourage each volunteer to do as much as is possible toward financing his/her or her own mission service. Beyond that, we suggest that, through prayer, the volunteer ask the Lord to lead them to some relatives or close friends who would share their burden for missions and be willing to take part in individually sponsoring them financially.

.03 Volunteers are not to solicit funds from any group within the Church (i.e. Sunday School classes) or to send out any mailings to Church members for the purpose of obtaining financial support, unless authorized by the Missions Committee.

.04 Under normal circumstances, individuals are not allowed to self-direct financial assistance through the Church for a tax deduction where a designated person or family directly derives a benefit from the gift.

4.3.5 Offerings for Special Guests

.01 If a special love offering is taken for an evangelist, missionary or other special guest of the Church, these offerings will be collected and deposited in the same manner as any other offerings of First United Methodist Church Weatherford. All checks shall be made payable to First United Methodist Church Weatherford and not the name of the special guest or its ministry organization. A Church check will be issued to the special guest in the amount of the offering under normal check processing procedures. Cash offerings are not allowed to be taken and given directly to the special guest at the conclusion of a service. If Church members desire to support a special guest directly, they can make their check payable directly to the special guest, or their ministry organization and mail the check directly to them. First United Methodist Church Weatherford will not funnel contributions from members or visitors directly to special ministry guests or ministry organizations that are not an adopted and approved ministry of First United Methodist Church Weatherford.

4.3.6 Gifts of Securities

.01 Gifts of securities (i.e. stocks, bonds, etc.) will be received by the actual receipt of

the security certificate or by the transfer of the security into the Church's brokerage account. A security certificate must be received in the Church office or the transfer must be in the Church's brokerage account before the contribution is considered received.

.02 Most stock is either publicly traded or privately held by the owners of a business that has not offered its shares for sale to the public. Publicly traded stocks are easily valued by using the stock exchange for which they are being traded. However, privately held stocks are much more difficult to value. When donors make gifts of privately held stock to the Church, there are three special rules that must be understood by both the donors and Church leaders. They are:

- For privately held stock valued in excess of \$10,000, the donor must obtain a qualified appraisal of the donated shares no earlier than sixty days prior to the date of the contribution.
- An IRS Form 8283 must be completed (all four sections) and attached to the donor's tax return for the year the contribution is claimed. Note that a Church representative must sign the appraisal section of this form.
- If the donor buys back these shares, due to a lack of marketability, the IRS may disallow the charitable deduction of this gift, and any gain in the shares may be taxed to the donor.

.03 Due to the volatility of security markets, it is the practice of First United Methodist Church Weatherford to sell all gifted securities on the same day as the date the security was received. Upon receipt of the proceeds of such sale, the funds shall be placed in the General Operating Fund for general operating needs, if no restrictions have been placed on the gift by the donor or in the Restricted Fund if donor stipulations have been placed on the gifted security. A Corporate Resolution Duly Adopted ([Form No. 7-07](#)) has been approved by the Finance Committee to allow the Finance Chair to sell such securities when received.

.04 If, in the opinion of the Finance Committee, it is determined that the security is more desirable than another securities in the Church's endowment fund, the security will be sold to that fund.

.05 Since security gifts are considered non-cash gifts, the proceeds from the sale of these gifts will not be posted to the donor's cash contribution records. The Financial Secretary will send the donor an Acknowledgement of Stock Gift ([Form No. 1-98](#)) giving a full description of the gift (i.e. number of stocks, name of company, etc.). If the value of the stock can be determined by averaging the high and low trading values on the date the stock was received by the church, this too can be added to the acknowledgment. However, determining the value of a stock gift is the responsibility of the donor.

.06 In recording the investment sale in the Church's books and records, brokerage commissions will be netted against the sale proceeds with the actual receipts recorded.

4.3.7 Legacies and Bequests

.01 Legacies and bequests made through a will or revocable living trust can always be changed prior to death. Therefore, such amounts are not unconditional and shall not be reflected in the Church's accounting records until such time as the transfer has been approved by the probate court and the proceeds are measurable in amount. Sometimes an individual will informally indicate to a Church leader that the Church is mentioned in that person's will and may even disclose the amount involved. Only if the person has made a formal unconditional promise to include a certain bequest in a will would there possibly be a binding pledge, in which case the gift could be accounted for like any other pledge made while the person is alive.

4.3.8 Memorial Funds

.01 Memorial funds may be established for some special purpose providing the Finance Committee and Trustees approve the stated purpose or end goal of the fund. Funds may be received pending their approval. Examples of end use of such funds might include: property improvement project at the Church, new equipment or some needed structure. It could also represent a special project referred by the Missions Committee. The fund, once established, would have a life limited by further inflow of gifts. A Living Memorial Gift ([Form No. 1-19](#)) will be used to document pertinent information on each memorial gift.

.02 The Memorials Ministry Team will provide to the family of the deceased a list of the Finance Committee's approved memorial areas/projects. The family will be asked if they would like the memorial money to go to any of these areas or projects, or if they have another recommendation. If the family has not indicated a designation for the funds after one year from the date on the loved ones death, they will be contacted again and told where the money was actually placed.

.03 Memorial funds given by donors will be acknowledged as part of the Church's regular contribution acknowledgement procedures.

.04 The names of the donors will be made available to the family of the deceased, but not the amounts given. This is for the purpose of allowing the family to personally thank all those who gave such gifts.

.05 Furthermore, survivors must never be approached by Church leaders for such memorials during the time of grieving.

.06 A Memorial/Honoring Gift Summary ([Form No. 1-93](#)) will be prepared each year. This summary outlines the status of acknowledging each of these memorials or honoring gifts. The Church Secretary is responsible to make sure all such gifts are properly acknowledged to the family and donor, and published in the Church newsletter.

4.3.9 Endowment Funds

.01 Endowment Funds are funds in which the donor has stipulated, as a condition of the gift, that the principal of the fund is to be maintained inviolate and in perpetuity. Only income from the investments of the fund may be expended. The income may be restricted (by the donor) or unrestricted based on the legal document received from the donor.

.02 The Church welcomes suitable endowment gifts, legally presented to provide for a long-range, stated ministry purpose. Such gifts will need the approval and acceptance of the Finance Committee.

4.4 Guidelines for Acceptance of Tangible Property

.01 No tangible property gift or device shall be accepted if there is a reasonable belief that the gift or device will not yield sufficient monies when sold to cover all expenses incurred by First United Methodist Church Weatherford in the ownership and sale of the property, to include at least a one-year holding period.

4.4.1 Real Property

.01 All forms of real property gifts must be approved by the Finance Committee and Trustees before the gift is accepted from the donor.

.02 A legal review of the real property must be made by the Church's General Counsel before the Committee approves its acceptance. This review must consist of at least the following procedures:

- A title search/review made to determine clear title
- A UCC-1 report must be requested to determine if any liens exist on the property
- Survey (current)
- Title Insurance Commitment or Certificate of Title
- Evidence of paid taxes
- Review of covenants, conditions and restrictions or declarations of condominium (if

any) to determine: homeowner's association dues, maintenance fee/condo fees or other expenses.

- Make an estimate of all costs (recording, documentary tax, etc.) incurred in accepting the gift or device and disposing of the gift or device, including estimate of realtor fees.
- Obtain a Phase One Environmental Audit or Assessment to determine the extent, if any, of any environmental problems or hazards on the property. The Church must be in charge of choosing the person or firm who will perform this audit or assessment. If the Church suspects there may be pollution on the property, something more than a Phase One Environmental Audit or Assessment may be required.
- If a mortgage is to be assumed the General Counsel shall review the mortgage. The Church must be cautious about assuming a mortgage.
- Other legal matters the General Counsel is aware of or deem important to consider.

.03 In order to assure that the Church is not being subjected to environmental liabilities or other encumbrances; the donor must complete and sign the Real Estate Acquisition Data Sheet ([Form No. 1-90](#)). General Counsel will use this data sheet to assist them in conducting their review.

.04 A monetary review of the real property value must be made by the Finance Chair in cooperation with the General Counsel. This review must consist of at least the following procedures:

- Obtain from the donor (at donor's expense) and review the current appraisal on the property. This appraisal must be from an independent and qualified appraiser. The primary purposes for the appraisal are to establish a fair market value for the property and to provide a reasonable value for recording the gift, if accepted, on the Church's books.
- An expert knowledgeable in the particular type of real property that is offered shall personally inspect the real estate on behalf of the Church and give an opinion concerning the marketability of the real property and whether or not the Church shall accept the property. The condition of the property shall be determined and whether any repairs or maintenance costs will be required. The opinion from the expert shall include how long it is believed the property will be on the market before it sales. Obtain a market analysis on the property, which includes three comparable properties. Inquire as to how long it has taken for similar property to sell in their location. Determine amount of realtor commission that would be required on the sale of such property.

- Structures or buildings that are offered shall be inspected by appropriate experts, who are chosen by the Church, to determine whether the structure or building has asbestos components, “sick building syndrome” or other environmentally unsatisfactory conditions. Inspection by an expert who specializes in environmental health shall be considered. The inspection shall also include, but not be limited to, whether there is evidence of termite infestation; the condition of the roof, structural components, mechanical, electrical, heating, cooling and plumbing systems; and whether the structure or building meets the standards of all applicable codes. Inspection by an expert who specializes in compliance with the Americans with Disabilities Act shall be considered, if appropriate. The cost of correcting any deficiencies shall be estimated and determined. Great care must always be exercised before accepting a structure or building.
- If residential property, ascertain if the property is in compliance with the Residential Lead-Based Paint Hazard Reduction Act.
- Determine whether the property conforms to current zoning requirements and the Future Land Use Map of the County’s Growth Management Plan.
- Request a payoff statement if a mortgage exists on the property. Review interest rate on mortgage as to how it compares to current rates. Determine if mortgage is assumable. Determine what monthly payments the Church would be assuming.
- Determine amount of annual property taxes.
- Determine if the property has a monthly maintenance fee, homeowner's fee, etc.
- Determine what it will cost to insure the property.
- Determine if any additional costs would be required to be paid or assumed by the Church if such property is accepted.
- Determine a reasonable value of other closing costs that would be required to be paid by the Church once the property sells.
- Once all of these procedures have been completed, determine if the Church's net proceeds from the sale of such property would be adequate if the property could not be sold for a period of one year.

.05 If there is a need for urgency in making the gift, such as approaching year end and needs for the gift to be made immediately for tax purposes, then acceptance of the gift shall be conditional. This condition will be resolved before April 15 of the year following the year of the gift. There must be a clear understanding reached between the

donor and Finance Committee that if the Church, after its review of the factors set out above and other pertinent factors, determines that the gift is not acceptable, then the Church will have the absolute right to reconvey the gift to the donor and the donor agrees to accept the reconveyance and to pay all costs associated with the conveyance and reconveyance. The donor shall also obtain personal tax advice to determine if the gift would in fact be deductible because of the condition that was placed on it at year-end.

.06 In no event, and irrespective of the time element, shall a gift of real property be accepted by the Church unless the General Counsel for the Church has reviewed the documentation for the conveyance, and has ensured that appropriate IRS reporting forms and affidavits regarding non/foreign status of the donor have been obtained.

.07 Mortgaged properties will not be accepted by the Church unless the mortgage amounts to 50% or less of the value established by the independent appraisal.

.08 Numerous special considerations must be made regarding the acceptance of gifts of commercial properties and businesses. Issues which would need to be reviewed, but not limited to, would be: property tax issues, zoning, business permits, mortgage liability, Unrelated Business Income, state and local requirements, etc. The operation of a for-profit business shall be reviewed in detail by legal, tax and accounting professionals. If the business is accepted, its assets and operations would be separately incorporated.

.09 If real property is accepted by the Finance Committee and Trustees, an acknowledgement letter will be sent by the Finance Chair to the donor stating the acceptance of the property gift and confirm the donor's intended designation.

.10 If it is determined that the Church has no other use for the property, it will be listed with a real estate broker in the area for sale at the appraised value. The property will remain on the market for a reasonable period, no less than one year before the asking price will be adjusted. However, shall high taxes or a sizable mortgage force the Church to sell the property before it has been on the market for one year, the prospective donor will be so informed.

.11 The sale of any gifts of real property requires the approval of the Church body.

.12 Although a gift may have been given for a specific fund raising purpose, the Church will honor the donor's intent if possible. However, the donor must realize that difficulty in disposing of the property, length of time between gift and sale, or changes in the needs of First United Methodist Church Weatherford may result in the proceeds of the sale being used for another Church purpose, and the Church, after acceptance of the gift, will have absolute discretion as to how best to use the monies received from the gift to further the ministries of the Church. First United Methodist Church Weatherford reserves the right to sell the gift at any price, irrespective of the value placed on the gift

by the donor.

.13 IRC requires that the Church notify the IRS of the resale price if the property is sold within two years. Refer to the [Governmental Reporting Obligations](#) section of this manual regarding the filing of IRS Form 8282.

4.4.2 Personal Property

.01 All personal property gifts or devices received by the Church must be approved by the Finance Chair before the gift is accepted from the donor.

.02 A UCC-1 Search, if appropriate, shall be made.

.03 Evidence that personal property taxes have been paid, if applicable, shall be obtained.

.04 For personal property in which a title is required, such as motor vehicles, boats and aircraft, determine that title is proper and determine if any liens exist. There must be a proper execution by the donor of the title certificate which transfers title to the Church.

.05 If the personal property is accepted, an Acknowledgement of Non-Cash Gifts notice ([Form No. 1-15](#)) will be sent with the Notice To Non-Cash Donors letter ([Form No. 1-16](#)) by the Finance Chair, stating acceptance of the gift and confirming the donor's intended designation. A dollar amount shall not be stated in this letter.

.06 Property gifts received which are valued by the donor to be \$5,000 or less could be accepted only if one of the following conditions is met:

- Property is in good condition and could be used in the ministries of First United Methodist Church Weatherford.
- Property is in good condition and could be sold for an adequate amount of proceeds to be applied to the donor's intended designation.

.07 Competitive bids (minimum of three bids) must be obtained on the sale of non-cash gifts where the value is anticipated to exceed \$250.

.08 Property gifts received which are valued by the donor to be in excess of \$5,000 will be accepted only if one of the following conditions is met:

- Property is in good condition and could be used in the ministries of First United Methodist Church Weatherford.
- Property is in good condition and could be sold with the proceeds being applied to

the donor's intended designation. If the property is to be sold, three, and no less than two, separate bids shall be received.

- An appraisal is obtained from a qualified appraiser. The appraisal fee must be paid by the donor. This independent appraisal will establish the donor's charitable tax deduction, an asking price, and a reasonable asset value to be carried on the Church's books.

.09 If all of the above procedures are followed, the Finance Committee has granted authorization to the Finance Chair to sell such gifted personal property.

4.4.3 Disposal of Property Accepted by the Church

.01 If no known buyer is available for the appraised or market value, then the property shall be listed with a realtor who specializes in the type of property that is to be marketed.

.02 Conveyances of real property by the Church will generally only be made by Special Warranty Deed or by Quit Claim Deed and not by General Warranty Deed.

.03 Tangible property sales shall always be attempted to be made for cash only. Mortgage or note receivables can be considered only if the Finance Chair and the Finance Committee cannot obtain a cash sale.

.04 A Bill of Sale ([Form No. 7-09](#)) must be prepared by the Church and given to the purchaser of personal property. This documents the transaction and further states that the property is being sold "as is" and without any implied warranties.

.05 The gift's fair market value or sale proceeds from tangible property gifts will not be posted to the donor's contribution records, although an acknowledgement letter will be sent to the donor as stated above.

.06 The Church will attempt to sell the property at the appraised value for a reasonable period of time, no less than one year. However, if costs related to maintenance and/or storage makes it necessary for the Church to sell the property at a lower price, the donor will be so informed.

.07 The Church is required to notify the IRS of the sale price of any property gift (when valued at more than \$5,000 on date of receipt) sold within two years of the date of the gift. Refer to [Governmental Reporting Obligations](#) section of this manual regarding the filing of IRS Form 8282.

.08 It may be determined by the Finance Chair that certain gifted personal property shall not be sold, but instead kept by the Church and used in its ministry. Examples of such

items would be: furniture, fixtures and equipment, ground maintenance vehicle, etc. If the Church maintains such gifts, the property shall be capitalized as an asset on the Church's books at its fair market value on date of gift.

4.4.4 Gifts of Inventory

.01 Assets held by a taxpayer for sale to customers are known as inventory. Special tax rules apply to the deductibility of inventory as a charitable contribution.

.02 Since it is the standard practice of First United Methodist Church Weatherford to issue an Acknowledgement Letter (which does not state a dollar value) for all non-cash contributions to the Church, these special tax rules regarding gifts of inventory must be researched by the donor before a deduction is claimed on their tax return.

4.4.5 Gifts of Donated Travel and Out-of-Pocket Expenses

.01 Unreimbursed out-of-pocket expenses of a volunteer performing services for the benefit of First United Methodist Church Weatherford are generally tax deductible. However, the expenses must be directly connected with and solely attributable to the providing of the volunteer services.

.02 Various forms of expenses that could be considered charitable would be: transportation, travel, meals, lodging while away from home if there is no significant element of personal pleasure, recreation, or vacation associated with the travel, postage, phone calls, printing and photocopying, expenses in entertaining prospective Church leaders or workers, building materials and Sunday School literature for classroom students.

.03 A Church member chosen as a representative from the Church to attend a Church conference can claim his/her/her unreimbursed out-of-pocket expenses as tax-deductible if no significant element of personal pleasure is associated with the trip.

5.0 COLLECTION OF OFFERINGS

5.1 In Worship Services

.01 A minimum of two unrelated, trustworthy ushers shall always be present when collecting offerings. An adequate number of ushers shall be maintained so that their duties and assignments can be rotated on a periodical basis. During the receiving of offerings, at no time shall one usher be left alone with the offerings that he/she has collected and are in his/her possession. Visitor cards shall be removed from the offering plates and given to the Associate Minister at the conclusion of the worship service. The offering bank bag shall be immediately taken to the safe located in the Church office by

a minimum of two unrelated ushers. The bank bag shall be kept in the safe for security until the Money Counter's Committee counts the offerings.

.02 At times there may be additional offerings taken in a worship service (i.e. love offerings for missionary, guest speaker, etc.). These offerings are collected and handled, procedurally, in the same manner as noted above.

5.2 In Week-Day Mail

.01 Two persons (the Church Secretary and one other person) shall open all incoming mail and list all contributions and other forms of receipts received for that day on a Daily Cash Receipts Log ([Form No. 1-03](#)). An offering envelope shall be prepared for all contributions received in the mail or delivered to the Church office. One copy of this log shall be forwarded to the Chairperson of the Finance Committee who will subsequently compare it to the monthly bank statement. All checks received in the office shall be restrictively endorsed when received. The endorsement shall state "For deposit only", First United Methodist Church Weatherford and the bank account number. The endorsed checks, offering envelopes, and the original signed receipts log will be hand delivered to the Financial Secretary for his/her processing.

.02 . Deposits be made no less frequently than weekly. The validated deposit slip shall be forwarded to the Financial Secretary. Offerings shall never be taken home at any time for counting or depositing purposes.

6.0 COUNTING OF OFFERINGS

6.1 Money Counter's Committee Responsibilities

.01 Offering envelopes shall never be opened or Church funds counted unless the minimum of two unrelated trustworthy committee members are present. A husband and wife team is considered as only one member. There shall be an adequate number of committee members so that their attendance at countings and specific duties can be rotated on a periodical basis.

.02 MCC members must not be involved in the disbursement or recording process of Church funds.

.03 All MCC members shall be completely familiar with the counting, recording, and depositing procedures as noted herein. All donor contributions must be kept in strict confidence and must never be discussed among the MCC members or any other individual.

6.2 Securing Offerings for Counting

.01 Two MCC members to be present to open the safe. The safe must never be opened unless two MCC members are present to remove the offerings for counting.

.02 At no time shall offerings be left in the counting room alone without the presence of two MCC members.

6.3 Counting Procedures

.01 Each collection will be counted and recorded separately. This is for the purpose of monitoring levels of giving for each service.

.02 All MCC forms, supplies, calculators, etc. will be maintained in the filing cabinet located in this room for the committee's use.

.03 A designated committee member shall separate all loose coins, currency and checks. Currency must be further separated by denominations for ease of counting. Coins shall be rolled, checks stamped "For Deposit Only", and currency bundled, counted and strapped by denominations. Remaining loose coins shall be placed in an envelope with the amount written on the outside. All loose checks or checks received in offering envelopes (i.e. envelopes maintained in the sanctuary pews) which are not member pre-numbered assigned envelopes must be photocopied for the purpose of maintaining the donor's mailing address for contribution purposes. The total of all loose offering countings shall now be placed on the Cash Receipts Count Summary ([Form No. 1-01](#)).

.04 Another committee member shall separate envelopes by budget tithes, building campaign and other approved designated funds. Envelopes that have no writing on them shall be given to the member who is counting loose funds.

.05 Another committee member shall begin placing approximately 25 pre-numbered member envelopes in separate batches. These batches will then be taken by the various committee members and they will begin opening each envelope and verifying the amount inside with the amount written on the face of the envelope. If a check is enclosed in the envelope, the committee member shall verify the donors name as printed on the check with the name as shown on the face of the envelope, observe that the check has been signed, and review that the check has not been post dated. If two or more checks are enclosed, the committee member shall write the amount of each check on the envelope in red and verify the total of both checks to the amount shown on the face of the envelope. All checks must be endorsed by stamping on the back "For Deposit Only". The stamp shall also have the name of the Church and its bank account number.

All offering designations as noted on the face of the checks shall be verified with what is written on the envelope. All noted errors shall be corrected on the face of the envelope, circled and initialed by the committee member in red ink.

.06 All counters shall be well informed as to what designated areas have been approved for donations to be received. The pre-printed Cash Receipts Count Summary will list only those designated areas that have been approved by the Finance Committee. Designated gifts which are received by the counters that differ from the approved list shall not be counted in the collection. These gifts shall be held to the side and given directly to the Finance Chair or appointed representative, after the count, for review and follow-up with the donor. All contributions will be recorded on the cash contributions form ([Form No. 1-21](#)).

.07 Each MCC member shall now prepare a separate adding machine tape totaling all checks and all offering envelopes in each batch. Start with the tape clear with the asterisk (*) at the top. Always leave enough room at the bottom of the tape (about an inch) in case corrections are to be made. These adding machine tape totals shall be attached to the top of the batch by the use of a rubber band. The counter who prepared the batch shall initial each adding machine tape. These adding machine tape totals (total envelopes and monies) must agree in total. The MCC team shall also prepare separate batches for each designated area. These designation batches must also be recorded on the analysis. All summary adding machine tapes shall be stapled to the analysis.

.08 When working a mixed batch (it has a combination of budget tithes and designated offerings such as the building fund, benevolence fund, etc.) everything will work the same as the other batches except that a breakdown of the amounts of each offering type will need to be placed on top of the batch.

.09 Once all the batches of envelopes and monies are placed on the Envelope/Money Analysis and the Head Counter finalizes his/her review of all batches and counts, the totals on this analysis will then be placed on the Cash Receipts Count Summary. All members of the MCC involved in the counting of the offerings, must sign the Cash Receipts Count Summary in the space as indicated.

.10 All batched donor offering envelopes, Donors' Contribution forms, copies of checks which had no envelopes, and a copy of the Cash Receipts Count Summary will be secured in the locked filing cabinet in the MCC room after the deposit slip has been prepared (see procedure 7.0 below). The Financial Secretary (person who posts these donations to donor's records) shall never be involved in the collecting, counting or depositing of Church offerings.

.11 Church funds must never be taken from the Church premises prior to counting and preparing them for deposit. Also, change must never be made nor personal checks cashed from offering plate receipts.

6.4 Business Checks

.01 When verifying the checks taken from the envelopes to the face of the envelopes, if a check is a Company check, the envelope should show the Company's name and not the donor's personal name. Individuals cannot receive contribution credit using business checks. The counter will need to strike through the individuals name on the envelope and write in red ink the business name and address. Also, a copy of the check and envelope shall be made. This copy will be used to send a letter to the donor explaining this counting procedure.

6.5 Postdated Checks

.01 A postdated check is a check that bears a future date and is not immediately payable but is a promise to pay on the date shown. A postdated check will be treated as a promissory note.

.02 All postdated checks shall be removed from the current count and given to the Financial Secretary for follow-up. Postdated checks will be deposited and charitable contribution credit given on or after the date specified on the check.

6.6 Counting Out-of-Balances

.01 If out-of-balances occur, the following procedures shall be followed:

- If difference is \$5.00 or less, it is usually not worth the time trying to find the error if it is in the cash and the bank will usually locate it for us. If the difference is over \$5.00, the straps of currency will need to be recounted.
- If the error is in the checks, it can be found by reverifying the adding machine tape attached to the checks.

7.0 DEPOSITING OF OFFERINGS

.01 The MCC shall prepare a deposit slip in triplicate. NEVER write totals on the deposit slip until all amounts have balanced. Also, the coin and currency amounts shall agree to the amounts recorded on the Cash Receipts Count Summary. The original deposit slip shall be placed in the bank bag along with the deposit (rolled coins, strapped currency, loose coin envelope and bound endorsed checks).

.02 The MCC shall distribute three copies of the Cash Receipts Count Summary as follows: (1) Attach the first copy to one of the two remaining deposit slips and forward it to the Chairperson of the Finance Committee; (2) Attach the second copy with the remaining deposit slip and place the Summary copy with all batched donor offering

envelopes, Donors' Contribution form and copies of checks which had no envelopes, in the locked filing cabinet in the MCC room for the Membership Secretary pickup; and (3) File the third copy chronologically with the MCC's records.

.03 The actual deposit shall be promptly taken to the bank for deposit or the night depository by two members of the MCC. Two members are always required to deter the possibility of theft.

.04 The bank validated deposit slip and bank bag will be returned or picked up at the bank by the Church Secretary or Financial Secretary. This person will be responsible for returning the bank bag to the counting room filing cabinet and ensuring that the MCC supplies are replenished if needed.

.05 The Financial Secretary will verify the bank validated deposit slip to the Cash Receipts Count Summary. She will staple the validated deposit slip and all supporting documents to the Summary.

.06 The Chairperson of the Finance Committee will subsequently compare the copy of his/her deposit slip to the bank statement when he/she receives it unopened. The Chairperson is responsible for reconciling the bank statement.

.07 It is highly recommended that no Church employee be involved in the collecting, counting and depositing of Church offerings. These procedures shall be handled by trustworthy, lay member volunteers (Money Counter's Committee). Since the Church staff is the primary spender of Church budget funds for ministry activities and programs, their personal integrity must be maintained at levels above reproach.

8.0 GENERAL RECORD KEEPING FOR CONTRIBUTIONS AND DONORS

.01 All cash gifts (coins, currency, checks, money orders, etc,) shall be posted to the Church's automated contribution computer system. This contribution system consists of an accurate database of all donors of the Church. This donor information will be maintained on a strict confidential basis. On a quarterly basis, all donors will be sent a Record of Cash Contributions - Quarterly statement ([Form No. 1-22](#)) which discloses each gift received by its date, purpose and amount. These statements will also be distributed to children, visitors and any other contributor, regardless of the size of the gift. As noted on the contribution statement, donors are encouraged to contact the Church if any discrepancy is noted on the statement.

.02 All non-cash gifts (securities, tangible personal property, real estate, trusts, insurance policies, and other gifts-in-kind) shall be recorded on the Church's books in an asset account entitled, Non-cash Gifts Held For Resale, at their fair market value on date of receipt. A Journal Entry ([Form No. 1-78](#)) will be used to record such transactions.

Additionally, an Acknowledgement of Non-Cash Gifts ([Form No. 1-15](#)) and Notice to Non-Cash Donors ([Form No. 1-16](#)) shall be mailed to each non-cash donor within seven (7) days of the gift's date of receipt. The Finance Chair will prepare such acknowledgements under his/her signature.

.03 Any donor may request to verify their contribution records by providing the request in writing to the Finance Chair. The Finance Chair will coordinate an appropriate time for the donor to come to the Church to inspect their giving records. Phone and walk-in requests will normally not be authorized by the Finance Chair.

.04 As stated in (.01) above, donor information is to be maintained on a strict confidential basis. Requests from outside organizations who wish to obtain or offer to purchase or rent First United Methodist Church Weatherford's donor database is strictly prohibited. Additionally, no employee or Church volunteer is allowed to obtain or use donor information for personal or profit making purposes.

.05 First United Methodist Church Weatherford adheres to the professional standards of the Financial Accounting Standards Board as they relate to accounting for contributions. Generally accepted accounting principles state that Church revenue will be recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred. Pledges are recorded on the balance sheet only when the Church is notified of a legally binding pledge, and allowances are provided for pledge amounts estimated as uncollectible. Bequests are recorded as income at the time the Church has an established right to the bequest and the proceeds are measurable.

9.0 RECORDING CONTRIBUTIONS TO DONOR RECORDS

.01 The recording of donor contributions is one of accuracy matched with timeliness teamed with the safeguarding of Church funds. The contribution must be entered into the proper donor account to be accurate. Also, the Church must report to its contributors the amount given, therefore, timeliness must be present in the process. This is an area that must be observed because of the high possibility of misappropriation of funds.

9.1 Posting Cash Gifts

.01 The Financial Secretary will obtain the copy of the Cash Receipts Count Summary from the locked filing cabinet in the counting room. This individual will process the contributions on the Church's computerized contribution system.

.02 These offerings shall now be entered into the Church's contribution module. Follow the contribution system procedures as documented in the vendor's user manual or "Help" screens. After each batch has been entered, verify computer totals to adding machine

tapes on top of each batch. Verify total dollar value. When all batches have been entered and verified, an Edit Report shall be printed and verified to the totals on the Envelope/Money Analysis. If errors were made, return to the Enter menu and make the appropriate corrections. When all errors have been corrected, proceed to the Update procedure to post the contributions to the donor's cash giving records.

.03 All postdated checks will be treated and posted as contributions on or after the date specified on the check. The contribution will be treated as a "promise to pay" until the date on the check occurs. All such checks will be retained and not deposited until this date occurs.

9.2 Posting and Disposal of Non-cash Gifts

.01 All non-cash gifts are required to be recorded on the Reporting On Non-Cash Gifts ([Form No. 1-17](#)). This form will summarize the status of all non-cash donor acknowledgement letters that were sent during the current year and the status of possible IRS filings that the Church might have made. The Financial Secretary will be responsible for the timely update and completion of this form.

.02 An Acknowledgement of Non-Cash Gifts ([Form No. 1-15](#)) will be issued for all non-cash gifts received by First United Methodist Church Weatherford, giving a detailed description of the gifted item and the area of designation for which they gave the gift. This acknowledgement shall not state a value of the gift from the donor. It is always the responsibility of the donor to determine the value of a non-cash gift. Accompanying all acknowledgments is a Notice to Non-Cash Donors ([Form No. 1-16](#)). This notice briefly describes the donor's responsibility to complete an IRS Form 8283. A Form 8283 will also be attached to this letter to further assist the donor in completing his/her of her tax return at year-end. The Financial Secretary will maintain a current supply of the Form 8283 for giving to donors throughout the year.

.03 Non-cash gifts will not be commingled with the donor's cash giving records by posting them through the contribution module. IRS rules differ as they relate to cash and non-cash gifts. The non-cash gift Acknowledgement form, as noted above, will serve as the Church's official tax receipt to the donor.

.04 In the case of non-cash gifts from donors, which exceed the \$500 Church capitalization limit, the Finance Chair shall determine the fair market value of the non-cash gift giving consideration to quantities and condition. This amount is required for the purpose of making a journal entry to record the non-cash gift in the general ledger as an "asset held for sale" and a revenue source.

.05 For non-cash contributions valued by the donor in excess of \$5,000, the Finance Chair must complete and sign "Part IV of Section B" of the IRS Appraisal Summary Form 8283 for the contributor's records. A copy of this form shall be presented by the

donor to be signed. The status of reporting requirements for such gifts shall be made on the Reporting of Non-Cash Gifts ([Form No.1-17](#)) for future follow-up.

.06 An IRS informational return, Form 8282, must be completed by the Financial Secretary and filed with the IRS within 125 days from the date of sale, exchange or disposal of any donated property to the Church which was valued by the donor in excess of \$5,000 and sold, exchanged or disposed of by the Church within two (2) years from the date the non-cash gift was received. Three copies of this form must be made. One copy will be mailed to the donor, second copy attached to the Cash Transmittal ([Form No. 1-06](#)), and the third copy attached to the Reporting on Non-Cash Gifts ([Form No. 1-17](#)).

.07 Proceeds from the sale of non-cash gifts will be credited to the donor's designated program or account as noted in the Acknowledgement form. If the donor did not stipulate a designation for the non-cash gift, the sale proceeds will be credited to the General Operating Fund of the Church.

.08 It is the general practice of First United Methodist Church Weatherford to sell all non-cash gifts as soon as possible after receipt. The Finance Committee must approve any non-cash gift that will not be disposed of on an immediate basis.

.09 Stock and other security type gifts will be sold on the same date as received, so as to avoid the possible loss of value by holding the gift. An Acknowledgement of Stock Gift ([Form No. 1-98](#)) will be prepared and mailed on all stock gifts. Gifts of life insurance will be posted at cash value upon maturity of the policy.

.10 Gifts of personal property or securities, not readily marketable, will be posted at the amount netted from the sale of the property. If the Finance Committee decides not to sell the property or securities for any reason, such assets will be recorded in the general ledger at the value established by an independent professional appraiser.

.11 When approved designated gifts are received, the Financial Secretary will prepare a Designated Gift Notification ([Form No. 1-20](#)) informing the appropriate staff of a gift which can be used in their area of ministry.

9.3 Timing of Postings

.01 To be included in a given year's record of contribution, the contribution must be received by 12:00 Midnight on December 31, or if mailed, the mailing envelope must reflect a postmark no later than December 31.

.02 Predated contribution checks will not be received or honored by the Financial Secretary or the Money Counter's Committee.

.03 The Finance Chair will have published in Church publications, in December of each

year, these contribution-timing rules.

10.0 RETURNING CONTRIBUTIONS TO DONORS/REDIRECTING GIFT'S PURPOSE

.01 Since a charitable contribution is an irrevocable transfer of a donor's entire interest in the donated cash or property to the Church and Church leadership is relying on these gifts to further its ministry purposes, it is the policy of First United Methodist Church Weatherford to not return or redirect any unrestricted (undesignated) contributions to a donor if requested. Returning such contributions could seriously jeopardize the deductibility of all gifts to First United Methodist Church Weatherford and could cause potential tax penalties to the donor.

.02 However, the returning or redirecting of restricted (donor designated) gifts could be done under certain circumstances. It is the policy of First United Methodist Church Weatherford that a donor will not be allowed to receive back or redirect any portion of their restricted (designated) contributions as long as the gift condition is still being pursued. Furthermore, it must be remembered that designated contributions are conditioned on the Church pursuing the stated designated purpose(s). When this condition fails, or when excess funds remain after the designated purpose has been satisfied, the initial contribution or the donor's proportionate share of the remaining balance becomes revocable at the option of the donor. Following, are the procedures to be followed to close designated accounts and dispose of the remaining unused designated contributions:

- If the donors can be identified and located, the Finance Chair shall contact each donor and ask if they want their contributions returned or retained by the Church and used for some other purpose with which they would agree. This new purpose must be adequately documented and agreed to in writing, from the donor, to avoid any misunderstanding. If the donor desires his/her contributions to be returned, the Finance Chair would need to inform the donor in writing that the Church would have to issue a Form 1099-MISC to the donor in the amount of the contributions being returned. If the donor desires to use the contributions for some other purpose, then the following procedure would be performed:
- An official Church letter will be prepared and sent to each donor that can be identified or located requesting their authorization to redistribute their proportionate share of the donor-designated fund's excess to either the General Operating Budget of the Church, the Mission Restricted Account, the Building Restricted Account or another ministry need which they feel would be appropriate (note - this ministry need must be approved by the Finance Committee before the redistribution is accepted). The letters sent to the donors will contain a concurrence and/or nonconcurrence endorsement that must be signed and returned to the Finance Chair

that provides the approval to redistribute their funds as recommended by the Church leadership. Upon receipt of the concurrence endorsement, the Finance Chair will notify the Finance Committee and instruct the Church bookkeeper to redistribute the excess amount in accordance with the endorsement received from each donor.

- For donors that cannot be identified or located regarding their proportionate share of the excess donor-designated account balance, the Finance Committee will take action with regard to the disposition of such funds. If possible, a Church program or project that is similar to the completed or abandoned one for which the excess designated gifts were given, shall be selected. If no such program or project exists, the excess funds can be transferred to the General Operating Fund, Mission Restricted Account or the Building Restricted Account.

11.0 CONTRIBUTION FORECASTS AND STATISTICS

.01 The forecasting of anticipated future levels of contributions is critical for ministry planning. Historical levels of giving shall be maintained from year-to-year. Additional giving statistics shall be prepared showing such areas as:

- Church membership
- worship and Sunday School attendance
- number of giving family units
- average gift per family unit
- dollar giving levels
- number of members giving nothing
- staff and leadership giving levels

.02 Following, is a list of forecasts and statistical reviews which are being prepared during the annual budget preparation process:

- Budget Tithe and Offering Receipts - Past Five Years ([Form No. 2-25](#))
- Analysis of Church Membership Growth ([Form No. 2-27](#))

.03 All giving statistics and facts shall be maintained strictly confidential.

.04 Monthly forecasts of contributions shall be prepared and compared to actual receipts on a monthly basis by the Finance Chair. Unfavorable trends shall be promptly communicated to the Senior Minister and the Finance Committee.

12.0 GIFTS MADE FOR AUCTION

.01 Occasionally, the Church has fund raising events where they receive donated tangible property gifts, which they later sell at a special ministry sponsored auction. Following are the tax implications relating to both the donor and the purchaser.

12.1 Donors of Items to be Sold at Auction

.01 Donors of items will receive a receipt that describes the gift but does not mention a value. The receipt shall also state “First United Methodist Church Weatherford confirms that no goods or services have been provided in return for your gift.” Donations will be considered a Gift-in-kind. Filing Form 8283 might be applicable for some donations. Items must be sold/converted to cash within a specified time in order to be tax-deductible and be considered a gift.

.02 If an individual donates appreciated tangible personal property for sale at auction, the donated item, when sold, will be considered to be put to an unrelated use. The donor’s federal income tax charitable deduction for the donation will be limited to his or her basis in the donated item.

12.2 Purchaser of Item at Auction

.01 The purchaser can take a charitable deduction for the excess of the amount he/she or she pays over the fair market value of the purchased item if the purchaser, before the auction, receives a catalog that lists the item and provides a good faith estimate of its fair market value. This would, of course, necessitate providing the donor with a “quid pro quo” receipt.

13.0 VALUE OF CONTRIBUTED PERSONAL TIME AND SERVICES

.01 Occasionally, the Church will receive certain personal time and services (i.e. painters, plumbers, carpenters, accountants, attorneys, doctors, etc.) which were rendered for the benefit of the Church where the service provider asks for a charitable contribution receipt. The value of personal time or services contributed by an individual or organization to the Church, are not tax-deductible contributions as stipulated in the tax code. Therefore, the Church will not value such personal time and services nor post such to the donor's record of contribution. If the donor requests an acknowledgement letter for the work performed, the Finance Chair will perform one of the following procedures:

- Request that the service provider bill the Church for the actual services rendered, and then have the Church directly pay for these billed services. The service provider would then contribute the amount of this check back to the Church as a

cash contribution.

- If the service provider does not want to follow the above procedure, and persists on obtaining a receipt from the Church for the services provided, the Finance Chair may issue a receipt documenting the hours of labor that were donated, but the acknowledgement shall make no representation of a dollar amount that is deductible as a contribution, since it is not.

13.1 Unreimbursed Out-of-Pocket Expenses

.01 While the value of donated labor or services is not deductible, any unreimbursed out-of-pocket expenses incurred while performing such donated services may constitute a charitable contribution. Examples of unreimbursed out-of-pocket expenses that would relate to members who provide ministry services to the Church are:

- purchase of literature for Sunday School classes
- building materials from repairing of Church facilities
- transportation and travel expenses for mission trips (i.e. air, rail, bus, out-of-pocket car expenses, taxi fares, lodging, and cost of meals) denominational conferences, chaperoning youth retreats, etc.

.02 Tax regulations state, “unreimbursed expenditures made incident to the rendition of services to an organization contributions may constitute a deductible contribution. Similarly, out-of-pocket transportation expenses necessarily incurred in performing donated services are deductible. Reasonable expenditures for meals and lodging necessarily incurred while away from the home in the course of performing donated services are also deductible.”

.03 For unreimbursed out-of-pocket expenses amounting to more than \$250, to be deductible by the service provider, the Church must issue an acknowledgement letter to the volunteer stating a description of the services provided and whether the Church provided any goods or services to reimburse the volunteer for the expenses incurred.

.04 The value of rent-free building space or equipment use made available for the Church's use, will not be acknowledged as a charitable contribution since tax regulations do not allow the deductibility of gifts considered as a "partial interest."

14.0 CONFIDENTIALITY OF GIVING RECORDS

.01 Records shall be locked and/or inaccessible when not being used during the normal course of Church operations. The computerized contribution module will be password

protected. Those who have access to these records are the Finance Chair, the Associate Pastor and the Financial Secretary.

15.0 PROMISES TO GIVE/PLEDGES/FAITH PROMISES

.01 Pledges are promises to make contributions of cash or other assets to the Church at a future date. A promise to give may be either conditional or unconditional. An unconditional promise depends only on passage of time or demand by the promisee for performance. A conditional promise is one that depends on the occurrence of a specified future and uncertain event to bind the promisor.

.02 The Stewardship Committee will work directly with professional fund raisers to ensure that the language used in pledge and other contribution-related documents is worded consistently with the desired accounting outcome. Following, is an example which avoids the word "promise":

"As God enables me, I will endeavor to contribute \$_____ to the Missions Harvest Fund over the next nine months. This commitment is a covenant between God and me. I will not be asked for payment at any time, and my commitment is not an enforceable obligation."

.03 In those instances where a donor desires to make an informal pledge or a one-time contribution and desires assistance from the Church, the Finance Chair will use the Informal Pledge/One-Time Contribution ([Form No. 1-18](#)) to accomplish this request.

16.0 ENDOWMENTS

16.1 General

.01 Endowment funds are moneys that have been restricted by a donor or designated (from unrestricted or temporarily restricted funds) by the Endowment Committee to be held in perpetuity with only the investment earnings or a portion thereof available for expenditure.

.02 All endowment moneys will be placed in the First United Methodist Church Weatherford account with the Central Texas Methodist Foundation.

.03 The Finance Committee of First United Methodist Church Weatherford will ensure that the corpus of endowment funds is not spent and that interest from such funds will be expended only as directed by the Endowment Committee.

17.0 ISSUING OF CONTRIBUTION STATEMENTS

.01 First United Methodist Church Weatherford and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and their underlying Regulations. To comply with those rules, First United Methodist Church Weatherford shall adhere to the following guidelines with respect to contributions received by the Church.

17.1 Cash and Non-Cash Contributions

.01 For any separate contribution received by First United Methodist Church Weatherford, it shall provide a receipt to the donor. The Financial Secretary shall generate the receipt. All receipts shall include the following information.

- The name of First United Methodist Church Weatherford or “A Ministry of First United Methodist Church Weatherford” if issued by a ministry under the direction and authority of First United Methodist Church Weatherford;
- The date(s) of the actual receipt of the gift(s) by First United Methodist Church Weatherford;
- The amount of cash received and/or a description (but not an assessment of the value) of any non-cash property received;
- A statement of whether First United Methodist Church Weatherford provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the Church from the donor;
- If any goods or services were provided to the donor by First United Methodist Church Weatherford, a description and good faith estimate of the value of those goods or services; and
- A statement that goods or services, if any, that First United Methodist Church Weatherford provided in return for a contribution consisted entirely of “intangible religious benefits,” if that was the case.

.02 The donor’s social security number or tax identification number is not required to be placed on the receipt. Furthermore, there is no IRS regulation that requires the receipts to be signed by an official of the Church.

17.2 Mailing of Donor Statements

.01 It is the general practice of First United Methodist Church Weatherford to issue charitable contribution statements to donors on a quarterly basis. The Record of Cash Contributions - Annual ([Form No. 1-21](#)) is the statement which is mailed to all donors in our contribution system. This record is mailed to all donors no matter how much was given to the Church.

17.3 Discrepancies on Donor Statements or Acknowledgements

01. Whenever a discrepancy is noted by a donor on his/her statement or acknowledgement, such discrepancies shall be forwarded directly to the Financial Secretary for research and resolution. At no time shall the Financial Secretary make corrections to a donor's records, based on statement errors, without first obtaining written authorization from the Finance Chair.

Section F.

Date Approved/Revised:

Approved By:

OTHER CASH RECEIPTS

Statement of Policy:

Adequate internal controls over cash receipts received in the mail or from other sources will be maintained at all times. Numerous sources of cash receipts are received from the various ministry operations. Examples of such receipts are: family night supper; sale of books and materials; fees for retreats, workshops, and camps; sale or rental of property; and investment income. Such receipts will be received, counted, deposited, and accounted for in Church records in an accurate and timely manner.

*"Joseph collected all the money that was to be found in Egypt and Canaan in payment for the grain they were buying, and he brought it to Pharaoh's palace."
Genesis 47:14*

Procedures:

1.0 RECEIPTS RECEIVED IN MAIL

1.1 Receiving

.01 Two persons (**Church Secretary and one other person**) shall open all incoming mail. Contributions (checks, cash, money orders, or other negotiable paper) contained in opened mail shall be listed on a Daily Cash Receipts Log ([Form No. 1-03](#)). Checks must be restrictively endorsed "For Deposit Only" along with the Church's bank deposit account number. All mailing envelopes that contain finances shall be kept. The cash receipts, Cash Receipts Daily Log and mailing envelopes will be given to the Financial Secretary. If the Financial Secretary is not available, the material will be placed in a manila envelope and deposited in the Church safe. At no time shall cash receipts be left unattended, held or hidden until the return of the Financial Secretary. A copy of the Cash Receipts Daily Log will be sent to the Chairperson of the Finance Committee who is responsible for the reconciliation of the monthly bank statement.

.02 The **Church Secretary** will total daily cash receipts and verify the number of checks as noted on the daily log. Any support accompanying the checks will be stapled to the Daily Cash Receipts Log form and the mailing envelopes will be discarded.

EXCEPTION - Mailing envelopes must be maintained for year-end contribution cut-off purposes when a check is received after year-end but is dated December 31 or before.

.03 The Church Secretary will photocopy all checks and document accompanying information if no contribution envelope is used to transmit the cash receipts.

1.2 Deposit

.01 The Financial Secretary will prepare a bank deposit slip and deposit the funds with to the Church's authorized bank. Receipts shall be deposited weekly.

1.3 Accounting for Receipts

.01 The Financial Secretary will use the Cash Contributions form to post the cash receipt to the donor's contribution record. Contributions are also to be credited against the donor's pledge, if applicable.

.02 The Cash Contributions form/Tellers Sheet Summary will be used as the input document into the Church's cash receipts computerized system. This summary will show the proper account number to use in making the posting. The Financial Secretary will be responsible to complete the "status" section on this Summary as the receipts are processed.

.03 Once all items in the "status" section have been completed, the Summary will be filed in date order.

2.0 NOTATION OF NONDEDUCTIBLE RECEIPTS

.01 All checks received and made payable to First United Methodist Church Weatherford which are not tax-deductible charitable contributions (youth trip payments, wedding fees, etc.) must be stamped on the face of the check in the "For" section with a rubber stamp noting the words "NONDEDUCTIBLE." Additionally, the purpose or name of the event for which the receipts are being received, shall be written under the NONDEDUCTIBLE notation.

.02 At no time shall nondeductible contribution receipts be posted on an official charitable contribution statement issued by the Church.

3.0 SALES OF MERCHANDISE

3.1 Sales by Visiting Guests or Organizations

.01 Commercial activities will normally be discouraged. However, in support of special programs, events, revivals, conferences, training seminars, and the like, individuals or organizations that have been invited by the Church may offer to the Church members and attendees' products that support their ministry. These products must be directly related to that organization's ministry.

.02 The organization selling the products is responsible for staffing and the collection of monies. The Church will give direction as to where the products can be sold in Church facilities. Facilities staff will provide tables, chairs and other reasonable set-up requests.

4.0 FOOD SERVICE MEAL RECEIPTS

.01 First United Methodist Church Weatherford provides a Wednesday evening meal for members and guests. These meals are paid for directly by those who attend. At the conclusion of the Wednesday meal, the volunteer money collectors escort the meal receipts and supporting documentation to the Financial Secretary or places them in the safe. At no time shall the receipts be taken home.

.02 These meal receipts must be accompanied with a properly completed Cash Transmittal ([Form No. 1-06](#)). Attached to this transmittal will be a Meal Receipts Reconciliation ([Form No. 5-07](#)). This form reconciles the actual meals sold to the money that was collected. All forms and receipts are placed in a manila envelope with "Wednesday Night Dinner" marked on the front of the envelope.

5.0 VENDING MACHINE INCOME

.01 First United Methodist Church Weatherford derives income from the operation of various vending machines located on the Church's campus for the use and convenience of First United Methodist Church Weatherford members, employees and visitors.

.02 Vending machine income is to be used for the support of youth activities which are of benefit to First United Methodist Church Weatherford.

.03 Vending machine income is to be the only source of revenue deposited in Coke Fund Income account.

6.0 INTEREST INCOME

.01 Interest earned from checking, savings and other investment accounts shall properly

be recorded in the Church's books and records by the use of a Journal Entry ([Form No. 1-78](#)) when such funds are directly credited to the Church's accounts and no check is made payable to the Church for deposit.

7.0 SECURITY OVER FUNDS TRANSMITTED TO THE FINANCIAL SECRETARY

.01 During normal business hours, all cash receipts must be secured in a proper and adequately locked container (i.e. locked cash box, locked cash drawer).

.02 Unlocked desks, file cabinets, and miscellaneous boxes or cans shall not be used as containers for the collection of receipts.

8.0 DEPOSIT OF RECEIPTS

.01 For all non-contribution type receipts which were deposited in the safe, the Money Counter's Committee shall prepare a Cash Receipts Postings/Tellers Sheets Summary ([Form No's. 1-04](#) or [1-05](#)) showing each account to be posted with the appropriate amount. The original of this form, together with all remittance advices, cash transmittal forms, copies of receipts issued, copy of deposit slip and other support shall be sent to the Financial Secretary as support for the monthly cash receipts journal voucher. One copy of the summary and deposit slip shall be kept by the Money Counter's Committee. A second copy of the summary shall be sent to the Chairperson of the Finance Committee for use in cash verification while reconciling the monthly bank statement.

.02 All Church receipts will be deposited in the bank, intact, and on a timely basis. No part of any "cash" receipts shall be used to replenish any petty cash funds or used to pay bills directly. Rather, Church checks shall be issued to pay for such expenses. In this way, the Church books will reflect a complete record of all receipts and expenditures of First United Methodist Church Weatherford.

9.0 COLLECTION AND REMITTANCE OF SALES TAXES

.01 State sales tax laws vary from state to state. The Financial Secretary is responsible for investigating and ensuring compliance with these laws within the state(s) that First United Methodist Church Weatherford operates its ministries.

.02 State Retailer's Occupation Tax (Sales Tax) is collected on all applicable sales of tangible personal property and certain services, as required by State law. Tax-exempt sales are also reported even though tax is not collected.

10.0 FIDELITY INSURANCE

.01 Fidelity insurance coverage will be maintained at adequate levels on all Church employees and volunteers who are involved in cash handling procedures.

.02 Fidelity insurance provides that if a loss from embezzlement occurs, the Church will recover the loss (up to the amount listed in the policy). This insurance does not cover theft or burglary by an outside person. It provides protection only against an employee's or volunteer's dishonesty.

.03 A fidelity insurance company may not reimburse for a loss if it believes adequate internal controls were not in place to help prevent the loss from occurring. Leadership feels that they have established adequate internal financial controls in the handling of cash. Such controls have been documented in the Financial Section of the Church's Policies and Procedures Manual.

Section G.

Date Approved/Revised:

Approved By:

PURCHASING

Statement of Policy:

The ability to spend First United Methodist Church Weatherford's finances will be kept under careful control. All purchases must directly relate to fulfilling the ministry purposes of First United Methodist Church Weatherford. Purchases of ministry products such as supplies, literature, small equipment purchases (equipment costing less than \$500) and services, shall be made (by phone, mail or e-mail) only on the authority of a Purchase/Funds Request. This request must be approved before the purchase is made, funds are advanced, or the Church is obligated for a product or service. Such purchasing guidelines will assist authorized Church representatives in monitoring actual spending and effectively managing the Church's cash flow. Competitive bids will be taken on all significant purchases. All Church ministries will be responsible for using good purchasing methods for optimizing price savings, quality or value of goods, vendor selection and working relationships, and for assuring proper inventory control and inspections as required by Church policies and vendor requirements.

These policies and the following procedures relate to not only Church purchases made by Church check, but also expenditures made on Church credit cards and items paid with personal funds that will be reimbursed.

"In the house of the wise are stores of choice food and oil, but the foolish man devours all he has." Proverbs 21:20

Procedures:

1.0 VENDOR SELECTION AND FILES

1.1 Vendor Selection

.01 As vendors are evaluated, consideration will be given to, but not limited to, the following: pricing, discounts offered, assortment and availability of products, delivery services, years in business and reputation within community. References shall be requested and adequately screened.

.02 A Vendor Information Sheet ([Form No. 1-27](#)) must be completed and approved on all

new vendors.

.03 The Finance Chair (regarding non-facility products) will approve the selection of vendors.

1.2 Vendor Files

.01 A vendor file shall be prepared for each vendor. This file will contain all pertinent information regarding the vendor. Reference checks, credit applications, correspondences, Vendor Information Sheets, and other relevant documentation will be placed in this file.

.02 Vendor files will be maintained in alphabetical order and kept in the Financial Secretary's office.

2.0 COMPETITIVE BIDS

.01 Competitive bids or price comparisons shall be secured on purchases whenever practical. Three (3) competitive bids shall be obtained for all purchases exceeding \$1,000. The Request for Quotation ([Form No. 1-26](#)) can be used to request such bids. Choosing a bid shall be based upon quality, references, timeliness, terms, and cost of the purchase. Attention shall always be given to accepting bids from insured contractors/suppliers/vendors. In purchases or contracts in which contractors supply materials and supplies, all necessary full-value lien waivers shall be obtained before payment for work or services is made. A portion of the contract proceeds shall be held back if there is uncertainty that all suppliers and workers might not be paid. See Release of Lien ([Form No. 7-08](#)) example.

.02 Unless a specific exception has been obtained from the Finance Committee, bids shall not be solicited from, nor any order placed with a company that:

- Is owned, controlled or actively influenced by any ministry employee or immediate relative of an employee.
- Employs in any capacity a ministry employee who is in a position to influence the selection of, or conduct business with, such supplier.
- Employs in a management, consulting or sales capacity any person who is a ministry employee.

.03 Whenever a competitive bid cannot be obtained, the reasons for such actions shall be recorded in memo form and attached to the Purchase/Funds Request ([Form No. 1-29](#)) when submitted for approval. The Finance Chair will review such memos for

appropriateness.

.04 At no time is “stringing” or making successive purchases to avoid the \$1,000 bidding requirement allowed whether with one or several vendors.

2.1 Purchases Higher Than Lowest Bid

.01 Purchases made at prices higher than the lowest bid shall be explained in memo form and attached to the Purchase/Funds Request when submitted for approval. The Finance Chair will review the justification and must approve the reason before the purchase is made.

2.2 Maintaining of Support

.01 All information gathered during the bidding process will be keep with the Purchase/Funds Requisition as backup documentation. At no time shall price quotes or actual purchase prices be revealed to any bidding vendors.

.02 In cases of bids for estimating purposes, a copy of each bid response is to be sent to the requisitioner along with any bid summary sheets.

3.0 ORDERING AND REQUISITIONS

.01 Ministry supplies, literature and other needs will be ordered based on available inventory levels, requirements to satisfy normal daily ministry operations and upcoming special ministry events. Significant inventories of supplies and literature in ministry departments are discouraged because of the availability of a general supply room and obsolescence.

.02 When determining the quantity of items to order, consideration must always be given to price breaks for quantity purchases. However, overstocking unneeded products from quantity purchases is not wise stewardship.

.03 Before placing an order in person or over the phone, a Purchase/Funds Requests ([Form No. 1-29](#)) must be completely filled out and submitted to the appropriate ministry Department Head for approval. If the Church has an account with the vendor as determined above, that account number shall also be shown on the request.

.04 Considerations shall be made for prepaying the purchase or pay on delivery if the vendor offers a discount on their bill.

.05 When the services of an independent contractor are being considered a contract or agreement of services must be obtained. If the service provider does not furnish such a document, then the Church shall use the Independent Contractor Agreement ([Form No. 7-05](#)) to document the agreed upon services and fees. If the independent contractor is not required to carry Workers' Compensation Insurance, then the Church shall require that he/she complete a Workers' Compensation Insurance Release ([Form No. 7-06](#)).

3.1 Prohibited Expenditures

The Church shall not incur any expenditures relating to political activities.

4.0 APPROVAL PROCESS

.01 For materials or services that cost less than \$50, ministry workers and staff can make purchases without obtaining prior approval.

.02 For purchases of materials or services costing in excess of \$50, the appropriate ministry Department Head or Ministry Leader and the Finance Chair must approve the request before the purchase is actually made or the service is performed. Individuals authorized to approve the Purchase/Funds Request must determine five things before the request is ultimately approved: (1) if the request is within the budget allotment for that account, (2) if the funds are available within the specific account, (3) if the funds are available in the Church's bank account, (4) if it is prudent to make the purchase at this time, and (5) which vendor to use for the purchase. Since some businesses give discounts to Churches, or provide more prompt and reliable service than others, the Finance Chair shall ultimately decide where to make the purchase based on the guidelines mentioned above. The \$50 level on required prior approval may be reduced during periods of low budget receipts. The Finance Chair will notify staff if a reduction is required.

.03 In the event there are not sufficient funds available in the appropriate budget account, or if the materials or services are not a budgeted item, then the Finance Committee must approve the Purchase/Funds Request before the purchase is actually made or funds disbursed.

.04 When the Purchase/Funds Request has received appropriate approval; three copies of the requisition shall be issued. The first copy shall be given to the vendor when the item is to be purchased or service rendered. The purchaser shall receive the second copy. This individual shall attach the receipt or invoice to this copy and return it to the Financial Secretary after the items are received or service has been satisfactorily rendered. The Financial Secretary will match the second copy with the third copy

(which has been filed in numerical order in the Financial Secretary with other outstanding Purchase/Funds Requests).

.05 Emergency requests (\$500 or less) can be approved by the Finance Chair. All emergency requests greater than \$500 will be approved by the Finance Committee by use of the phone.

.06 Expenditures from the general operating budget will be approved if permitted by the adopted annual budget and when current giving levels are adequate. Since fixed related costs account for a significant portion of the general operating budget, it is extremely important that accurate accounting be maintained of all financial commitments. Furthermore, the general operating budget congregational vote stipulates that actual expenditures are not to exceed actual budget receipts. Ministry Department Heads will be updated on the status of actual budget receipts at the weekly staff meeting. If actual budget receipts are less than the budget requirement, then a budget spending level will be calculated. This spending level will be calculated based on actual budget receipts to-date as compared to what the adopted budget requirement is as of that same time period. Each Department Head will be required to adjust their ministry budget spending to this level.

.07 Expenditures will be monitored against the monthly budgets that were submitted to the Financial Secretary by each ministry Department/Division. Cumulative monthly budgets will be reviewed to determine if requested expenditures are within the permitted spending level as discussed above. Ministry Department Heads still maintain the flexibility within their budgets to over/under spend individual program accounts to the extent that the total cumulative monthly budget for their area is not over the permitted spending level.

.08 If a ministry's budget includes significant fixed/semi-fixed costs it will be the ministry Department Heads responsibility to furnish to the Financial Secretary suggestions for reducing or eliminating these or other costs to stay within their spending level. The Finance Chair will review all budget accounts to determine where other reductions could be made to avoid the elimination of any important fixed/semi-fixed costs.

.09 Expenditures from integrated ministry auxiliary groups and restricted/designated funds or programs will be approved only to the extent that cash has been accumulated for the specific purpose being requested.

.10 Expenditures for capital purchases, self-improvement and employee expense reimbursements require additional reviews prior to being submitted to the Financial Secretary. Please refer to the separate policies and procedures for these items and additional details.

.11 If any staff person (Minister or Support Staff), who has been given authorization to sign Purchase/Funds Requests on behalf of the Church, does not abide by the above mentioned purchasing guidelines, his/her privileges to make such purchases will be taken away. This person's immediate supervisor will assume those responsibilities for making all future purchases. After a one-month period, this staff person could be given his/her purchasing privileges back if he/she agrees to abide by the guidelines. There will be no staff exceptions to these guidelines.

5.0 STANDARDIZED ANNUAL PURCHASE REQUESTS

.01 At the beginning of each new budget year, each Church ministry shall review their budgets to determine if any expenditure, planned during the year, will be made on a consistent basis (monthly, quarterly, etc.). Examples would be: rent, installment payments, service contracts, consistent food purchases, etc. Such repetitive expenditure shall be placed on a Purchase/Funds Request, which would disclose the following:

- the maximum amount of purchase
- the price of each standard item purchased
- the expiration date (not to exceed twelve months)

.02 The request would then be forwarded to the Financial Secretary for processing.

.03 The Purchase/Funds Request, after approved, will be used as authorization to make payments as requested during the year. However, should there be any changes in payment dates and amounts to be paid, a new Purchase/Funds Request shall be submitted or an adjustment be made to the current request.

6.0 CAPITAL PURCHASES

.01 All capital purchases greater than \$500 will be charged to and expended for budget purposes in the Capital Improvements section of the Chart of Accounts. Individual capital purchases which cost less than \$500 can be expended from approved program funds.

.02 The Capital Improvements budget will be established as part of the general operating budget process. Each ministry department shall submit requests for Capital Projects greater than \$500. These requests will be reviewed and prioritized by the Finance Committee.

.03 All requests for purchase of equipment or furnishings, which cost greater than \$500, must first be submitted and approved by the appropriate ministry Department Head before submitting the request to the Financial Secretary. If the ministry Department

Head desires to purchase the item from their budget they must then complete a Justification For Purchase of Equipment/Furnishings ([Form No. 1-28](#)). This form shall be submitted to the Finance Chair for his/her review.

.04 In addition to the above procedures, capital purchases for computer hardware or software and audio-visual purchases require the following additional reviews:

6.1 Computer

.01 All purchases of computer hardware or software are to be reviewed by the Trustees Chair. He/she will use the Checklist to Evaluate Computer Purchase ([Form No. 3-04](#)) in making his/her review. This review is to assure that the items are compatible with the Church's existing systems and do not duplicate existing capabilities. In no case shall free or loaner software be added to the Church's computer without first being checked and approved by the Trustees Chair.

6.2 Audio-Visual

.01 All requests for the purchase of any audio-visual equipment, which costs more than \$500, must be approved by the appropriate ministry Department Head and then forwarded to the Finance Committee for their review.

7.0 PURCHASE OF PROFESSIONAL SERVICES

.01 The following guidelines establish minimum guidelines to be followed for the selection and use of vendors whose services provided fall under the category of "Professional Services." Professional services are those services provided by an individual, or group of individuals, working for a business enterprise, which by their nature; involve unique creativity, talents and abilities, or special training and/or skills. Examples of professional services: Architects, Attorneys, Consultants, Designers, Engineers, etc.

.02 Purchasers wishing to enter into agreements that are more than one (1) year in length, may do so by submitting written justification to the Finance Chair for approval. Any agreement in excess of five (5) years will require the approval of the Administrative Council.

.03 These guidelines will apply to both restricted and unrestricted funds, unless the funding source (i.e. endowment) places pertinent restrictions on its use.

.04 If a ministry department, subgroup, or other auxiliary of First United Methodist Church Weatherford has a need to procure a service from an outside vendor, and that service is believed to fall under the "Professional Services" category, then that group

will be required to follow the procurement guidelines as outlined in this section.

7.1 Expenditures up to \$5,000

.01 Purchasers will select the desired vendor and forward a ministry departmental requisition to the Finance Chair for processing before placing an order or entering into any type of signed agreement. Purchasers may use their discretion in deciding upon the process to be used to select the desired vendor

7.2 Expenditures in Excess of \$5,000

.01 For expenditures over \$5,000, a more structured approach is required. Purchasers are required to submit a written request to the Finance Chair, prior to the selection of the vendor, to establish the necessary steps for the selection process. The selection process recommended could be one of the following:

- An informal process, whereby the ministry department is given permission to establish the selection criteria, review proposals from potential vendors, negotiate pricing, and make a written recommendation to the Finance Chair.
- A formal process, whereby the purchaser and the Finance Chair jointly develop selection criteria and specifications. The specifications will be distributed to potential vendors by the Finance Chair and all responses will be jointly reviewed. The purchaser will be expected to make a final written recommendation to the Finance Chair.
- A complete waiver from all processes with an award being made to the recommended vendor. If a waiver is requested in this category, a very thorough explanation will be required. The purchaser must be able to document significant reasons to justify that a waiver is in the best interest of First United Methodist Church Weatherford. The Finance Committee must approve all waivers.

.02 The final decision, as to which process is used rests with the Finance Committee. Regardless of the process used, the highest standards of ethical behavior with regard to the selection of the most desirable vendor will be required.

.03 To initiate the award to the selected vendor, the purchaser must submit a signed departmental requisition to the Finance Chair, along with an explanation of the selection process used and the reasons for selection of the vendor. Copies of all proposals, if obtained, shall be included with the explanation.

8.0 CHURCH ISSUED CREDIT CARDS

.01 The issuance and use of Church credit cards is controlled by the Finance Committee. A Ministry Credit Card Request ([Form No.1-88](#)) must be completed and approval obtained to receive such a card. These cards are provided for the sole purpose of conducting Church related business. No personal charges of any kind will be allowed on Church credit cards. Cash advances are not allowed to be made on a card. The card may not be loaned or used by other than the cardholder. All cardholders are required to complete a Ministry Cardholder Agreement ([Form No. 1-89](#)).

.02 The following purchases are not allowed to be made on a Church issued credit card:

- Capital equipment and/or upgrades (\$500 or more)
- Construction, renovation or installation
- Items or services on term contracts
- Maintenance agreements
- Purchases involving trade-in of ministry property
- Rentals (other than short-term autos)
- Software and/or licensing agreements
- Telephone and/or related equipment or services
- Ultra-hazardous materials and/or products
- Any other items deemed inconsistent with the values of First United Methodist Church Weatherford

.03 In accordance with purchase policies and procedures, expenditures of \$50 or greater require approval through the Purchase/Funds Request system prior to incurring the expense.

.04 Monthly credit card statements will be forwarded directly to the staff members or lay leaders who hold possession of the cards, for their review and approval. An Employee Monthly Expense Report ([Form No. 1-54](#)) must be completed outlining all charge items as required. The monthly expense report and credit card statement is to be returned to the Financial Secretary no later than two weeks prior to the due date. Each purchase on the credit card statement must comply with the [Accountable Expense Reimbursements and Advances](#) policy as outlined in the Cash Disbursements Section of these financial policies. The yellow credit card receipt will not be considered as proper substantiation. The actual third-party invoice will be required for all purchases. Each individual who is responsible for a Church credit card will be held personally responsible for reimbursing the Church for any expenditure, which is not properly substantiated, and any interest charges that accrue due to the late return of the credit card statement to the Financial Secretary.

.05 Cardholders shall make every effort to ensure that purchases do not include sales tax. Tax exemption certificates are available from the Financial Secretary. Sales tax may be paid for minimal expenditures from one-time vendors who refuse the exemption, but sales taxes shall not be paid where the purchases are for more substantial

expenditures or are repetitive in nature.

.06 The Church will maintain one credit card issued exclusively for the Church Secretary. This card is not to be “checked out” and is not to be used by anyone other than the Church Secretary. This card is to be used only for unexpected Church office needs.

.07 In the event that an employee accidentally does charge personal items to the Church’s credit card, the Financial Secretary is authorized to withhold these charges from the employee’s next paycheck. If this event would occur again, the Church credit card will be taken from the employee and all credit card privileges removed. Tax regulations specifically disallow the inurement of Church funds to a private individual. Furthermore, such personal charges would be considered “excess benefit transactions” which are subject to intermediate sanction penalties.

.08 A lost or stolen Church credit card is to be reported to the Finance Chair, immediately.

9.0 EXECUTION OF CONTRACTS/AGREEMENTS

.01 First United Methodist Church Weatherford requires all property contracts and major agreements, which obligate the Church in any way, must be executed by two trustee officers in consultation with and under the approval of the Board of Trustees. The senior minister will sign certain documents (i.e. insurance applications, etc.) as head administrative officer. Those signing Church contracts or agreements must always sign such documents in their official Church legal capacity (i.e. By: John A. Smith, Treasurer) followed by the legal name of the Church (First United Methodist Church Weatherford).

.02 All contracts or agreements which require a Church representative's signature, must be forwarded by the appropriate ministry Department Head or ministry leader to the Finance Chair, along with appropriate instructions concerning disposition of the documents. When received by the Finance Chair, he/she will assure that appropriate legal reviews are accomplished, that the proper signatures are placed on the documents, and that the disposition is handled in accordance with the sender’s instructions and processing.

.03 Examples of ministry contracts or agreements are:

- Hotel agreements for retreats
- Artists' agreements for performances
- Bus rental contracts
- Construction contracts (see additional procedures as follows)

10.0 ORDER PLACEMENT

.01 Before any order is placed, the vendor shall be asked if they provide product donations or any form of discounts to nonprofit organizations. Many local vendors donate excess stock and offer a basic discount in an effort to assist such organizations.

.02 Considerations shall be made on buying in bulk quantities in an effort to receive price breaks or discounts. But caution shall be taken to not over buy or create unnecessary excesses. Annual purchase needs and cash flow requirements shall also be considered before bulk purchases are made.

.03 The Financial Secretary will be responsible for following-up on shipping, delivery, expediting and partial shipments of items ordered.

11.0 MATCHING OF SUPPORT

.01 When Purchase/Funds Requests are issued, copies will be placed in an Open Purchase File until the merchandise is received or the service is rendered.

.02 The receiving of merchandise will comply with the Church's procedures for receiving and inspection, as noted below. All vendor's packing list and/or Receiving Reports will be forwarded to the Financial Secretary for processing.

.03 The Financial Secretary will match the receiving paperwork to the open Purchase/Funds Request form. One copy of the request form will be attached to the receiving paperwork and supporting requisition paperwork. The other Financial Secretary copy will be filed in the Closed Purchase/Funds Request File.

.04 When the invoice is received, it, along with the Purchase/Funds Request, will be sent to the originator for final approval and authorization to write the check in payment of the invoice.

11.1 Recording Cash Advances

.01 All cash advances which are not for Staff Parish Relations related expenses (i.e. lunches, conferences, etc.) must be supported by a Cash Advance Reconciliation ([Form No. 1-08](#)). This reconciliation details all expenses for which the advance was used and shows the proper budget account numbers to charge. All third-party receipts must be attached to this form.

.02 This reconciliation must be completed and returned to the Financial Secretary

within 10 days after the funds have been spent.

12.0 SALES TAX EXEMPTION

.01 The Church is exempt from paying state sales tax on the purchase of Church products, merchandise and certain services. A Certificate of Exemption has been received, in the name of the Church, by filing an application with the State Department of Revenue. This certificate is maintained in the Financial Secretary's office. Timely renewal of this certificate is his/her responsibility.

.02 For this exemption to remain in affect, Church purchases must be made in the name of the Church and only with Church funds (Church check, Church credit card or cash from a Church advance check). Sales tax must be paid on purchases made from personal funds and subsequently reimbursed on an Employee Monthly Expense Report.

.03 All purchases requested and contracts entered into for the purchase of goods or services must address the exemption from sales taxes. The Check Request ([Form No. 1-35](#)) requires the preparer of checks to review all invoices to ensure that sales tax is not being charged.

.04 Due to the sales tax exempt status of all Church vendor accounts, no personal purchases of any kind are to be made on Church accounts.

13.0 RECEIVING REPORTS

13.1 Preparation

.01 A Receiving Report ([Form No. 1-33](#)) shall be prepared immediately upon receipt of the items or completion of the service. When a purchase is completely received in one shipment, or the service completed in one time frame, the receipt or completion shall be reported on a pre-printed Receiving Report furnished with the Purchase/Funds Request.

.02 Partial shipments shall also be reported on a pre-printed Receiving Report. In all cases, the Receiving Report shall be marked either *partial* or *complete* and shall list only the items received in that particular shipment.

.03 Prepaid shipping bills, packing slips, and all other substantiating documents pertaining to each shipment shall be attached to the Receiving Report. All items on the packing lists must be accounted for on the Receiving Report and listed under the appropriate Purchase/Funds Request item number.

.04 A Monthly Receiving Log ([Form No. 1-34](#)) will be maintained to track all receiving

activity by the Church Secretary. This log will be forwarded to the Financial Secretary once complete.

14.0 CONSTRUCTION CONTRACTS

14.1 Preparation

.01 The Building Committee shall be responsible for originating construction contracts. This committee will define the scope of the proposed work and prepare sample contracts, bid forms, general conditions, specifications, and drawings.

.02 It is the general practice of the Building Committee to obtain competitive bids for all types of construction projects. They shall determine the potential bidders for each project and obtain financial information for each potential bidder. Each project shall include at least the following:

- Description and location of job
- Estimated value of contract to be bid
- Estimated percent of contract value representing material to be supplied by the contractor
- Estimated starting and completion dates of the job

.03 The Committee shall investigate the financial responsibility of each potential bidder. A credit report shall be obtained if, in the judgment of the Committee, such a report is necessary for a proper investigation. Based upon these reports and general facts of the project to be bid, the Committee shall, in writing, recommend or not recommend each potential bidder as to its financial responsibility in relation to the particular project. In cases of marginal financial responsibility, the Committee may recommend a potential bidder with the stipulation that it supplies a performance and payment bond.

.04 Based on the Committee's recommendations and appraisal of the bidder's character and competence, the Committee shall decide on the names to be included in the actual bid list. All names appearing on the actual bid list shall be considered in all respects capable of performing the job satisfactorily.

.05 Before any sample contract is submitted to bidders, all sample contract forms shall be reviewed by Church legal counsel for preliminary approval as to the form.

.06 The Committee shall forward the sample contract, with invitation to bid, to all bidders appearing on the actual bid list. Bids shall be returned to the attention of the Building Committee.

.07 A bid-opening meeting scheduled by the Committee must be attended by the Finance Chair. All rejected bids shall be held in strict confidence.

.08 After the contract award has been made the original of each bid, together with the bid comparison and minutes of the bid-opening meeting, shall be maintained in the Building Committee project binder. This binder will be maintained in the Church office.

14.2 Negotiating Contracts

.01 The Committee shall appoint several members to conduct or supervise all negotiations leading toward a construction contract. They shall also prepare a cost estimate for the project. The Building Project Budget Review ([Form No. 1-72](#)) shall be used to make such estimates.

.02 Before any sample contract is submitted to a contractor, all sample contract forms shall be submitted to the Church's legal counsel for preliminary approval as to form.

.03 After negotiations have been completed, the following shall be submitted to the Finance Committee, as applicable:

- The cost estimate prepared by the Committee (engineering assistant may be required).
- Committee's recommendation as to the financial responsibility of the contractor.
- A written statement of the negotiations conducted with the contractor, which statement shall include, but not be limited to, justification of the contract compensation, the reasons for negotiating with the particular contractor, and a statement of the work to be performed.
- All correspondence received from or directed to the contractor.
- A copy of the proposed construction contract.

.04 The decision as to whether an offer, as negotiated, shall be accepted by the Church, shall be made in writing by the Board of Trustees.

.05 The Building Committee shall be responsible for notifying the successful contractor of the award and for giving the contractor notification, in writing, of the name, title, and authority of each Church employee assigned to the project.

.06 Immediately after the successful contractor has been awarded the contract, the Church's insurance agent shall be contacted to proceed with obtaining a Certificate of Liability and Workman's Compensation Insurance from the contractor in compliance with the insurance requirements of the contract. First United Methodist Church Weatherford must be named as an "additional insurer" under their insurance coverage.

Proper documentation of this coverage must be maintained and be on file in the Church office.

14.3 Execution

.01 The Building Committee shall review the contract compensation with respect to the approved construction and provide Church legal counsel with a memorandum for attachment to the contract prior to the Church's execution. Three copies of the contract shall be prepared for execution.

.02 General Counsel shall forward the three copies of the contract to the contractor for signature. Upon receipt of the contract from the contractor, such signed copies shall be held until the Church's insurance agent has determined whether satisfactory evidence of insurance has been received. Copies of the contract shall then be circulated for execution by the Finance Committee and returned to legal counsel for final review before distribution.

14.4 Changes in Contract

.01 When permitted by contract, minor changes in the scope of the work to be performed by the contractor may be authorized by the use of a Change Order. All work so authorized must absolutely be essential and necessary for proper functioning of the facility being constructed. The Building Committee shall approve all Change Orders but under no circumstances will the Change Order exceed the total Project Budget as approved by the congregation.

.02 Major changes in the scope of the work are those which will substantially modify the scope of the work (e.g., any change involving the time for performance, or any change in the general conditions of the agreement) and shall be authorized by a Contract Amendment only.

15.0 BARTERING

.01 Bartering arrangements are disallowed as a means of obtaining or providing services at First United Methodist Church Weatherford.

Section H.

Date Approved/Revised:

Approved By:

CASH DISBURSEMENTS

Statement of Policy:

Paying First United Methodist Church Weatherford obligations in a timely manner not only produces confidence in the Church's fiscal responsibility and procedures but also serves as a testimony to the business community. Proper internal controls will be followed to ensure that only valid and authorized payables and services are recorded and paid. Accounting procedures will be implemented to ensure the accuracy of amounts, validity of transactions, coding of general ledger accounts and appropriate timing of payments. A limited number of individuals will be authorized to sign checks but there shall be no fewer than three individuals at all times. All disbursements of Church funds will be by check.

"Give everyone what you owe him; If you owe taxes, pay taxes; if revenue, then revenue; if respect, then respect; if honor, then honor." Romans 13:7

"The expenses of these men are to be fully paid out of the royal treasury...so that the work will not stop." Ezra 6:8

Procedures:

1.0 GENERAL GUIDELINES

1.1 General Operating Budget Disbursements

.01 The current year General Operating Budget will serve as the guide to determine the availability of funds when a cash disbursement request is made.

.02 Any purchases that would be charged to a particular budget account must first be approved by the individual responsible for that account area (i.e. staff member, committee chairperson, etc.).

.03 Individuals who have responsibility for Church budget areas are allowed to spend up to their monthly budget allotment, which was determined in the budget preparation process. The individual must receive prior approval from the Finance Chair when needing to exceed that allotment.

.04 If monthly budget giving falls below budget expenditure requirements the Finance Chair will notify each responsible person as to what percent of their budget they will be allowed to spend for that month.

.05 If it becomes necessary to significantly exceed disbursements in a budget account area, a request must be made prior to the obligation of expenditures to the Finance Committee and they will in turn recommend where a budget revision can be made or if the request will need to be taken to the Church congregation for approval.

.06 The costs of providing the various program services and supporting activities of the Church will be recorded on a functional basis in the financial statements. Accordingly, certain costs will be allocated among program services and supporting activities.

.07 Every check that is written must be accompanied by a source document (i.e. receipt, invoice, etc.). In the case of regularly scheduled payments such as payroll, taxes, and debt retirement, the General Operating Budget may serve as the source document.

.08 An invoice or receipt is a detailed listing of the items purchased from a single business and is usually issued when the purchase is made. The invoice shall be attached to the second copy of the Purchase/Funds Request and submitted to the Financial Secretary for processing.

1.2 Restricted Funds' Disbursements

.01 The balance of moneys available in a restricted account will determine whether or not funds can be disbursed out of that account for a particular purpose.

.02 The disbursement of cash from any restricted account can be allowed only if it meets the criteria which was set when the account was established. The purpose and set criteria for the establishment of restricted accounts is documented in the Finance Committee meeting minutes.

.03 If a restricted account balance remains after the purpose and criteria has been met, then the Finance Committee will follow the procedures noted under the Contribution Section of this manual entitled, [Returning Contributions to Donors/Redirecting Gift's Purpose](#).

2.0 ACCOUNTS PAYABLE

.01 The Accounts Payable System is designed to record and maintain accounts payable transactions for the Church and all of the integrated ministry auxiliaries that are under the Church's organizational structure, prepare computer generated payable checks,

record the application of manually prepared checks, and provide reports to leadership regarding the status of the Accounts Payable ledger.

2.1 Review of Documents

.01 The following documents will be forwarded from the various ministry departments to the Financial Secretary for temporary filing and subsequent matching to form an accounts payable voucher package:

- Purchase/Funds Request ([Form No. 1-29](#))
- Receiving Report ([Form No. 1-33](#)) and Packing Slips

.02 All invoices received by the Church Secretary while opening the mail must first be date stamped on all copies and then forwarded promptly to the Financial Secretary. All copies of the invoice, other than the original, shall be stamped by the Financial Secretary "*Copy - Do Not Pay*". If requested by the vendor, a copy of the invoice shall be forwarded with the payment. Otherwise, all copies shall be destroyed after payment has been made.

.03 The original invoice copy shall be further processed and paid as outlined below:

- Invoices not covered by a Purchase/Funds Request or Construction Contract shall be verified by the Financial Secretary as to extensions and footings and forwarded to the appropriate ministry Department Head for preparation and approval of a Check Request ([Form No. 1-35](#)). The approved Check Request and supporting invoice shall then be returned to the Financial Secretary, where the coding or account distribution shall be verified. These requests shall be forwarded to the Finance Chair for his/her follow-up to determine why a Purchase/Funds Request was not prepared.
- Any ministry department receiving invoices directly from a vendor shall prepare the Check Request, secure proper approval, and forward with supporting invoice to the Financial Secretary.
- Invoices covered by a Purchase/Funds Request shall be compared by the Financial Secretary to copies of the Purchase/Funds Requests and Receiving Reports/Packing Slips by performing the following:
 - Review description, quantities, terms, and prices
 - Add and recalculate the invoice by considering quantities received, multiplied by unit price and totals
 - Review the invoice to determine that no sales tax is included

- Determine if all available discounts have been taken
- Review for correct account coding
- A copy of any invoice received by the Financial Secretary that exceeds the Purchase/Funds Request by ten (10) percent or \$10, which ever is more, shall be forwarded to the applicable purchaser, together with a Purchase/Funds Request Action Required ([Form No. 1-39](#)) specifying or explaining the problem.
- The purchaser shall determine and advise the Financial Secretary accordingly whether or not:
 - A revised Purchase/Funds Request will be issued
 - To approve payment of the invoice as submitted
 - To authorize the Financial Secretary to change the invoice and pay as the Purchase/Funds Request reads

.04 Once the Financial Secretary has reviewed the invoice and obtained all supporting documents, the following steps will be performed to ensure proper authorization, validity of purchase, receipt of purchased items or services and accuracy of amounts:

- The Check Request ([Form No. 1-35](#)) will act as the accounts payable voucher. The Check Request form shall be stapled to the top of the vendor invoice followed by the Receiving Report, Packing Slip and Purchase/Funds Request.
- The Purchase/Funds Request shall be reviewed for proper purchase authorization and pricing, and then compared to the invoice for validity. An Expense Allocation ([Form No. 1-38](#)) might need to be completed by the Financial Secretary if the invoice amount needs to be allocated to several different accounts.
- The quantities shown shipped or delivered on the invoice will be compared to the Receiving Report and/or Packing Slip. Any discrepancies must be followed-up and resolved prior to commencing with the voucher process.
- The Financial Secretary must make sure the Church has on file, a Taxpayer Identification Number for each individual and non-incorporated company who has performed services for the Church, or if anticipated that the service provider will provide services to the Church in an amount of \$600 or more during the current calendar year. IRS Form W-9 will be used by the Financial Secretary clerk in obtaining the service provider's tax number. This Form W-9 must be properly completed, signed and returned to the Financial Secretary by the service provider before payment is made. If the service provider does not provide this form to the

Church, then the Church must withhold 30% of the amount of the invoice, as backup withholdings, and submit this amount to the IRS.

2.2 Recording Accounts Payable

.01 By now, the accounts payable voucher package shall be properly assembled and all reviews performed. The voucher package will now be coded with the vendor number, general ledger accounts and corresponding amounts.

.02 All voucher packages shall be batched together and entered into the computerized accounts payable system. This process usually occurs weekly. After all voucher packages have been posted, an accounts payable ledger will be printed. Computer generated edit reports must be verified and any corrections made before final posting process occurs.

.03 After posting, all voucher packages will be filed alphabetically by vendor name in the unpaid invoice files to await payment.

.04 Under certain instances, an accounts payable amount might need to be disbursed over several months (i.e. rents, quarterly insurance premiums, etc.). Under this circumstance, the Financial Secretary will not be receiving an invoice from the vendor on a monthly basis from which to make a payment. A Payables Where No Invoices Are Received ([Form No. 1-40](#)) will need to be maintained. On this form, such standard monthly payments will be listed. The payables listed on this form will be the only items in which a check can be processed where an actual invoice is not accompanied with the Check Request.

2.3 Accounts Payable Subsidiary Ledger

.01 Monthly, an accounts payable subsidiary ledger will be printed. This ledger will be reviewed and reconciled to the general ledger control account. Any differences must be promptly investigated with corrections properly made.

2.4 Payment of Accounts Payable

.01 All payable items are maintained in the Accounts Payable System on a vendor/invoice number basis. The system automatically provides a pre-list of all payments due on, or before, a user-determined cutoff date. By using this pre-list as a "turnaround" document, the user identifies those open items that are not to be paid on the due date.

.02 Weekly, accounts payable invoices will be selected for payment from the pre-list printout, as noted above, in conjunction with the terms for payment. Accounts payable shall normally be paid within seven days of their payment term unless otherwise

determined by the Finance Chair. Invoices shall always be paid in plenty of time for the payment to be received on time, but not paid too early so that interest earnings can be accrued in the checking account. Because of the Church's testimony with vendors, the payment of invoices on time will take priority over earning additional interest in the checking account.

.03 Based on a review of the accounts payable ledger, any debit balances (amounts owed to the Church) shall be applied to credit amounts when determining payment, or a refund requested if it's from a nonrecurring vendor.

.04 The Financial Secretary will review the edit list of checks to be printed. Upon approval of this edit list, checks will be printed for the accounts payable invoices to be paid.

.05 Checks are printed on the due date and the system automatically prepares journal entries to reflect the cash payments and corresponding reduction of accounts payable. A list of these journal entries will be printed.

.06 Checks shall never be made payable to "cash."

.07 Disbursements shall always be made against actual invoices and never against "monthly statements" received from vendors. Paying by invoice will prevent against the possibility of inadvertently making double payments, having paid the invoice and also the amount on the monthly statement. However, the Financial Secretary will be sensitive to taking discounts, which might be allowed, on the monthly statements. The Financial Secretary will decide whether this would be advantageous to the Church based on cash flow.

.08 Voided checks shall be cancelled by writing "VOID" in ink across the face of the check or tearing out the signature portion of the check. All voided checks must be retained and filed in numerical order with the cancelled checks. A voided check will be entered in the checkbook and journaled as "Void."

.09 After the checks have been printed, they will be matched to the appropriate voucher package and submitted to the Church's authorized check signers for signatures. Upon return of the signed checks and voucher package to the Financial Secretary, the 3-part checks will be separated and processed as follows:

- Original - Mailed to the vendor along with any necessary payment stubs
- 1st copy - Attached to the top of the voucher package and filed alphabetically in the paid vendor files
- 2nd copy - Filed sequentially in the check register folder

.10 All supporting documents shall be cancelled by stapling the 1st copy of the check on top of the voucher package with the original vendor invoice and all supporting documentation stamped "PAID."

.11 The Accounts Payable Master File ledger is printed after the checks are written. It reflects the detailed transactions for each vendor such as invoices, debit or credit adjustments, and payments (either mechanical or manual checks).

2.5 Reconciliation of Monthly Vendor Statements

.01 Quarterly, the Financial Secretary shall review several monthly vendor statements by reconciling them to the detailed accounts payable ledger. All invoices noted on the monthly statement should have been posted in the detailed accounts payable ledger. All monthly vendor statements must be properly cancelled to avoid possible double payment.

3.0 MAINTENANCE OF CHECK CONTROL LOG

.01 A separate record of checks being processed shall be maintained by use of the Check Control Log. The control log shall contain:

- the sequence of checks issued
- the names of the person to whom the checks are issued
- the date the issue was made
- if applicable, the sequence of checks returned and/or voided

.02 All checks shall be sequentially pre-numbered so that it can be established that all checks have been accounted for. Checks voided due to the alignment of the printer for check processing shall always be kept in numerical sequence and properly voided by tearing out the signature portion of the check.

.03 The usage of checks shall be accounted for by reconciling the quantity of checks issued to cash disbursement records. This shall be performed by persons other than those who have custody of the unissued checks.

.04 All blank check stock shall be maintained under lock and key, and preferably in the Church safe.

4.0 C.O.D. PURCHASES AND MANUAL CHECKS

.01 Cash on delivery (C.O.D.) purchases and other instances for manual checks shall be held to a minimum. In those instances where a C.O.D. or manual check must be made, a Check Request ([Form No. 1-35](#)) shall be prepared. When C.O.D. goods are delivered to the Church, the following procedures shall be followed:

- The Church Secretary or Church volunteer will inspect the goods for any damaged items and verify content to the packing slip and Purchase/Funds Request. He/she will then initial the P/F Request if all goods are received or circle and note items not received.
- The Church Secretary will deliver the packing slip, vendor invoice and Purchase/Funds Request to the Financial Secretary.
- The Church Secretary or Church volunteer will immediately stamp all three of these documents as "PAID."
- The Church Secretary will prepare a Check Request and attach all supporting documentation. She will then prepare a manual check for signing.
- The Church Secretary will hand deliver the manual check and all supporting documentation to the check signer.
- Each check signer will review all supporting documentation for completeness and sign the check if appropriate.
- The signed check will then be given to the person making the delivery.
- The Church Secretary will attach the 1st copy of the check to the top of the Check Request and file the 2nd check copy in the check register folder. The Check Request and attached support will be filed in the paid vendor file.

.02 Other manual checks will be processed by using the same procedures as those used on C.O.D. purchases.

.03 Weekly, all manual checks will be entered into the accounting system as outlined in the software program procedures for entering manual checks.

.04 All non-emergency manual Check Requests shall be forwarded with required supporting documentation to the Financial Secretary for payment. Such requests shall always be held to a minimum.

5.0 CHECK SIGNING AUTHORITY

5.1 Authorized Check Signers

.01 The Finance Committee is responsible for approving check signers on all First United Methodist Church Weatherford bank accounts. The Administrative Council Chair, Trustee Chair and Finance Chair will always have check-signing authority. A minimum of five check signers shall be approved. Check signers shall never be related to each other by blood or marriage.

.02 All check signers must be diligent in exercising their fiduciary responsibilities by examining the invoices and supporting documentation as furnished to them in the voucher package before signing the check. A risk of having dual signatures is that each check signer will rely on the other and will review the supporting bills in a perfunctory manner which results in less control than if only one person signed and realized he/she had full responsibility.

.03 Authorized check signers shall never:

- cosign checks made payable to themselves or to family members, with the exception of payroll checks
- pre-sign blank checks for future use
- sign checks payable to "bearer" or "cash"
- alter checks in any way

5.2 Signature Authorization Limits

.01 A Spending Authorization Limits ([Form No. 1-37](#)) can be used to disclose dollar limitations on each signer. Following, are the signature authorization limits that have been approved by the Finance Committee:

5.2.1 Checks Less Than \$5,000

.01 Two different authorized signatures are required on all checks. One of these signers can be staff. Neither of these signatures can be a facsimile signature.

5.3 Mailing of Signed Checks

.01 After signing, all checks shall be forwarded directly to the payee without being returned to the originators or others who are in a position to introduce documents into the cash disbursement system. This can be accomplished by the check signer placing the vendor's copy of the executed check and the remittance advice in the attached, pre-postage metered mailing envelope and sealing it. The check signer would then mail the

vendor envelopes.

.02 The voucher package and check copies will be returned to the Financial Secretary for filing.

6.0 PROCESSING OF PAYROLL

.01 The Chair of Staff Parish Relations Committee is responsible for all Staff Parish Relations records and procedures. The Financial Secretary is responsible for all payroll records and procedures. Both of these will work closely together since many Staff Parish Relations and payroll matters interface together.

6.1 Staff Parish Relations Issues and Records

.01 Most all Staff Parish Relations matters can be summarized in the following categories:

- Employment
- Compensation
- Workplace Guidelines
- Benefits
- Performance Standards
- Salary and Wage Administration

.02 The Chair of Staff Parish Relations Committee will work closely with the Payroll Clerk in providing needed information to process payroll. Salary and wage rates, paid and unpaid benefits, and changes in employee personal data are just some of the Staff Parish Relations information that will be provided for payroll purposes.

6.2 Payroll Processing

.01 The Financial Secretary will receive all approved non-exempt employee Timesheets ([Form No's. 1-43](#), [1-44](#), [1-45](#), [1-46](#), [1-47](#) and [1-48](#)) from each ministry Department Head. Their immediate supervisor shall approve all overtime. Once timesheets have been received, the Financial Secretary will review each for completeness, accuracy, required approval signatures and investigate any erasures or corrections.

.02 Once the the payroll has been approved for processing, the Financial Secretary will input the worksheets into the computer. Edit reports will be verified before final payroll is completed.

.03 The Financial Secretary will present payroll checks for signing. All payroll support (timesheets and ADT processing printouts) will accompany the checks for signing. After

the checks have been signed they will be returned to the Financial Secretary for distribution. All timesheets will be properly filed.

6.3 Salary Reduction Agreements

.01 Contributions made under a Salary Reduction Agreement ([Form No. 7-11](#)) are subject to Social Security (FICA) and Medicare taxes for nonminister employees. Salary reduction contributions made by ministers for tax purposes are not subject to self-employment taxes (SECA).

.02 First United Methodist Church Weatherford sends the employee's money contributed under a Salary Reduction Agreement directly to the annuity board. This money is not reported as taxable income in Box 1 of the employee's Form W-2. However, it is reported in Box 13 on the Form W-2.

6.4 Payroll Check Distribution

.01 Payroll checks shall be delivered on the Friday following the biweekly time reporting. When such a day falls on a weekend or holiday, the checks shall be delivered on the next working day following the normal day of distribution.

6.5 Payroll Deductions

.01 A signed Voluntary Payroll Withholding Request ([Form No. 1-49](#)) must be received by the Payroll Clerk from employees who desire voluntary deductions other than compulsory deductions for taxes.

.02 Payroll deductions shall be recorded in a separate general ledger control account. Manual deposits or electronic transfers of payroll taxes must be performed by the Financial Secretary on a timely basis. A journal entry shall be prepared to record the payroll taxes that were transmitted to the IRS.

6.6 Payroll Tax Deposits

.01 The Church's total payroll tax deposit (social security, Medicare, and withheld income taxes) for each payroll must be electronically deposited on a timely basis under the Electronic Federal Tax Payment System. For additional information on payroll tax deposits refer to IRS Circular E.

.02 First United Methodist Church Weatherford did not exempt itself from the payment

of the employer's share of social security and Medicare taxes by filing a timely exemption application (Form 8274) with the IRS. Leadership is not opposed to the payment of these taxes on religious grounds.

6.7 Filing Employer's Quarterly Federal Tax Return (Form 941)

.01 Quarterly tax returns are due to be filed with the IRS by the last day of the first month after each calendar quarter ends. Refer to the [Governmental Reporting Obligations](#) Section of this manual for filing requirements.

6.8 Issuing W-2 Forms to Employees and Filing Form W-3 with Government

.01 W-2 forms must be provided to all employees from whom income, social security, or Medicare taxes have been withheld. Refer to the [Governmental Reporting Obligations](#) Section of this manual for filing requirements.

7.0 ACCOUNTABLE EXPENSE REIMBURSEMENTS AND ADVANCES

.01 Federal income tax regulations 1.162-17 and 1.274-5T(f) provide that an employee "need not report on his/her tax return" expenses paid or incurred by him solely for the benefit of his/her employer for which he/she is required to account and does account to his/her employer and which are charged directly or indirectly to the employer. Federal income tax regulation 1.274-5T(f) further provides that "adequate accounting means the submission to the employer of an account book, diary, statement of expense, or similar record maintained by the employee in which the information, as to each element of expenditure (amount, time and place, business purpose, and business relationship), is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner which conforms to all the 'adequate records' requirements" set forth in the regulation.

.02 To establish an "accountable" expense reimbursement policy pursuant to the above mentioned Internal Revenue Regulations, the following terms and conditions will be followed by all First United Methodist Church Weatherford employees:

.03 Any employee now or hereafter employed by First United Methodist Church Weatherford shall be reimbursed for any ordinary and necessary ministry and professional expenses incurred on behalf of the Church, if the following conditions are satisfied:

- the expenses are reasonable in amount;
- the employee documents the time, place, ministry purpose, ministry relationship, and amount of each such expense with the same kinds of documentary evidence as would be required to support a deduction of the

expense on the employee's federal income tax return; and

- the employee documents such expenses by providing the Financial Secretary or authorized check signer with an accounting of such expenses, no less frequently than monthly. This condition will be fulfilled by the completion of an Employee Monthly Expense Report ([Form No. 1-54](#)).

7.1 Defining Ordinary and Necessary Ministry and Professional Expenses

.01 Ordinary and necessary ministry and professional expenses for ministers and nonminister employees will include the ministry use of their personal automobile, conference/training costs, dues of ministry organizations, periodicals/books/reference materials, ministry contacts/hospitality expenses, and any other ministry and professional expenses considered ordinary and necessary for them to carry out their ministerial and/or Church duties. Dollar limits for these expenses will be determined by the adopted general operating budget of the Church.

7.1.1 Local Ministry Activities

.01 Employees of First United Methodist Church Weatherford will not be reimbursed from Church funds for the following, but not limited to, items:

- flowers or other gifts purchased for staff members or their families
- meals (i.e. lunches) with staff members. Since staff normally work in the same office, and presumably have considerable opportunities to interact during the week, shared meals between staff will not constitute an ordinary and necessary business expense. Under special circumstances, group staff meals (i.e. retirement lunch) might be appropriate. These special occasions must be approved in advance by the Senior Minister or Finance Chair.
- golf, tennis, health club or other recreational activities
- Airline and hotel clubs or dinner clubs
- items of a personal nature or for personal use
- parking or traffic tickets
- expenses related to an activity where an honorarium is personally received

7.1.2 Out-of-Town Ministry Travel

.01 Reimbursements for out-of-town travel are allowable only for travel that is

approved in advance by the Senior Minister. The Trip Authorization ([Form No. 12-37](#)) will be used to request and obtain approvals for such travel.

.02 Expenses will not be reimbursed beyond the total amount approved in advance on a Purchase/Funds Request ([Form No. 1-29](#)).

.03 Expenses that will be considered appropriate for reimbursement includes, but is not limited to, the following:

- conference/registration fees as approved by the employee's Department Head and/or Senior Minister
- coach rate airfare
- taxi fare, tolls and parking fees
- a mid-size or economy rental car up to \$50 per day
- mileage for the use of a personal vehicle at the standard mileage rate allowed by the IRS
- hotel room charge up to **\$100 plus tax per night** (Reservations made on-line with Priceline is highly recommended to received discounted hotel room rates.)
- telephone calls to the Church made on a Church telephone calling card or charged to hotel bill
- telephone calls to the employee's home, made on a Church telephone calling card or charged to hotel bill, **up to ten minutes every other day**
- ministry related facsimile and photocopying

.04 The following, are examples of items that will not be considered for reimbursement (this list is not all inclusive):

- cost of Traveler's Checks
- air travel insurance
- collision damage waiver insurance on rental cars
- keys locked in personal automobile
- house sitting or pet boarding
- movies and entertainment
- golf, tennis, health club or other recreational activities
- sightseeing or souvenirs
- personal needs (laundry, toiletries, newspapers, over-the-counter medications,

snacks, etc.)

.05 All full-time and part-time nonminister employees will be reimbursed for the ministry use of their personal automobile and any other ministry and professional expenses which are considered ordinary and necessary by the Senior Minister.

.06 The substantiation of travel expenses must include sufficient documentary evidence. "Estimates" will not be allowed under First United Methodist Church Weatherford's accountable reimbursement plan.

7.2 Submission of Employee Expense Reports

.01 Each employee incurring expenses on behalf of the Church shall prepare and submit an Employee Monthly Expense Report ([Form No. 1-54](#)) or an Employee Trip Expense Report ([Form No. 1-56](#)) for out-of-town travel, as soon as possible, following the end of a calendar month but no later than the 15th day of the following month. For example, March's expense report must be completed and submitted to the Financial Secretary no later than April 15. Only in extreme cases will expenses be reimbursed later than the 15-day requirement. To assure that the Church maintains the IRS requirements for our "accountable" expense reimbursement plan, under no circumstances will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by an employee.

.02 As required by the expense report, the date, place, ministry purpose, ministry relationship (if entertainment related), amount and budget account to be charged shall be shown for each expenditure. Each entry must contain a clear and concise statement indicating the expenditures ministry purpose (i.e. counseling meeting). If the expense is entertainment or meals, there must be a disclosure of the ministry relationship (i.e. name of individual(s) entertained). Entries shall be made on the expense report daily, reflecting actual cash expenditures for that day. Under no circumstances will the Church reimburse an employee for ministry or professional expenses incurred on behalf of the Church that are not properly substantiated according to this policy. This policy relates to all ministry or professional expenses reimbursed to an employee out of their own personal funds or from purchases made by an employee by the use of a Church credit card (see below). First United Methodist Church Weatherford and staff understand that these requirements are necessary to prevent the Church's reimbursement plan from being classified as a "nonaccountable" plan. Under this plan type, employee expense reimbursements would be taxable to the employee.

.03 Each expenditure must be supported by a receipt. If a receipt is not practical to obtain (i.e. cash tip to baggage man at airport), substantiation of the expense must be thoroughly documented on the expense report. Expenses reimbursed where no receipt is

available must be minimal in amount and infrequent in occurrence. A receipt will always be required where an employee reimbursement is for \$25 or more. If no receipt can be reproduced for this amount of a reimbursement, then the reimbursement will not be made. If leadership elects to pay, it will be treated as a taxable reimbursement to that employee. It is First United Methodist Church Weatherford's practice of stewardship and operational integrity that all employees are expected to submit receipts with their expense report no matter what the dollar amount is for the expenditure. The Church shall retain all receipts and other documentary evidence used by the employee to substantiate the ministry nature and amount of their expenses.

.04 The Church shall not include in an employee's W-2 form the amount of any ministry or professional expense properly substantiated and reimbursed according to the preceding paragraphs, and the employee shall not report the amount of any such reimbursement as income on his/her or her Form 1040.

.05 Ordinary and necessary ministry and professional expenses, as noted above, will be reimbursed from funds appropriately allocated and approved in the annual General Operating Budget of the Church. If, at any time, a Church expense reimbursement exceeds the amount of ministry or professional expenses properly accounted for by an employee pursuant to this reimbursement policy, he/she or she must then return such excesses to the Church within 120 days after the associated expenses are paid or incurred, and shall not retain such excesses.

.06 As noted in the preceding paragraph, appropriate reimbursements shall be paid out of Church operational funds and not by reducing the employee's salary or pay check by the amount of the related ministry or professional expense reimbursement. If expense reimbursements are made by salary reduction or salary restructuring arrangements (i.e. minister's salary package deals), this would reclassify the Church's plan to a "nonaccountable" plan which means expense reimbursements would be taxable to the employee.

.07 If, for any reason, the Church's reimbursements are less than the amount of ministry or professional expenses properly substantiated by an employee, the Church will report no part of the reimbursements on the employee's W-2, and the employee may deduct, on their personal tax return, the unreimbursed expenses as allowed by law.

7.2.1 Employee Expense Report Approvals

.01 Tax regulations require that an employee expense account be verified and approved by a reasonable person other than the person incurring the expense. Therefore, expense reports of the Senior Minister shall be approved by the Finance Chair.

.02 Expense reports of all other employees shall be reviewed and approved by the employee's immediate supervisor.

.03 After approval, all expense reports shall be forwarded to the Financial Secretary for processing.

7.3 Automobile Expenses

7.3.1 Ministry Mileage Reimbursements

.01 All requests for mileage reimbursements for the use of an employee's personal automobile used for Church related activity, shall be made by completing a Monthly Ministry Mileage Log ([Form No. 1-55](#)). Mileage reimbursement shall be made at the standard mileage rate as allowed by the IRS. Properly substantiated mileage logs will be reimbursed by attaching them to the Employee Monthly Expense Report that is due to the Financial Secretary by the 15th day of the following month. The use of their personal vehicle for ministry purposes must be substantiated at the completion of each trip. Proper substantiation will be as follows:

- Date - Date of trip
- Destination - Name of hospital, restaurant, family, etc. to which you traveled
- Purpose of trip - Visitation, planning meeting or other ministry-related reason for trip
- Miles driven - Actual number of miles driven

.02 Ministry related mileage includes, but is not limited to, the following:

- hospital visits
- visitation
- off Church premises ministry functions
- trips to vendors
- self-improvement seminars
- transporting visiting ministers or guest artists

NOTE - To be reimbursed, trip must be originated from the Church.

.03 The mileage for trips under 50 miles round trip shall generally be charged to the ministry department's "Automobile Reimbursement" budget account. The mileage for round trips 50 miles or more shall be allocated to the ministry program budget account which most appropriately defines the purpose of the trip (i.e. youth retreat).

.04 Mileage that will not be reimbursed includes, but is not limited to, the following:

- functions for resigning or departing employees
- meetings or meals with other employees
- transporting employees for personal reasons
- trips where an honorarium is personally received
- travel with another employee, not driving your personal vehicle
- trips primarily personal in nature
- commuting to and from the employee's home, no matter how many times in a day, or the reason for the trip
- when the mileage is "estimated" and not properly substantiated

.05 The only exception to the non-reimbursement of commuting miles, as noted in (4) above, is when ministry related traveling is between the employee's home and a temporary work site. The IRS defines a temporary work site as "any location at which the taxpayer performs services where employment is expected to last one year or less." There are very few instances where this temporary work site rule applies. Visits to a member's home or hospital to or from the employee's home are not considered temporary. If any employee feels that he/she qualifies for reimbursement of temporary work site commuting miles he/she shall notify the Finance Chair to obtain approval.

.06 Reimbursement for mileage incurred over 60 days prior to submission will not be paid. If an employee feels that the miles should be reimbursed, and leadership approves, then the reimbursement will be reported as taxable income on the employees Form W-2 at year-end.

.07 When two or more employees are traveling in the same passenger vehicle, only one employee may claim mileage reimbursement. The names of the other passengers shall be included on the submitted mileage log.

7.3.2 Use of Employer Provided Vehicle

.01 All accidents must be reported to the Senior Minister and the appropriate state, county and local authorities in accordance with legal requirements. A Vehicle Accident Report ([Form No. 13-60](#)) must be complete and forwarded to the Church Office within 48 hours of the occurrence.

.02 Fines and traffic violations need not be reported unless property damage or personal injury results. Payment of fines is the responsibility of the employee and is not

reimbursable.

7.3.3 Automobile Rental

.01 The cost of rental cars is reimbursable if the nature of the trip or the locations to be visited are such that use of local transportation (i.e. taxis, buses) is not practical or would be more expensive.

.02 Before signing a car rental contract, the employee shall adhere to the following procedures:

- Review the contract to make sure the appropriate rate is being charged.
- Ask if there are any local “specials” that would reduce the rate further.
- Check with the Senior Minister before accepting any insurance coverage for physical or liability coverage.
- When returning a rental car, it is most cost-effective to return it with a full tank of gas. When renting an automobile for more than five consecutive days, long-term rates should be investigated.

7.4 Ministry Expenses Paid by the Use of a Church Credit Card

.01 All purchases on Church issued credit cards are restricted to ministry business travel and entertainment purposes. Cards must not be used for the convenience of making personal purchases.

.02 Employees who have been issued a Church credit card must submit a separate Employee Monthly Expense Report ([Form No. 1-54](#)) to the Financial Secretary at least one week prior to the due date of the credit card's monthly statement.

.03 All credit card purchases must meet the same substantiation requirements (date, location, business purpose, business relationship and amount) as expense reimbursements made directly to the employee. Proper substantiation of Church credit card purchases must be made with the actual third-party itemized bill. The monthly credit card statement or record of charge alone will not constitute acceptable documentary evidence.

.04 The employee is responsible for the payment of all charges that are not properly substantiated on the expense report.

7.5 Special Travel Related Circumstances

7.5.1 Meals

.01 Meal costs shall include only an employee's expenditures for his/her own meals and tips associated with such meals. Meals purchased for other ministry related individuals must not be shown as meals but can be included as *Ministry Contacts*. When an employee's meal and the meals for others are on one receipt, the total meal costs shall be included as *Ministry Contacts*.

7.5.2 Lodging

.01 Lodging costs shall include only the employee's expenditures for his or her own lodging and shall be supported by receipts. The actual hotel receipt is required to be submitted since personal related charges such as personal telephone calls, movies, laundry, etc. will not be reimbursed since they are personal in nature. Ministry related meals and other incidental charges included in the hotel bill shall not be shown as lodging but shall be extracted and entered separately on the expense report for proper substantiation.

.02 When hotel receipts include extra charges for the spouse or other family members of the employee, such charges shall be deducted on the face of the receipts and only that portion of the hotel charges applicable to the employee shall be listed on the expense report. The only exception to this rule is when the spouse of an employee is serving in an official ministry capacity for the Church, such as an elected delegate at the annual denominational conference.

7.5.3 Travel and Transportation

.01 If the employee consumes more time in travel (by personal automobile, as an example) than would be required if the most direct form of public transportation were used, reimbursement shall be restricted to mileage, lodging, meals, and other costs that would have been incurred had no personal activity been involved or had the employee used the most direct form of public transportation.

.02 The Church will not pay transportation for side trips on non-Church related visits (such as to conduct weddings, funerals, revivals or similar functions). It is the position of the Staff Parish Relations Committee that travel of this nature is the employee's personal expense.

.03 The substantiation of travel and transportation expenses must always include sufficient documentary evidence. "Estimates" will not be allowed under First United Methodist Church Weatherford's accountable expense reimbursement plan.

7.5.4 Spouse Travel Reimbursements

.01 The only expense reimbursements that will be reimbursed for an employee's spouse travel is when the spouse is attending a Church conference in which she/he has been approved as a Church delegate.

7.6 Purchases of Books and Publications

.01 Any books, publications or other personal ministry resources purchased from Church funds for the use of an employee in their ministry, will be considered consumable if the cost of the resource is less than \$500. All resources (i.e. set of commentaries) costing more than \$500 will be capitalized as Church assets. All consumable resources can be taken with the employee upon termination and will not be considered as taxable income to the employee. Any capitalized resources that the employee desires to take at their termination must be approved in advance by the Finance Chair. The fair market value of these types of resources will be determined and this amount will be considered as additional taxable income to the employee and thus added to their Form W-2.

7.7 Payment of Moving Expenses

.01 The Finance Committee is responsible for determining when moving expenses will be paid by the Church or reimbursed to an employee. They will also be responsible for setting dollar limits.

.02 For ordained clergy, the Conference pays for a portion of the move. The church that receives the new minister is asked by the Conference to pay the difference of what is paid by the conference and the actual expense.

7.8.1 Taxability of Moving Expense Reimbursements

.01 As of January 1, 1998, there has been several changes in tax laws regarding moving expenses. Employee reimbursements for "qualified" moving expenses such as moving household goods and personal effects and lodging during the actual move are not considered part of the employee's gross income. They are listed as a nontaxable fringe benefit and reported in Box 12 of the employee's Form W-2 with a "P" code. Please note – qualified moving expenses an employer pays to a third party on behalf of the employee (i.e. to a moving company) are not reported on the Form W-2.

.02 Other expenses, such as pre-move house-hunting trips, temporary living expenses,

meal expenses incurred while making the move, real estate expenses and other costs relating to the old and new home, are taxable and must be reported in Box 1 of the Form W-2 form. These taxable benefits are also subject to federal income and Social Security and Medicare tax withholdings.

.03 Other tax laws do affect the taxability of moving expense reimbursements. They include distance of move, length of employment service at new location and move must be closely related, both in time and place, to the start of the new job. All new employees should receive professional tax advice in the preparation of his/her/her personal tax return in the year of a move.

8.0 GIFTS/HONORARIUMS FOR EMPLOYEES

.01 Under no circumstances shall an employee receive a gift or honorarium paid from Church funds for services they rendered while serving as a staff member of First United Methodist Church Weatherford. Church funds would include not only general operating budget funds, but also any restricted or specially designated funds. A gift or honorarium would be defined as any of the following types of payments:

- Cash gift
- Gift certificate
- Farewell gift. (The Hospitality Ministry Team will provide an appropriate gift for staff members leaving the Church's employment. Any additional gifts must be paid for from personal funds.)
- Other forms of tangible gifts (i.e. flowers, pen and pencil set, birthday cake, etc.)

9.0 PAYMENTS MADE TO NONRESIDENT ALIENS

.01 U. S. tax law requires First United Methodist Church Weatherford to withhold federal income tax from and report to the IRS all payments made to or on behalf of a nonresident alien. Therefore, in order for First United Methodist Church Weatherford to be in compliance with this law, First United Methodist Church Weatherford must be able to identify **all** payments made to a nonresident alien or to a third party on his or her behalf. First United Methodist Church Weatherford is then required to apply the appropriate tax withholding and report the payments made to those individuals in the correct manner. Please note that the U. S. tax withholding and reporting rules governing nonresident aliens are quite different than those governing U. S. citizens and resident aliens.

.02 The Finance Chair will monitor **all** payments made by First United Methodist Church Weatherford (i) for possible nonresident alien tax withholding and reporting liability, (ii) to ensure compliance with all IRS rules and regulations, and (iii) to confirm that all information and required forms have been completed. Therefore, all questions concerning the policies and procedures contained in this section shall be directed to the Finance Chair.

.03 The first step in analyzing any such payment is to determine the individual payee's U. S. residency status for tax purposes—that is, whether the individual is, in fact, a “nonresident alien.” This threshold determination must be made regardless of the payment type (e.g., compensation, scholarship, stipend, honorarium, etc.) or payment method (e.g., payroll, accounts payable). Such a determination will depend on a variety of factors specific to each individual's situation. Therefore, First United Methodist Church Weatherford must collect all necessary information required to make a residency determination **prior** to making any payment to the individual or to a third party on his/her or her behalf. The ministry department requesting a payment to any individual is responsible for the collection of all information necessary for the Finance Chair to make a U. S. residency determination for tax purposes; the Finance Chair is responsible for making all tax withholding decisions. The Chair of Staff Parish Relations will assist regarding Staff Parish Relations issues.

.04 It is important to note that the procedures described herein shall in no way affect the decision of First United Methodist Church Weatherford to hire or otherwise engage any individual. First United Methodist Church Weatherford is committed to ensuring full compliance with the tax laws. The tax withholding and reporting requirements relating to nonresident aliens are very complex. As such, these basic procedures will serve as a guide for individuals and ministry departments to enable all parties to meet their tax withholding and reporting requirements. These procedures are not intended to serve as a complete source of information regarding the First United Methodist Church Weatherford tax treatment of payments made to nonresident aliens. A summary of the basic points in this manual is set forth below:

9.1 Summary of Basic Procedures

.01 All payments, from First United Methodist Church Weatherford, First United Methodist Church Weatherford-related organization funds and sponsored grants, made to or on behalf of a nonresident alien are subject to federal income tax withholding unless they are specifically exempted by either the U. S. tax law or by an income tax treaty.

.02 There are income tax treaties with over 47 countries, each of which is unique and different. If an individual is exempt from federal income tax withholding because of an income tax treaty, the individual must file the appropriate form to claim the income tax treaty exemption:

- Form 8233—Compensation (independent contractors and employees) and related payments
- Form 1001—Scholarship, fellowship (no service), royalties and other non-service payments

.03 Each payment requires the review of certain key factors:

- Visa Type
- U. S. Residency Status (U. S. citizen, permanent resident, resident alien, nonresident alien)
- Substantial Presence Test

.04 The rate of withholding on payments, which are not exempt under an income tax treaty, is 14 percent, 30 percent, or at graduated withholding rates depending on the type of payment.

.05 Examples of income payments include, but are not limited to:

- Wages, Salary or Compensation
- Scholarships/Fellowships
- Stipends
- Independent Contractor Payments
- Consultant Payments
- Prizes/Awards
- Honoraria or Guest Speaker Fees
- Royalties/Commissions
- Interest

Note: First United Methodist Church Weatherford is not required to withhold taxes relative to otherwise appropriate and properly incurred substantiated travel expenses reimbursed on behalf of nonresident aliens (independent contractors). This includes transportation, meals, lodging and other travel related expenses. This does not apply to

compensation in any form or manner.

.06 All payments must be reported to the Internal Revenue Service (IRS).

9.2 U. S. Residency Status for Tax Purposes

.01 Under U. S. tax laws, all non-U. S. citizens are considered to be either “resident aliens” or “nonresident aliens.” Residency status rules for tax purposes are governed by the IRS and the Treasury Department. Resident aliens are taxed on their worldwide income in the same manner as U. S. citizens and are **not** subject to the procedures addressed herein. Nonresident aliens, however, are taxed only on income from U. S. sources under special rules and **are** subject to these procedures. The residency status rules for tax purposes are related to, but are not the same as, the residency status rules for immigration purposes, which are governed by the Immigration and Naturalization Service (INS). Therefore, individuals who are resident aliens for tax purposes may in fact be nonresident aliens for immigration purposes. Unless otherwise stated, these procedures pertain to residency status for **tax** purposes only.

9.3 Types of Payments Made to Nonresident Aliens

.01 First United Methodist Church Weatherford is required to withhold U. S. income tax at the time a payment is made to a nonresident alien or to a third party on his or her behalf; if First United Methodist Church Weatherford does not withhold the appropriate amount of tax at the time of payment, First United Methodist Church Weatherford can be held liable for the tax that is not withheld. The types of payments to which this rule applies include, but are not limited to:

- Wages, Salary or Compensation
- Independent Contractor Payments
- Scholarships/Fellowships
- Stipends
- Allowances (i.e. living expenses, books)
- Honoraria or Guest Speaker Fees
- Prizes/Awards
- Royalties/Commissions
- Travel Reimbursements (unless properly substantiated)

- Interest

.02 After First United Methodist Church Weatherford has determined the individual's residency status for tax purposes and the amount of income subject to taxation, First United Methodist Church Weatherford must then determine the appropriate amount of tax to withhold and must collect any additional required information. These withholding and reporting determinations are based upon the type of payment made to the individual.

.03 Non-employee payments made to nonresident aliens are subject to a general 30 percent rate tax withholding; however, scholarships and fellowships, which require no service to be performed as a condition of the grant, may be subject to a reduced withholding rate of 14 percent. Compensation paid to nonresident alien employees is subject to the graduated rates of tax withholding; however, some restrictions pertaining to marital status and withholding allowances will apply.

9.4 Possible Exemptions From Tax Withholding

.01 An individual may be eligible to claim an exemption from the 30 or 14 percent or graduated rates of withholding if he or she qualifies for an income tax treaty exemption. An income tax treaty is an agreement between the U. S. and a foreign country that is intended to alleviate double taxation. Income tax treaties also contain various provisions designed to promote cross-cultural education and exchange by allowing students, teachers, and researchers of one country to perform certain related activities in the other country and receive an exemption from tax. These "tax treaty" exemptions are usually only valid for a limited time period and/or for a specified dollar amount. An individual must meet the qualifications of a particular tax treaty in order to claim an exemption and must complete a form requesting the exemption. The Finance Chair will review the information collected by the requesting ministry department to determine whether the individual qualifies for a tax treaty exemption and will submit all necessary forms on behalf of the individual to the IRS.

9.5 Various Forms to be Completed in Connection With Nonresident Payments

.01 Following is a general overview of the forms required in connection with payments made to nonresident aliens. Failure to follow the payment processing procedures will result in the maximum amount of tax withholding for the individual and/or a significant potential tax liability for First United Methodist Church Weatherford. Therefore, it is essential that the Finance Chair receive competent professional advice regarding all payments, tax withholdings and reporting of payments made to nonresident aliens.

- Form I-9 (Employment Eligibility)
- Form W-4 (employee status)
- Form W-8 (independent contractors/non-employee payments)

- Form 8233 (Treaty Exemption)
- Form 1042 and 1042-S (Reporting to IRS)

10.0 ASSIGNMENT OF EARNED INCOME

.01 At no time shall Church staff allow a service provider (i.e. plumber, painter, evangelist, etc.) of the Church to “assign” income for which he/she earned from First United Methodist Church Weatherford to another charity or individual in an attempt to avoid paying income taxes on the earned income.

.02 This prohibition on income assignment also relates to earned income where the service provider desires to assign it to the Church as a charitable contribution.

.03 All cash disbursements for services rendered to the Church must be handled under the standard operating procedures as outlined in this section. All Form 1099 MISC tax reporting rules will be followed regarding the payment for services to a nonemployee of the Church.

.04 At all times, the accounts payable check must be made payable to the actual individual or company who provided the service to the Church.

11.0 DISCRETIONARY FUNDS

.01 If discretionary funds have been established in such a manner that an individual (i.e. Senior Minister) has sole discretion and control as to how the funds will be spent, such funds must be reported as taxable income to this individual once possession of the funds is taken, unless the following procedures have been established and are properly functioning:

- The funds must be approved by the Finance Committee and properly documented in minute’s form. These discretionary funds must have been set aside for the convenience of the employee in furthering First United Methodist Church Weatherford's ministry philosophies and purposes.
- The Finance Committee will maintain control over the disbursement and replenishment of these funds. Requests for the use of these funds must comply with the normal cash disbursement policies and procedures of the Church. A Purchase/Funds Request ([Form No. 1-29](#)) must be used to request expenditure of such funds and documentation of expenditures must always be obtained. Under those isolated instances where the disbursement is of a confidential nature, (i.e. counseling session) the request and documentation can be submitted directly to the Finance Chair.

- The individual who has discretion over these funds is prohibited from requesting the disbursement of these funds for their personal benefit or any member of his/her family.

.02 IRS regulations prohibit the inurement of any Church funds to a private individual that does include Church employees. To protect the Church's tax exemption status, these procedures must be strictly followed by all those involved.

.03 Charitable contribution deductions will be allowed for contributions to this fund so long as the procedures noted above are followed and full administrative control of the funds are maintained by the Finance Committee to ensure that all disbursements further First United Methodist Church Weatherford's exempt purposes.

12.0 FUND RAISING COSTS

.01 Fund raising costs are the total expenses incurred in soliciting gifts and grants from private sources. Specific examples of such costs are:

- Publicizing and conducting fundraising campaigns;
- Cultivating and soliciting gifts or grants of all types from individuals, corporations, and foundations, or other private organizations;
- Preparing and distributing fundraising manuals, instructions, and other materials;
- Conducting special events primarily intended to cultivate donor relations in support of development goals;
- Acknowledging gifts and providing stewardship; and

.02 Fundraising costs, including the cost of special fundraising events (i.e. building programs, school gymnasium, etc.), which are incurred to persuade potential donors to make contributions to specific ministry approved programs, will be expensed when incurred. Fundraising costs incurred in one period, such as those made to obtain planned giving bequests, religious foundation requests, or solicit contributions in a direct-response activity, may result in contributions received in future periods. These costs will also be expensed when incurred.

.03 Costs and revenues relating to events (such as admission to sporting events, sales of merchandise, etc.) with the sole purpose of generating proceeds in direct support of First United Methodist Church Weatherford programs and ministries are recorded separately and shall not be reported as fund raising costs.

.04 All forms of fundraising costs will be separately accounted for in the general ledger.

.05 The above guidelines provide a mechanism to collect data needed to conduct cost/benefit analysis when tracking fundraising costs incurred by various ministry programs and departments.

13.0 LOANS OF CHURCH FUNDS

.01 The Church does not loan money to any employees, individuals or organizations for any purpose. This decision is primarily due to the Internal Revenue Code that requires that no Church funds can inure to the private benefit of an individual. Financial institutions shall be sought for such arrangements.

.02 All financial assistance requests from Church members or employees must be directed to the Benevolence Ministry Team.

14.0 STOP PAYMENT ORDERS

.01 All stop payment orders on Church checks shall be handled by the Financial Secretary. The orders shall be prepared and distributed as follows:

- Original - to affected bank
- Copy No. 1 - filed in date sequence order, by banks
- Copy No. 2 - to support request, for replacement check
- Copy No. 3 - to originator, requesting stop payment
- Copy No. 4 - to individual responsible for reconciling bank account
- Copy No. 5 - attached to weekly cash receipts listing

.02 The Financial Secretary shall maintain a register of stop payment orders to serve as a control for issuing additional notices and to maintain the active status of orders. Such notices shall be issued, as required, up to a period of three years from date of original order.

14.1 Procedures for Issuing Stop Payment Orders

.01 Upon request, the Financial Secretary shall issue the stop payment notice and shall prepare the request for the replacement check. The weekly cash receipts listing shall include an entry charging *Cash in Banks* and crediting *Miscellaneous Accounts Receivable*. The Check Request ([Form No. 1-35](#)) shall charge *Miscellaneous Accounts Receivable* and shall be processed according to the normal disbursements procedure by

the Financial Secretary.

Section I.

Date Approved/Revised:

Approved By:

BANKING RELATIONS

Statement of Policy:

The Finance Committee is responsible for the establishment of all financial institutions used by First United Methodist Church Weatherford. The Finance Committee is responsible to oversee the Church's general operations with these institutions. Banks will be established to safeguard Church funds and provide deposit, disbursement and investment privileges. If Church funds would accumulate to a sizeable amount, several banks will be selected to spread risks of loss and maximize FDIC coverages. The Finance Committee and Financial Secretary will maintain positive relations with all banking institutions. Any form of Church borrowing will require the approval of the congregation, and the Finance Committee will maintain oversight. All Church bank accounts shall be reconciled on a monthly basis.

"Well then, you shall have put my money on deposit with the bankers, so that when I returned I would have received it back with interest." Matthew 25:27

Procedures:

1.0 BANKING ARRANGEMENTS

1.1 Banking Relationships

.01 The Finance Chair will be the primary liaison with established banking institutes. When information about First United Methodist Church Weatherford is requested from these institutions, the Finance Chair will be the individual who will be contacted and who will provide the requested information.

.02 Annually, the Finance Chair will provide to the Finance Committee an evaluation of the services that each bank provides to First United Methodist Church Weatherford. Needs for the upcoming year will be discussed and additional requested services will be determined. Discussions will consider: service charges, cost of checks and deposit slips, interest rates on excess cash reserves, credit card usage, special provided reports, on-line services, etc.

1.2 Banks and Accounts

.01 Investment funds shall be limited to \$100,000 per institution, with the exception of the Central Texas Methodist Foundation.

.02 Following, are the authorized First United Methodist Church Weatherford banks and a summary listing of the services they provide:

- Texas Bank – General operating account, special account and building account
- Weatherford National Bank – Certificate of Deposit

Central Texas Methodist Foundation – Certificate of Deposit and endowment accounts

1.3 Authorized Check Signers

.01 Authorized check signers must be approved in writing and require the Finance Committee's authorization. The Administrative Board Chair, Trustee Chair and Finance Chair will always have check-signing authority. A minimum of five check signers shall be approved. Additional individuals with or without dollar limitations may be authorized as necessary. Check signers shall not be related to each other.

1.4 Signing of Church Checks

.01 Refer to the [Check Signing Authority](#) section of the Cash Disbursement Policy for policies and procedures on the signing of Church checks.

2.0 BANK FINANCING AND BORROWINGS

.01 The Finance Committee is responsible for analyzing and assessing any bank financing and borrowing needs of First United Methodist Church Weatherford. Church membership approval is required on all forms of indebtedness.

.02 If borrowings are authorized by Church membership, the Finance Committee, will prepare all required loan applications and work closely with bank officials in obtaining the best terms and interest rate on such borrowings.

3.0 BANK ACCOUNT RECONCILIATIONS

.01 Monthly, the Chairperson of the Finance Committee will perform a reconciliation of all First United Methodist Church Weatherford bank accounts. First United Methodist

Church Weatherford has consciously established this responsibility in an effort to ensure adequate levels of segregation of duties for those individuals who perform cash handling related functions of First United Methodist Church Weatherford. First United Methodist Church Weatherford is committed to establishing and maintaining proper internal controls within its operations.

.02 These reconciliations will normally be performed in the Church office where the Chairperson will have access to needed financial records.

3.1 Format

.01 The Chairperson of the Finance Committee will use the Bank Reconciliation ([Form No. 1-10](#)) to prepare such reconciliations. This form is composed of two sections: first for recording bank balance, deposits in transit and outstanding checks; the second for recording the Church's checking account balance, bank service charges and interest earnings. These two sections shall reconcile to a corrected balance once completed.

.02 Many Church software packages have a bank reconciliation module. If this is the case, the Chairperson shall coordinate his/her work with Church staff.

3.2 Receipt and Timing of Reconciliations

.01 Upon receipt of the monthly bank statement including cleared checks if provided, deposit slips and any other transaction notifications, the monthly bank statements and reconciliation forms will be provided to the Chairperson of the Finance Committee or appointed representative. Under no circumstances shall the person who reconciles the Church's bank accounts be involved in the counting and depositing of Church offerings, the preparation of check requests, the signing of Church checks, nor the recording of accounting financial records.

.02 Each monthly bank statement, when received by the Church Secretary, shall be delivered unopened to the Finance Committee Chairperson as soon as they are received. All bank accounts shall be reconciled at least fifteen days after the receipt of the statement. This will ensure a timely report of the bank account status. It will also allow the Finance Committee to have a check and balance on the reporting function of the Church much like the annual audit.

.03 Once the bank reconciliations have been completed and all discrepancies resolved, they shall be provided to the Financial Secretary.

3.3 Determination of Reconciling Items

.01 Discrepancies between the general ledger cash balances and closing balances shown on the bank statements usually result from transactions recorded in cash journals but not

yet processed and recorded by the bank, and items on the bank statements not yet processed and recorded by the Church.

.02 Any uncommon discrepancies will require the research by the Chairperson of the Finance Committee to determine if the cause is due to Church errors; i.e. recording errors, omissions, mispostings, etc. A recalculation of the bank statement balance might also be required for any possible errors made by the bank.

3.4 Outstanding Checks

.01 Checks which have been outstanding for a period of six months shall be investigated by contacting the payee. If no resolution can be reached, the amount of the outstanding checks shall be restored to cash balances. A stop payment order shall be placed on each check being restored to cash to avoid possibility of future cashing.

3.5 Adjustments to Church Records

.01 Any required adjustments to the Church's cash accounts will be provided to the Financial Secretary by the Chairperson of the Finance Committee. A Journal Entry ([Form No. 1-78](#)) will be prepared for recording all such adjustments. Adequate documentation must be attached to support the entry.

4.0 RETURNED CHECKS

.01 Due to the large number of checks that First United Methodist Church Weatherford receives from donors on a weekly basis, it is not uncommon to receive several returned checks from the bank as uncollectible. These returned checks are usually for "insufficient funds." The following procedures will be followed in processing such checks. Every effort will be made to avoid confronting and embarrassing Church members, while at the same time collecting funds given to the Church.

4.1 Returned Checks

.01 All returned checks that have been stamped "insufficient funds" will be redeposited when the next deposit is prepared.

.02 The Financial Secretary staff shall have procedures in place to ensure that the redeposit will not be posted twice to the donor's contribution records.

4.2 Return of Redeposited Checks

.01 For all checks that have been returned to the Church a second time, they must be given to the Financial Secretary for follow-up.

.02 As in any matter dealing with a Church member or donor, staff shall be sensitive to the donor's circumstances and hold such findings to reasonable levels of confidence. At the same time, employees must display the importance of fulfilling financial obligations when made.

Section J.

Date Approved/Revised:

Approved By:

CASH MANAGEMENT AND RESERVES

Statement of Policy:

A long-term reserve will be maintained to provide for unexpected major property and maintenance repairs or replacements. These reserves will be carried forward from month-to-month and into the next fiscal year at year-end.

To maximize interest earnings on cash reserves, all Church deposits will be made into an interest bearing account. Excessive cash reserves will be invested in higher earning, low risk investments.

Under isolated circumstances the Finance Committee could approve interfund borrowings.

"Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest." Proverbs 6:6-8

Procedures:

1.0 CASH RESERVE

.01 If a portion of the cash reserve is needed for current expenditures, priority shall be given to replenishing the reserve to the desired level as soon as possible. Finance Committee approval is required on all uses of this cash reserve. A "freeze", or delay in requested purchases might be required once the cash reserves are diminishing. The Finance Chair will notify staff and implement procedures to control current expenditures. Prior year financial trends shall be reviewed to determine if each use is reasonable and appropriate (i.e. low giving during summer months).

2.0 MAXIMIZING RETURN ON IDLE CASH RESERVES

.01 When excess operating cash reserves become excessive (over \$100,000) the Finance Committee will determine if these excess reserves will be invested in higher interest bearing instruments to maximize interest earnings for the Church. Refer to the [Investments](#) policies as outlined in this Financial Section of the Policies and Procedures

Manual for such guidelines.

3.0 WORKING CAPITAL ANALYSIS

.01 On a quarterly basis the Finance Chair will prepare a Working Capital Analysis ([Form No. 4-08](#)) for the Finance Committee. This analysis will assist leadership in reviewing current ratios and other operating cash requirements.

Section K.

Date Approved/Revised:

Approved By:

CASH DRAWERS FOR MINISTRY EVENTS

Statement of Policy:

Certain First United Methodist Church Weatherford ministries require the advancement of cash to effectively and efficiently perform its ministry activities. Cash drawers will be prepared for such activities. The use of these cash drawers represents a balance between expedience and security. Therefore, adequate internal controls will be implemented over funds received by First United Methodist Church Weatherford cashiers at approved ministry activities (i.e. Wednesday night dinners, Harvest Celebration, etc.).

"Guard them carefully until you weigh them out in the chambers of the house of the Lord..." Ezra 8:29

Procedures:

1.0 APPROVAL OF CASH DRAWER USE

.01 Ministries that require the use of a cash drawer must first be approved by the Finance Chair. The request to have a cash drawer prepared will be submitted in writing to the Finance Chair for a specific activity. This correspondence shall detail the following:

- Description of activity
- Dates and times when cash drawer will be picked up and returned
- Name of responsible person(s) who will be receiving, reconciling and returning the cash drawer
- Cash amount requested and breakdown of needed denominations

.02 The Finance Chair is responsible for reviewing and approving all such requests. He/she will notify the Financial Secretary of the need to establish such cash drawers based on the requirements listed in the correspondence provided.

2.0 RECEIVING CASH DRAWER

.01 The person(s) responsible for the cash drawer, hereafter referred to as the cashier, will come to the Financial Secretary at least thirty (30) minutes before the ministry event begins. Early or after hour pickups shall be coordinated with the Financial Secretary.

.02 The cashier will count and confirm the money placed in the cash drawer. The cashier will sign the Cash Advance Reconciliation ([Form No.1-08](#)) and return it to the Financial Secretary representative.

.03 The cash drawer will also be supplied with a small calculator, several pens and pencils, small scratch pad, stapler and a Cash Transmittal ([Form No. 1-06](#)).

3.0 USE OF CASH DRAWER

.01 The cashier will ensure that the cash drawer stays in his/her possession at all times while the activity is occurring.

.02 The cashier will collect money from participants of the activity and make change out of the cash drawer.

.03 Under no circumstances may any funds be distributed out of the cash drawer for personal reasons (i.e. cashing of personal checks, IOU's, etc.). Also, the cash drawer funds shall not be used to pay invoices relating to the activity. Such invoices shall be submitted to the Financial Secretary on a Purchase/Funds Request ([Form No. 1-29](#)).

4.0 RETURN OF CASH DRAWER

.01 At the conclusion of the ministry activity, the cashier and one other unrelated person shall jointly count and reconcile all proceeds in the cash drawer. Money counts will be placed on the Cash Transmittal form showing the amount of the opening cash balance of the cash drawer and all cash (coins, currency and checks) receipts collected. The total receipts must also be coded to the account number(s) where the receipts will be posted for accounting purposes.

.02 If a cash register, receipt book or any other receipt producing devices are used to collect the cash proceeds, the tape, carbon copy or other devices, they shall be reconciled to the actual cash count recorded on the Cash Transmittal form. All overages/shortages must be investigated and if unresolved, they shall be appropriately documented on an attachment to the Cash Transmittal form. All supporting tapes, copies and other reconciling documentation shall be attached to the Cash Transmittal form.

Section L.

Date Approved/Revised:

Approved By:

INVESTMENTS

Statement of Policy:

The parable of the talents shows that God is pleased with good management that increases funds through accrued interest. All excess cash reserves and any large sums of money to be held in long-term restricted, or designated reserved accounts, will be placed in appropriate interest-bearing accounts or investment securities. Leadership will investigate interest rates, minimum balance requirements, penalties on early withdrawals, deposit insurance, and other concerns before placing funds in an account.

The Administrative Council has delegated supervisory authority over the Church's financial affairs to the Finance Committee. The Finance Committee is responsible for regularly reporting on investments to the Administrative Council. In carrying out its responsibilities, the Finance Committee and its members will act in accordance with the following investment guidelines. These guidelines will be reviewed (and revised as necessary) on an annual basis as part of the Church's budget approval process.

"Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provision in the summer and gathers its food at harvest." Proverbs 6:7-8

"Have I not kept this in reserve and sealed it in my vaults?" Deuteronomy 32:34

Procedures:

1.0 INTERNAL CONTROLS

.01 The basic objective of internal control over investments is to ensure that assets are properly recorded, adequately safeguarded, managed in accordance with any related restrictions and prudent investment management practices, and that all investment income is promptly collected, deposited, and properly recorded.

2.0 AUTHORIZATION AND MONITORING OF INVESTMENTS

.01 All security transactions, including purchases, sales, renewals, and exchanges, shall be approved by the Finance Committee. The Investment Purchase/Sale Authorization ([Form No. 1-66](#)) shall be used to authorize all purchases and sales. The basis of valuation of investment securities shall be periodically reviewed, and the write-down and write-off of securities is limited to the Finance Committee.

3.0 INVESTMENT GUIDELINES

.01 To accomplish the Church's investment objectives, the Finance Committee and investment manager(s) are authorized to utilize short-term (cash) investments.

.02 Equity securities (common stocks and convertible securities) shall be avoided due to the higher risk of exposure. Leadership feels that excess unrestricted operating and restricted funds shall be used in ministry as soon as possible. Furthermore, donor gifts must be preserved at all times against future loss of principal.

.03 Investments shall be managed with the goal of achieving the maximum long-term return from interest and dividends, yet maintaining the liquidity necessary to meet ministry cash-flow needs.

.04 All purchases of securities will be for cash and there will be no margin transactions, short selling, or commodity transactions.

.05 As a general rule, reasonable levels of diversification shall be maintained at all times.

.06 All investments shall adhere to such federal and state laws as now apply or may be applicable to the investment in the future.

.07 The Administrative Board desires to invest in companies whose business conduct is consistent with the Church's ministry goals and doctrinal beliefs. Therefore, the Finance Committee and investment manager(s) will use its best efforts to avoid investing directly in the securities of any company known to participate in businesses deemed to be morally offensive (i.e. tobacco, alcohol, pornography, etc.).

.08 The entire Finance Committee shall review investment portfolios and results no less than every six months.

3.1 Short-Term Reserves

.01 Under normal circumstances, the monies will be invested in certificates of deposit with staggered maturity dates so funds will be available on a periodic basis.

4.0 SAFEKEEPING RECEIPTS

.01 Any Church investment held by an unrelated organization shall be properly controlled by the receipt of a Safekeeping Receipt ([Form No. 1-67](#)) from the authorized agent. These Safekeeping Receipts shall be kept in a locked, fireproof safe or filing cabinet maintained on Church premises.

.02 On an annual basis, the Finance Chair will reconcile these safekeeping receipts to the actual investments as recorded on the Schedule of Investments ([Form No. 1-65](#)).

5.0 INVESTMENT FILE

.01 The Financial Secretary shall prepare an Investment File for each investment that is not managed by an investment manager. These files shall contain the following documents:

- Original investment authorization form
- Copy of Purchase/Funds Request or Check Request
- Copy of investment certificate, statements, or original safekeeping receipt form
- Purchase and sale correspondence, communications, etc.
- Copy of receipt for sale proceeds
- Copy of investment gain/loss calculations
- Copy of interest income or dividend earnings worksheet

.02 All owned investments must be individually recorded on the Schedule of Investments ([Form No. 1-65](#)). This schedule must be compared to the investment general ledger control account balance on a monthly basis.

.03 Non-cash contributions of marketable securities shall be included on this Schedule of Investment as "Investments Held For Sale". These securities will be recorded in the

Church's financial records at the fair market value on the date of gift.

6.0 INVESTMENT INCOME

.01 Investment income (dividends, interest, and royalties) shall be recorded when earned. This income shall be recorded in the General Operating Fund (unrestricted) or in the Restricted Fund if donor stipulations have been placed on the investment instrument. Dividends, interest and royalties are specifically excluded in the Internal Revenue Code as Unrelated Business Income.

.02 The Financial Secretary shall review on a monthly basis: (1) actual investment receipts compared to investment income projections as budgeted for in the General Operating Budget, (2) the promptness and accuracy of investment income payments received by underlying companies and/or investment advisors, and (3) accrued or deferred income from these investments for reasonableness. Unusual variances shall be reported to the Finance Chair.

.03 The disbursement of restricted investment income shall be reviewed by the Finance Chair to determine whether the disbursement is in conformity with donor imposed restrictions.

Section M.

Date Approved/Revised:

Approved By:

FIXED ASSETS

Statement of Policy:

All fixed asset purchases and disposals of First United Methodist Church Weatherford will be properly authorized. Proper procedures will be established and adequate records will be maintained to account for the acquisition and disposal of all fixed assets. An accurate perpetual inventory will be maintained for all Church fixed assets.

Capital furniture, fixtures and equipment of First United Methodist Church Weatherford are the property of the Church as a whole and not a specific ministry. Thus, the use of such fixed assets will in most instances determine where that piece of furniture, fixture or equipment will be located in Church facilities.

"You will know that your tent is secure; you will take stock of your property and find nothing missing." Job 5:24

Procedures:

1.0 GENERAL OVERSIGHT

.01 The Trustees will be primarily responsible for the oversight of fixed assets and the establishment and monitoring of proper internal controls. The various ministry Department Heads will be responsible for the use and control of furniture, fixtures and equipment and any other assets which have been assigned and are located in their respective ministry areas.

2.0 ACQUISITIONS

2.1 Capitalization

.01 All assets (except land) which have been purchased at a cost of \$500 or more, and have a useful life of greater than one year will be capitalized as a fixed asset. All other asset purchases that do not meet this criteria will be expensed in the year of purchase as either a small equipment purchase or repair and maintenance expense.

.02 Fixed assets will be recorded in the Church books and recorded on a cost basis. The cost basis will include all freight and delivery charges, installation or setup costs and any other costs of acquisition. Cash discounts taken will be recorded as a reduction of the cost.

.03 Repair expenditures that increase the capacity or operating efficiency of an asset, if they are substantial, shall also be capitalized. Examples of repair expenditures that shall be capitalized are as follows:

- Replacing a roof, thereby substantially prolonging its life
- Reconditioning air conditioning units, thereby extending its life
- Replacing a van's engine that was substantially worn out
- Installing a new heating unit

.04 Minor repair expenditures are usually treated as current year expenses even though they may have the characteristics of capital expenditures. Expenditures incurred in connection with maintaining the existing Church facilities in good working order shall be expensed as a current year repair. Examples of repair expenditures that shall be expensed during the current year are as follows:

- Replacing broken glass
- Painting and decorating a classroom
- Resurfacing a parking lot
- Making temporary repairs that last less than one year
- Making minor repairs to fully depreciated assets

.05 Following, are other types of expenditures that shall be capitalized:

- Land improvements that depreciate over time (i.e. entry sign, sidewalks, parking lots).
- Leasehold improvements including painting if they relate to the occupancy of a new office or a major renovation of an existing office. This would relate to not only purchased property but also leased property.

.06 Regarding buildings, cost would include the acquisition price plus any other charges or costs to prepare the building for occupancy. Costs of buildings being constructed would be accumulated and accounted for in the separate *Construction in Progress* account. These costs would include all construction costs including not only the contract amount but other costs such as: attorney's and architect's fees, governmental impact fees and permits, insurance and any other costs to prepare the building for occupancy. Interest costs may or may not be capitalized as part of the construction of the fixed assets. There will be no capitalization of donated labor or services. Upon completion of construction and placement into ministry service, the asset shall be

removed from the *Construction in Progress* account and entered into the detailed subsidiary fixed assets records under the appropriate classification. The Building Project Budget Review summary ([Form No. 1-72](#)) shall be used to project building program budgets.

2.2 Approvals

.01 All purchases of assets costing more than \$500 and less than \$2,000 will be approved by the Finance Committee. Assets with a cost greater than \$2,000 will require the additional approval of the Trustees.

.02 All fixed asset approvals will be conditioned upon compliance with general operating budget limits, sound investment decision making and current status of actual giving levels of the Church.

.03 A Purchase/Funds Request ([Form No. 1-29](#)) must be completed and approved for all fixed asset purchases. All requisitions exceeding \$500 shall be accompanied by a letter of justification. This letter is to be attached to all Purchase/Funds Requests submitted to the Financial Committee.

.04 Several additional procedures are required when computer hardware is being planned to be purchased. Not only because of stewardship issues, but since computer hardware decisions will have an impact on all ministries of First United Methodist Church Weatherford, it becomes critical that reviews of compatibility, reliability and usefulness be made. Therefore, regarding the proposed purchase of any computer hardware, the person making the request will perform a Financial Considerations for Automating ([Form No. 3-01](#)) and Checklist to Evaluate Computer Purchase ([Form No. 3-04](#)) review. The result of these reviews will determine the appropriateness for making a computer hardware purchase.

.05 For purchases of equipment which exceed \$2,000, the initiator of the purchase will be required to contact three references who are presently using the equipment. Contacts will address such issues as: reliability, performance, service support, costs and problems. These contacts must be documented and their results attached to the Purchase/Funds Request.

.06 An Equipment Catalog ([Form No. 13-81](#)) is to be completed on all capitalized equipment purchases. This form discloses all pertinent information regarding each piece of equipment purchased.

2.3 Fixed Asset Categorizes

.01 When fixed assets are acquired or donated to the Church they will be recorded in one of the following asset categories:

- Land
- Buildings
- Family Center
- Family Life Center Furnishings
- Elm Street Properties
- Barker House
- Equipment
- Organ
- Handbells
- Parsonage
- Furniture-Parsonage
- Bane Property
- Other

.02 The above categories have been established in the Church's chart of accounts. These categories will also be used in the annual general operating budget process.

3.0 DONATED PROPERTY

.01 Any donated furniture and equipment will be reported to the Financial Secretary if it has an estimated fair market value of \$500 or more. A full description of the property, date received, number of donated items, estimated fair market value as determined by the donor, and the name of the person making the donation shall be included in the memorandum. The Financial Secretary will acknowledge to the donor the receipt of the item(s) as so stipulated in the [Contributions](#) section of this manual. These donated assets will be capitalized as a fixed asset in the general ledger and asset records.

.02 Before purchasing a piece of equipment or office furniture, considerations shall be given to contacting several Church members or friends who might be interested in donating the needed asset to the Church in lieu of making a purchase.

4.0 LEASES

4.1 General Leasing Procedures

.01 Leases of equipment or personal property must be approved and executed by the Finance Committee.

.02 All executed leases shall be filed in the office of the Financial Secretary.

.03 Leases of equipment or personal property shall comply with applicable policies and

procedures governing purchasing, including competitive bidding requirements.

.04 Prior to acquisition of an asset as the result of a lease agreement, the responsible Church representative shall prepare a written analysis documenting the decision to acquire the use of the asset, which shall be filed with the lease agreement or other document setting forth the terms of the agreement.

.05 The Financial Secretary shall also keep on file a list of every individual leased asset, excluding real estate, with a value of at least \$10,000 and every group of leased assets comprising a single system with a combined value of at least \$10,000 acquired through a capital or operating lease arrangement.

.06 All lease agreements concerning equipment or personal property must include the following:

- An adequate description of the parties that identifies the lessor or seller and the names of corporate officers representing the Church as the lessee or buyer.
- A complete description of the property subject to the lease, including appropriate procedures for acceptance by the Church after delivery and inspection.
- A statement of the estimated purchase price (fair market value) of the leased property on the date of the lease, the total amount of payments to be paid by the Church for the leased property, the date that the payment or payments are due, the periodic payment amounts, the interest rate used by the lessor, estimated economic life of the property and the office and address to which the payment(s) shall be mailed.
- A statement of the term of the lease, with definite beginning and ending dates and the options each party has, if any, for termination of the agreement prior to the end of the term.

5.0 EMPLOYEE OWNED PROPERTY BROUGHT ON CHURCH PREMISES

.01 To maintain proper segregation and control upon termination of employees, any employee owned equipment, furniture or fixtures brought on the Church premises must be reported to the Senior Minister in memo form. The memo shall include the employee's name, description of items, identification numbers if any and reason for using the asset on Church premises. This report will be maintained in the employee's Staff Parish Relations file. The Church will not be responsible for any employee owned property used or maintained on Church premises nor will Church insurance coverages be placed on them.

6.0 DISPOSITIONS

.01 Ministry Department Heads shall promptly advise the Finance Chair when any assigned furniture and equipment is no longer required. Such items shall be reassigned or retired at the discretion of the Trustees. The retirement of a particular item of furniture or equipment shall be based on condition, age, need, and use of the item.

.02 A Disposition of Furniture, Fixtures or Equipment ([Form No. 1-71](#)) is to be completed when a piece of furniture, fixtures or equipment is sold or traded-in on a new product. This form must be approved by the the Finance Chair.

.03 The buyer of Church furniture and equipment must be given an executed Bill of Sale ([Form No. 7-09](#)), signed by the Finance Chair. This Bill of Sale must state that the sale is "final" and the property is sold in the "as is" condition.

.04 After completion of the sale, the Disposition form will be submitted to the Financial Secretary. All proceeds from sales of Church furniture and equipment will be recorded in the General Operating Budget Fund unless the property is recorded in another fund (i.e. Building Fund).

.05 When the disposal represents a trade-in on a similar asset, the newly acquired asset shall be recorded at the book value of the trade-in asset plus any additional cash paid. In no instance shall total cost exceed the fair market value of the new asset.

.06 Any assets that become outdated, worn-out or no longer have a ministry use or market value will be reported to the Financial Secretary on the Disposition form. This asset shall be fully described noting serial numbers and perceived condition. The Financial Secretary will prepare a journal entry removing the asset from the general ledger.

.07 All real property sales require recommendations from the Administrative Board and Finance Committee with ultimate approval by the congregation.

.08 All fixed assets that have been disposed of, will also be removed from the Church's Fixed Asset computer inventory module.

7.0 MISSING OR STOLEN PROPERTY

.01 The Chair of Trustees shall be immediately contacted when a staff person becomes aware of a missing or possibly stolen piece of property. If the initial notification was verbal, a written report would need to be prepared. This report shall describe the item missing (including serial numbers if applicable) and give any other pertinent facts surrounding its disappearance.

.02 The Chair of Trustees will determine the proper course of action and will notify the Church insurance carrier and any outside authorities if deemed appropriate.

8.0 PROPERTY TAX EXEMPTION

.01 A state property tax exemption filing must be made on all property owned by First United Methodist Church Weatherford. This would include undeveloped and vacant land. Property tax exemptions are not granted automatically; they must be applied for. The Finance Chair will obtain the needed filing forms from the appropriate County and/or State governmental office and make such filings.

.02 Property tax exemptions are usually granted on property that is owned by a religious organization and is used exclusively for religious purposes. It is important to maintain records proving that the property is in fact being used for religious activities if ever audited. This is especially important for undeveloped or vacant land.

.03 Leadership will also consider the possible loss of property tax exemption from renting portions of the Church property for non-religious purposes. Therefore, all rentals of Church property must be pre-approved by the Finance Committee. Such rentals could not only jeopardize the loss of property tax exemptions but could also involve local zoning law violations, liability concerns and the payment of federal income taxes on unrelated business income.

Section N.

Date Approved/Revised:

Approved By:

LONG-TERM DEBT

Statement of Policy:

All determinations of need for debt must be recommended by the Finance Committee with the Administrative Board review and congregational approval. All approved debt transactions will be recorded in the general ledger based on the terms of the debt instrument. Applicable interest for all debt will be accrued on a timely basis. All debt payments will be properly recorded in the general ledger and made on a timely basis. Debt instruments will be reviewed periodically to assure compliance with stated terms.

"Let no debt remain outstanding, except the continuing debt to love one another..." Romans 13:8

*"The rich rule over the poor, and the borrower is servant to the lender."
Proverbs 22:7*

"She went and told the man of God, and he said, Go, sell the oil and pay your debts." 2 King 4:7

Procedures:

1.0 AUTHORIZATION

.01 As required by the Church's Discipline any form of indebtedness must be approved by a vote of the congregation.

.02 It is the Finance Committee's responsibility to review, determine and make recommendations to the Administrative Council regarding any debt considerations. The Administrative Council will review such recommendations and determine if the debt request shall be presented to the Church body.

.03 All proposed debt arrangements and written agreements must be reviewed by the Church's General Counsel. Debt covenants and collateral agreements must be reviewed to determine that no conflicts exist.

.04 It is the Finance Committees responsibility to review all terms of the agreement (i.e.

interest rate, time periods, prepayment clauses, penalties, etc.) and determine if they are reasonable and in the best interest of the Church.

.05 If debt is authorized by the congregation, the Finance Chair must prepare a written resolution of the Finance Committee disclosing the congregation's approval. This resolution will be made a part of the Finance Committee's minutes.

.06 It will be the Finance Chair's responsibility to obtain and provide needed information to/from the lending institution, secure appropriate signatures on the debt instruments and attend the debt-closing meeting if required.

.07 All original debt agreements and instruments will be obtained for Church records, and these records will be placed in the Church's safe for fire protection and ease of access when needed.

2.0 RECORDING DEBT

.01 The Loan Summary Review worksheet ([Form No. 7-13](#)) will be used to summarize the terms and conditions of the debt for easy review and follow-up. If the Church has multiple debt instruments, each of these worksheets shall be summarized on a summary of debt which discloses current and long-term portions of debt, accrued interest payable and interest expense. On a monthly basis, this summary will be reconciled to the general ledger. The Financial Secretary will prepare this summary and the individual debt worksheets, and copies will be furnished to all Finance Committee members.

.02 Each approved debt arrangement must be summarized and all appropriate documents placed in a file folder. In this folder the following items, but not limited to, will be included:

- Copy of Finance Committee resolution
- Copies of congregational meeting minutes approving debt
- Copy of the debt agreement and all attachments
- Listing of all debt covenants
- List of any collateralized Church property
- Loan Summary Review worksheet

.03 If the debt is collateralized by Church property, the above mentioned file shall also contain a list of specifically identified assets which are collateralized under the debt.

.04 All debt proceeds and applicable debt liability will be properly recorded in the general ledger. The Statement of Financial Position (Balance Sheet) will properly reflect long-term debt as one amount.

.05 Debt obligations that are not funded from restricted contributions, such as a building capital campaign, will be budgeted in the General Operating Budget Fund of the Church. On a monthly basis, the principal portion of each debt payment will be reduced from the liability balance sheet account. This will be accomplished by the use of a 9000 series account, entitled "Capitalizable Principle Reduction on Debt." The month-end journal entry will be as follows:

Debit	Long-term Debt (Liability Account)\$ XX
Credit	Capitalizable Principle Reduction on Debt.....	\$ XX

.06 The above entry will allow the Statement of Financial Position (Balance Sheet) to properly reflect the amount of outstanding debt the Church owes, while at the same time allowing for the debt payment to be charged as an expenditure for budget purposes.

3.0 DEBT RETIREMENT PLANNING

.01 A Debt Retirement Budget Cash Flow Projections summary ([Form No. 1-74](#)) will be prepared for all debt obligations. This summary will define the uses of the debt and list the various planned sources of funds to retire the debt. Additionally, this summary can be used to show annual uses of the debt and cash flow sources to retire the debt.

4.0 DEBT COVENANTS REVIEW

.01 In the event there is a lack of compliance with restrictive debt covenants, a creditor could deem the Church to be in default of the debt agreement. This in turn could give the creditor cause to demand immediate repayment of the debt. With this in mind, the Finance Chair will review the debt covenants on an annual basis to determine whether all covenant restrictions have been met.

5.0 BORROWINGS FROM CHURCH MEMBERS

.01 To avoid possible legal complications and ill feelings between members and Church leadership, First United Methodist Church Weatherford leadership is not allowed to raise funds by borrowing from its members.

Section 0.

Date Approved/Revised:

Approved By:

NET ASSETS

Statement of Policy:

The net assets of First United Methodist Church Weatherford is the difference between the Church's assets and liabilities. Net assets are increased or decreased by the Church's financial operations, other financial events, and circumstances affecting the Church. To ensure the accurate reporting of assets, liabilities and thus net assets, adequate internal controls will be established for the various financial systems of First United Methodist Church Weatherford.

Church leadership will not commingle donor-imposed (restricted) and unrestricted gifts. Such gifts will be accounted for in separate funds. Leadership further desires to disclose to its Church members and donors an explanation of reserves and why monies are being set aside and not expended during the current period. This information would also provide Church members, donors and staff with a means to monitor designations of cash reserves and the accumulation of money.

"This food shall be held in reserve for the country, to be used during the seven years of famine that will come upon Egypt, so that the country may not be ruined by the famine." Genesis 41:36

Procedures:

1.0 CLASSES OF NET ASSETS (AND REVENUES)

.01 The financial statements of First United Methodist Church Weatherford report amounts separately by class of net assets:

- "Unrestricted" amounts are those currently available for use in the Church's ministries under the direction of the Finance Committee, those designated by the Committee for specific uses, and those resources invested in land, buildings, and equipment.
- "Expendable temporarily restricted" amounts are those which are restricted by donors for specific operating purposes or for the acquisition of land, buildings, and equipment.

- "Nonexpendable temporarily restricted" amounts are those not currently available for use in the Church's ministries until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.
- "Permanently restricted" amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts.

.02 All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

.03 "Designated" funds are unrestricted funds set aside by the Finance Committee for a specific designated purpose or project. The designation is non-binding and may be changed at any time by the Finance Committee.

2.0 DESIGNATED RESERVES

.01 Designated reserves are unrestricted funds that the Church has accumulated over the year(s) by operating with a surplus. These funds provide additional protection to the Church against having to borrow operating funds during months where giving is less than planned expenditures (i.e. summer months), and unexpected or emergency situations which arise when budget funds are not available (i.e. major unplanned repair or capital purchase).

.02 For First United Methodist Church Weatherford to minister and operate with confidence and financial stability, leadership feels that the establishment of these reserves is a prudent measure. Refer to the [Cash Management and Reserves](#) policies as found in this section of the manual for additional information regarding these reserves. The oversight of these reserves rests with the Finance Committee. The balance of each of these reserves will be appropriately disclosed in the Church's monthly financial reports in the Net Asset section. How these reserve funds are invested has been addressed in the [Investment](#) policy section of this manual. Excesses generated over and above these reserves will be used for additional non-budgeted ministry needs as determined by the Administrative Board.

Section P.

Date Approved/Revised:

Approved By:

FISCAL REPORTING

Statement of Policy:

The purpose of financial reporting is to provide relevant information to meet the common interest of Church members, Administrative Council, contributors, governmental bodies, constituent ministries, creditors, management and employees of First United Methodist Church Weatherford.

First United Methodist Church Weatherford leadership will make regular reports of the Church's financial status to the congregation. Such reports are necessary to comply with the principle of full financial disclosure; which is a wise stewardship practice in any ministry organization. The complexity and detail of the reports will be determined by the intended audience. The Finance Committee will require more detail and explanation than the general membership of the Church. In most cases, Church members are primarily interested in the following: (1) How much money was received? (2) How much was spent? (3) How does this compare to the general operating budget requirements which they approved? and (4) Is there a positive or negative balance in the bank? All financial reports presented to the congregation will be formatted in a manner that answers these questions.

Full financial disclosure means not just *full* reporting, but *meaningful* reporting! Therefore, the following six characteristics shall be present in any set of financial statements issued by Church staff:

1. They shall be easily comprehensible so that any person studying them will understand the financial picture.
2. They shall be concise so that the reader does not get lost in detail.
3. They shall be all-inclusive in scope, reflect all financial activities of the Church and list all of the funds maintained by the Church.
4. A focal point will be provided for comparison purposes, such as the budget requirements, year-to-date totals, and comparison to the previous year.
5. They must be prepared on a timely basis. Monthly reports will be the primary basis for timely reporting.

6. The report must be prepared on the basis of generally accepted accounting principles. This means that the format is similar to that used by other Churches and ministry organizations.

The Financial Secretary will prepare and maintain proper and adequate documentation to support the amounts reported in the various fiscal reports of First United Methodist Church Weatherford. These reports serve as the vehicle of disclosure to the Church body and management regarding the integrity of First United Methodist Church Weatherford's finances. Many of these reports are to be prepared in brevity and are to supplement detailed financial reports and are to be used for timely "hands-on" management.

"Everything was accounted for by number and weight, and the entire weight was recorded at that time." Ezra 8:34

"For God is not a God of disorder..." 1 Corinthians 14:33

Procedures:

1.0 WEEKLY CASH MANAGEMENT REPORTS

.01 Weekly summary reports are to be prepared and distributed by 1:00 p.m. on Monday of each week. The preparer shall keep in mind that the objective of these reports is to provide a quick recap of the financial status of the Church and not a time-consuming detailed financial analysis. These reports are the Weekly Cash Report ([Form No. 4-03](#)) and the Weekly Cash Flow Report ([Form No. 4-04](#)). The Finance Chair must review these reports before they are distributed.

.02 These reports will be distributed to the Senior Minister, Associate Pastor, Finance Chair and any other interested parties.

2.0 INTERNAL MONTHLY FINANCIAL REPORTS

.01 A detailed accounting of monthly revenues and expenditures shall be prepared and presented to staff and ministry leaders for their review. This internal report will include comparisons of actual revenues and expenses to budgeted figures with significant variances identified and explained. It will also show cash balances at the beginning and end of the month. It is the responsibility of the Finance Committee to determine what percentage will be used for explanation of budget variances.

.02 It is the Finance Chair's and Finance Committee's responsibility to ensure that monthly expenditures are being maintained within budget receipt requirements and cash

flow needs.

.03 During the budget year, any major change of income or expenditure which would significantly alter the annual ministry plan and operations will be reflected in a general operating budget revision. Refer to the [Budgeting](#) section of these policies regarding budget revisions.

.04 This report will be distributed to the Senior Minister, each ministerial Department Head, Chairperson of the Finance Committee and Finance Committee and any other person who is responsible for budgeted funds. This report is an overview of the various ministry emphases (departments). A detailed printout of each department expenditure by account will also be provided to each ministerial Department Head.

.05 Since it is a standard of First United Methodist Church Weatherford to prioritize high levels of financial integrity, each week a message will be printed in the weekly bulletin stating that a financial report is available in the Church Office for pickup and review by any interested person. This report is the Budget to Actual Financial Comparisons. The Financial Secretary will provide a supply of these reports to the Church Secretary. This report will also be used in such ministry activities as the New Member's Class.

3.0 MONTHLY FINANCIAL STATEMENTS

.01 Statement of Financial Accounting Standards No. 117 requires the preparation of the following financial statements for Churches:

- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Income Statement)
- Statement of Cash Flows

.02 These financial statements will be prepared on a timely basis and made available to the Administrative Council, Finance Committee, Trustees and any interested Church members or donors of First United Methodist Church Weatherford.

3.1 Statement of Financial Position

.01 The Statement of Financial Position, often referred to as the Balance Sheet, will be presented in aggregated totals for assets, liabilities and net assets.

.02 The classification of assets and liabilities will be partitioned into sections on the Statement of Financial Position by fund groups. In preparing the Statement of Financial Position, the net assets (fund balances) will be classified as unrestricted, temporarily restricted or permanently restricted. In addition, the unrestricted net assets will be

further divided into two categories: undesignated and designated.

.03 For reporting purposes, First United Methodist Church Weatherford considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3.2 Statement of Activities

.01 The Statement of Activities, often referred to as the Income Statement, will report support and revenues, costs and expenses and the excess (deficiency) for the month. The cost and expenses will be reported on a functional basis by ministry programs, management and general, and fund raising. On the Statement of Activities, the increase or (decrease) of net assets will be reported for each section: unrestricted, temporarily restricted, and permanently restricted. The elements on the Statement of Activities might need to be presented in a columnar format arranged by each classification of net assets.

4.0 ANNUAL FINANCIAL STATEMENTS

.01 The Statement of Receipts and Disbursements with Changes in Cash Balance and Budget Comparisons will be presented to the membership at its annual congregational business meeting. Other financial reports that could be presented at this meeting are as follows:

- Audited Financial Statements and auditors opinion.

.02 It is at this meeting, that the congregation is also presented with the next year's General Operating Budget for their review and approval. Refer to the [Budgeting](#) section of these policies regarding the budgeting process.

5.0 AUDITED FINANCIAL STATEMENTS

.01 An external audit is an examination, by an independent Certified Public Accounting firm, of the Church's financial records and statements. They will perform a review of the Church's internal controls to assist them in determining how reliable the Church's financial systems are. An external audit provides assurance that Church funds have been handled according to the instructions and policies of the Church and that the accounting procedures are adequate, effective and in compliance with generally accepted accounting principles.

.02 The Finance Committee will determine when an independent audit should be performed.

.03 Good business practices dictate that an audit or review should also be conducted whenever a major Staff Parish Relations change occurs among those who handle the finances, specifically the Financial Secretary. Thus, the new person assumes the duties with a clean slate and with the knowledge that the books are complete and accurate. This audit or review also serves to assist Church financial staff to be more effective in discharging their tasks.

5.1 Appointing an Internal Auditing Committee

.01 Securing the services of an external auditing firm can be costly. However, the recommendations of an outside Church Management Consulting firm can greatly benefit the Church. Many Churches have members who are familiar with accounting procedures and the functions of the Church. These persons may be capable and willing to conduct an internal audit of the Church's records. An Internal Auditing Committee should not include persons who are involved in the financial operations of the Church or a family member of anyone involved in such operations.

.02 The Internal Auditing Committee has three primary broad tasks as they relate to finances: (1) to determine the instructions given by the Church concerning financial matters, (2) to examine financial systems, records and reports, and (3) to report their findings to the Administrative Council. This committee serves as an advisory committee accountable only to the Administrative Council.

.03 To complete this assignment, the committee will need to examine, at a minimum, the following documents: Written policies and procedures, minutes of the Church business and Finance Committee meetings, approved budget for the year being audited, individual records of contribution, bank statements and deposit slips for all bank accounts, canceled checks, checkbook register, receipts and disbursements journal, accounts payable ledger, monthly and annual financial reports, payroll records, government reports, and insurance records.

.04 At the conclusion of the internal financial audit, a report will be issued stating the scope of the audit, the committee's opinion about the financial procedures and reports, and recommended actions to make the record-keeping process more efficient and effective.

6.0 RECURRING REPORTING REQUIREMENTS

.01 The Financial Secretary is responsible to maintain a current and up-to-date Recurring Reporting Requirement listing ([Form No. 4-18](#)). This listing will include all types of reports which must be filed by First United Methodist Church Weatherford to remain in compliance with its Bylaws, governmental regulations, denominational agencies and any other internally imposed reports. This listing will disclose the name of the report,

the frequency of preparation, the recipient, and the required completion/filing date.

.02 To keep this reporting requirement list current, a Report Description ([Form No. 4-17](#)) will be used Church-wide to document new or revised reports. This form would be forwarded to the Financial Secretary's office for review and inclusion on the Recurring Reporting Requirement list.

.03 In an attempt to make certain that all required reports are being sent out in an accurate and timely manner, a Report Review and Approval Summary ([Form No. 4-19](#)) will be used. This summary will serve as a check-off control. Several weeks before the required report is due, this Summary will be attached to the top of the prepared report and distributed to all those involved in its completion. The Financial Secretary office will be responsible to maintain the status of each Summary.

.04 On July 1 of each year, the Recurring Reporting Requirement list will be mailed to the Chairpersons of the Finance Committee and Administrative Council Chair. The Financial Secretary will be responsible for this distribution.

Section Q.

Date Approved/Revised:

Approved By:

GOVERNMENTAL REPORTING OBLIGATIONS

Statement of Policy:

As required by Romans 13, Church leadership must become adequately informed of and abide by all governmental reporting requirements which apply to First United Methodist Church Weatherford.

Leadership is committed to equipping its staff and lay leaders to become proficient in these reporting requirements by providing continuing education opportunities, resource aids and consulting services. All applicable governmental reports must be filled on an accurate and timely basis so as to avoid possible tax penalties, fines and audits.

It is the Administrative Council's desire that First United Methodist Church Weatherford be a lighthouse to government agencies by providing required reports and information in a timely and "decent and orderly" manner!

"Everyone must submit himself to the governing authorities, for there is no authority except that which God has established. The authorities that exist have been established by God." Romans 13:1

"Do you want to be free from fear of the one in authority? Then do what is right and he will commend you." Romans 13:3

"Therefore, it is necessary to submit to the authorities, not only because of possible punishment but also because of conscience. This is also why you pay taxes, for the authorities are God's servants, who give their full time to governing." Romans 13:5-6

He saw through their duplicity and said to them, "Show me a denarius. Whose portrait and inscription are on it?" "Caesar's", they replied. He said to them, "Then give to Caesar what is Caesar's, and to God what is God's." Luke 20:23-25

Procedures:

.01 The Financial Secretary is responsible for the preparation, maintaining and the adherence of the time deadlines of the Recurring Reporting Requirements ([Form No. 4-18](#)). The Financial Secretary will also be the Church representative who will sign the required governmental reporting forms.

1.0 EMPLOYEE HIRING

.01 The Church must have a Form W-4, Employee's Withholding Allowance Certificate, on file for all non-ordained employees, and a Form I-9, Employment Eligibility Verification, for all persons employed after November 6, 1986. These reporting regulations require the Church to have obtained an employer identification number (EIN). A Form SS-4 has been filed to obtain this number.

2.0 FEDERAL AND STATE PAYROLL TAXES

.01 As an employer, the Church is responsible for complying with government regulations relating to payroll. The Church is responsible for withholding, depositing, and reporting federal income tax (FIT) and social security and Medicare taxes (FICA) on the wages of all non-ordained employees.

.02 Federal income, FICA and state payroll taxes will be reported according to the following schedule:

<u>Quarter</u>	<u>Ending</u>	<u>941 Due Date</u>
Jan-Feb-Mar	3/31	4/30
Apr-May-Jun	6/30	7/31
Jul-Aug-Sep	9/30	10/31
Oct-Nov-Dec	12/31	1/31

.03 An employer's tax deposit status is determined by the total taxes reported to the government in a four-quarter "lookback" period. The lookback period is determined by the government by reviewing their tax deposits during the period July 1 to June 30. In November of each year the IRS will notify employers of their deposit status for the upcoming year.

.04 If quarterly tax liability (employee federal income taxes withheld and employee withheld portion and employer matching portion of FICA taxes) is less than \$2,500, taxes shall be paid to the government with the filing of the quarterly 941 form. When tax liability becomes greater than \$2,500 and is less than \$50,000 in the lookback period, taxes shall be deposited with a federally designated depository bank by the 15th day of the following month. When tax liability becomes greater than \$50,000 in the

lookback period, taxes must be deposited on a semiweekly basis. Employment taxes withheld and matched on paydays falling on Wednesday, Thursday, and/or Friday must be deposited on or by the following Wednesday. Tax amounts accumulated on paydays falling on Saturday, Sunday, Monday, and/or Tuesday must be deposited by the following Friday. Employers accumulating \$100,000 of payroll taxes during a monthly or semiweekly period must deposit their taxes by the next banking day. IRS Form 8109 shall be used to make these deposits.

.05 Congress enacted laws several years ago requiring the IRS to collect payroll taxes on an electronic filing basis. The IRS responded by creating the Electronic Federal Tax Payment System (EFTPS). This new system is being phased in over a period of years. If an employer made payroll tax deposits in excess of \$200,000 for 1999 they are required to electronically deposit their taxes with the government. However, voluntary payment of payroll taxes electronically is encouraged for all employers. For more details, see IRS Circular E. Furthermore, the Church can e-file their quarterly 941's under the IRS's On-Line Filing (OLF) program.

.06 Line 2 and lines 6a and 7 on the Form 941 will in most instances not agree since the Church has minister employees. Ministers are considered self-employed for social security and Medicare purposes, thus their wages must not be reported on lines 6a and 7. The ministers' wages (net of their housing allowance) shall be reported on line 2 of the Form 941, but not on lines 6a and 7. To avoid the IRS from possibly contacting the Church to determine the reasons why these lines are different, the following statement will be printed on the bottom of each Form 941 which is filed with the IRS:

"NOTE - Lines 6a and 7 are less than Line 2 because wages were paid to minister employees who are exempt from FICA taxes."

.07 The fourth quarterly Form 941 return shall not be filed with the government until all Form W-2's and the W-3 transmittal is completed and agreed in totals. The totals shown on the Form W-3 transmittal must agree to the totals as reported on all four quarterly Form 941 returns.

.08 First United Methodist Church Weatherford is exempt from paying federal and state unemployment taxes, and furthermore, has elected not to voluntarily participate in these programs.

.09 Additionally, all applicable state payroll tax reports are filed with the Department of Revenue on a timely basis.

3.0 ANNUAL INFORMATION RETURNS

3.1 Form W-2 (Employees)

.01 W-2 forms must be provided to all employees to whom compensation was paid and from whom income, social security, or Medicare taxes have been withheld.

.02 W-2 forms must be completed and issued to each employee by January 31. The W-3 transmittal form and copy "A" of all W-2 forms must be submitted to the Social Security Administration before February 28. An extension of time may be requested by filing Form 8809 with the IRS. These forms will be prepared in compliance with the requirements stipulated in the form instructions.

.03 Ordained ministers have a dual tax reporting status. All First United Methodist Church Weatherford ministers are considered to be employees of the Church for income tax purposes and self-employed for Social Security purposes. Although the Church is not required to withhold FIT or SECA taxes from the minister's salary, it must report the minister's income on the Church's Quarterly Form 941 filings as noted above, and a Form W-2, Wage and Tax Statement, at year-end.

.04 All nonminister employees will be issued a Form W-2 no matter what amount of monies were paid to them during the year.

.05 Before Form W-2's are processed, the Financial Secretary will complete a Reconciliation of Form W-2 Taxable Income ([Form No. 1-58](#)). This reconciliation reviews numerous forms of employee payments and benefits that could be taxable to one or more employees. If certain payments made to or benefits provided for employees are considered taxable, they must be included on the appropriate employee's Form W-2. This form allows the Church to disclose to its employee what types of payments and benefits they received during the year which were taxable and included on their Form W-2. This form also discloses to ministers, the actual amount of housing allowance that was paid to them during the year. Since the IRS does not require the reporting of housing allowance payments on the Form W-2, leadership has elected to provide this information on this internally generated form. Ministers must be provided this information since housing allowance payments (also the fair rental value of a parsonage plus utilities) are taxable to the minister for self-employment purposes.

.06 Effective, January 2002, the Social Security Service has offered employers with 20 or fewer employees the ability to complete W-2 forms online, and submit them electronically to the SSA. This online service will also prepare the Form W-3 and allows the printing of W-2s suitable for distribution to the employees. The Financial Secretary will determine if First United Methodist Church Weatherford qualifies for this service.

3.2. Form W-2G (Certain Gaming Winnings)

.01 Any Church or integrated auxiliary of the Church that sponsors a gaming event (i.e. raffles, bingo) must file Form W-2G when a participant wins a prize over a specific

value amount. The requirements for reporting and tax withholding depend on the type of gaming, the amount of winnings, and the ratio of winnings to the wager. For each winner, meeting the filing requirement, the Church must:

- Furnish each winner a Form W-2G by January 31 and
- File Copy A of Form W-2G to the IRS by February 28.

.02 For more information on reporting requirements for gaming activities, refer to IRS Publication 3079, *Gaming Publication for Tax-Exempt Organizations*.

3.3 Form 1099-MISC (Self-Employed)

.01 The 1099-MISC form must be provided to all self-employed persons (non-employees) who were paid \$600 or more in compensation for services rendered in the Church's normal course of operations, and who are not incorporated. However, payments to corporations that provide legal or medical services must be issued a 1099-MISC. One must not assume that all businesses are corporations. You may treat a payee as a corporation if the payee's name contains an expression of corporate status, such as "Corporation", "Corp.", "Incorporated" or "Inc." but not "Company", "Co." or "LLC". Examples of self-employed persons who perform miscellaneous services for the Church could include: plumbers, carpenters, lawn maintenance, painters, evangelist, etc. A 1099-MISC must also be issued to the service provider if the service is paid in the form of property.

.02 1099-MISC forms must be completed and issued to qualified self-employed person on or before January 31. The Form 1096 transmittal form and copy "A" of all 1099-MISC forms must be submitted to the appropriate IRS Service Center before February 28.

.03 Normally, the 1099-MISC form is only required when services are rendered and not when goods are purchased. However, if a service is performed and the Church is billed for labor and materials together, then the total payment must be reported on the 1099-MISC form. If the Church is billed separately for the labor and the material costs are paid or reimbursed separately, and the service provider is in the business of selling such parts and materials, then only the labor portion would be reported on 1099-MISC form.

.04 In instances where the self-employed person's taxpayer identification number might be in question, the identification number can now be electronically verified on the IRS's website (www.irs.gov).

3.4 Form 1099-INT (Payment of Interest)

.01 Form 1099-INT is required to be filed for each person the Church pays interest to, in

an amount in excess of \$10 or \$600 in a calendar year. The \$10 limit applies if the interest is on "evidences of indebtedness" (bonds and promissory notes) issued by a corporation in "registered form" where it will be surrendered back to the corporation. The \$600 limit applies if the interest is on a transferable note to a Church member where there is no requirement to return the note for reissuance. There is no requirement to file Form 1099-INT for payments made to corporations or another tax-exempt organization.

3.5 Form 945 (Annual Return of Withheld Federal Income Tax)

.01 If the Church withholds income tax, including backup withholding, from non-payroll payments, it must file Form 945 by January 31. This form is not required for those years in which there is no non-payroll tax liability.

4.0 DONEE INFORMATION RETURNS

.01 If the Church disposes of a non-cash gift within two years from the date the gift was originally received, and the gift was valued by the donor in excess of \$5,000, the Church will be required to file a Donee Information Return (Form 8282) with the IRS within 125 days of the date of disposal.

5.0 UNRELATED BUSINESS INCOME RETURNS

.01 Section 511 of the Internal Revenue Code imposes a tax on the "unrelated business taxable income" of tax-exempt organizations as a means of placing the business activities of exempt organizations on the same tax basis as the taxable business endeavors with which they compete. Section 512 defines unrelated business taxable income as "the gross income derived by any organization from any unrelated trade or business regularly carried on by it", less certain deductions. Section 513 defines the term, unrelated trade or business, as "any trade or business the conduct of which is not substantially related (aside from the need of such organization for income or funds or the use it makes of the profits derived) to the exercise or performance by such organization of its charitable, educational, or other purpose or function, constituting the basis for its exemption under section 501 . . ."

.02 The IRS is primarily interested in how the unrelated business income was earned, not in how it is used, even if it is used to further the organization's tax-exempt purpose. Unrelated business income is subject to federal corporate taxes on income including the alternative minimum tax (AMT). The first \$1,000 of net unrelated business income is excluded from taxation, and corporate net operating losses and various tax credits are allowed.

.03 Income from certain specified Church activities that might otherwise be considered unrelated business income is excluded from taxation. For example, unrelated business

income does not include dividends, interest, royalties, gains on the sale of property (unless that property was used in an unrelated trade or business) or rents from real property. However, rents from debt-financed property are considered to be unrelated business income (several exceptions do apply). Furthermore, unrelated business income may not be subject to tax if it meets one of the following exceptions: (a) substantially all of the work in operating the trade or business is performed by volunteers, (b) the activity is conducted by the organization primarily for the convenience of its members, or (c) the trade or business involves the selling of merchandise substantially all of which was donated.

.04 It is not the general practice of First United Methodist Church Weatherford to enter into financial activities that would require the payment of this tax. If it is determined that a financial arrangement, which would generate this tax, was in the best interest of First United Methodist Church Weatherford, such an arrangement must first be approved by the Finance Committee before the activity begins. If unrelated business taxable income would be generated by First United Methodist Church Weatherford, then the income must be reported to the IRS on Form 990-T (Exempt Organization Business Income Tax Return). This return is due on the 15th day of the fifth month following the end of a Church's fiscal year. Form 990-W (Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organization) must also be filed if the tax on UBI is expected to exceed \$500.

.05 It is the Finance Committee's present position that if such unrelated business activities are approved, such activities will be maintained in a separately established, for-profit corporation. Since the IRS can audit UBI Form 990-T tax returns, the Committee does not want to expose the Church's financial records to a possible IRS audit.

.06 For additional information regarding these types of activities, please make all inquiries to the Finance Chair.

6.0 ANNUAL CORPORATE REPORT

.01 An annual report must be filed with the Secretary of State as required by the state's Nonprofit Corporation Act. This report provides the Secretary of State with the names and addresses of the Church's current corporate directors, officers and registered agent. A filing fee must also be included with the filing. The report is due by the first day of the fifth month after year-end.

7.0 OTHER FILINGS

.01 Other governmental reports might be required to be filed based on special circumstances which transpired during the year or filings which are unique to the state in

which the church operates (i.e. state charitable solicitation reports, property tax returns, state income tax returns, sales tax returns, information returns for retirement plans, etc.).

.02 It will be the responsibility of the Financial Secretary, in cooperation with other Church professional counselors, to determine which additional governmental filings might be required.

8.0 EXEMPT FILINGS

.01 Following are several governmental filings that First United Methodist Church Weatherford is exempt from filing under federal law because of our statute as a church. These filings are typically filed by most other non-profit, non-church organizations. These filings are:

- Form 990 (Annual information return of tax-exempt organizations filed with IRS)
- Form 940 (Annual unemployment tax return filed with IRS)
- Form 5500 (Church retirement plans)

9.0 SPECIAL RULES LIMITING IRS AUTHORITY TO AUDIT CHURCHES

.01 Congress has imposed special limitations, found in IRC Section 7611, on how and when the IRS may conduct civil tax inquiries and examinations of churches. The IRS may only initiate a *church tax inquiry* if the Director of Exempt Organizations and Examinations reasonably believes, based on a written statement of the facts and circumstances, that the organization: (a) may not qualify for the exemption, or (b) may not be paying tax on an unrelated business or other taxable activity.

.02 Restrictions on church inquiries and examinations apply only to churches (including organizations claiming to be churches if such status has not been recognized by IRS) and conventions or associations of churches. They do not apply to related persons or organizations.

.03 Restrictions on church inquiries and examinations do not apply to all church inquiries by the IRS. The most common exception relates to routine requests for information. For example, IRS requests for information from churches about filing of returns, compliance with income or Social Security and Medicare tax withholding requirements, supplemental information needed to process returns or applications, and other similar inquiries are not covered by the special church audit rules.

.04 Restrictions on church inquiries and examinations do not apply to criminal investigations or to investigations of the tax liability of any person connected with the church, e.g., a contributor or minister. However, the procedures of IRC Section 7611 will be used in initiating and conducting any inquiry or examination into whether an excess benefit transaction (as that term is used in IRC Section 4958) has occurred between a church and an insider.

9.1 Helpful Information from the IRS

.01 Order publications and forms by calling, toll-free, (800) 829-3676. Download publications and forms from the IRS Website at **www.irs.gov**.

.02 IRS Customer Service – Telephone assistance for general tax information is available by calling the IRS Customer Service, toll-free, at (800) 829-1040.

.03 EO Customer Service – Telephone assistance specific to exempt organizations is available by calling IRS Exempt Organization Customer Account Service, toll-free, at (877) 829-5500.

.04 EO Website – Visit the IRS Exempt Organization website at **www.irs.gov/eo**.

.05 IRS Publication 1828 (Tax Guide for Churches and Religious Organizations) is also a very good publication outlining many of the tax requirements for churches. Every Church officer of First United Methodist Church Weatherford has been issued this publication and have been asked to read it.

Section R.

Date Approved/Revised:

Approved By:

YEAR-END CLOSING

Statement of Policy:

A detailed review will be made at year-end, before final closing, of all asset, liabilities and net asset account balances. This review is to determine the reasonableness and propriety of each account before carrying them over into the New Year. Revenue and expense account balances will also be reviewed for reasonableness, considering adequacy of cut-off procedures. Appropriate adjustments and reclassifications will be made before the books are closed. The final closing will be completed no later than January 25th.

The final closed general ledger will serve as the primary accounting resource which the Internal Auditing Committee will use to perform their internal financial reviews and the external auditors will use in performing their independent audit of the Church's year-end financial statements.

"You will know that your tent is secure; you will take stock of your property and find nothing missing." Job 5:24

Procedures:

1.0 GENERAL OVERVIEW

.01 The Finance Chair is responsible for updating and establishing new procedures for an effective year-end closing. He/she will delegate these procedures to the Financial Secretary and review the completion of each task.

.02 A checklist will be prepared each year to assist in the timely and accurate closing of the accounting records at year-end. A checklist similar to the Year-End Accounting Checklist ([Form No. 1-82](#)) will be prepared and used.

.03 In addition to this checklist, the following procedures will be performed to review the reasonableness and propriety of account balances:

2.0 ASSETS

2.1 Cash and Cash Equivalents

- .01 Verify all cash in checking accounts to a properly completed bank reconciliation.
- .02 Verify each highly liquid investment account (those which mature in three months or less) to an external investment statement.

2.2 Accounts Receivables

- .01 Agree balance to year-end aged trial balance.
- .02 Review outstanding balances in aged trial balance to determine if year-end write-offs were adequate.
- .03 Tie other receivable balances to a summary analysis. Challenge collectibility of each item.

2.3 Investments

- .01 Agree individual balances to applicable December brokerage statement.
- .02 Tie balance to the Summary Analysis of Investments.

2.4 Fixed Assets

- .01 Agree each asset category account balance to the Fixed Asset subsidiary ledger.

3.0 LIABILITIES

3.1 Accounts Payable

- .01 Agree vendor accounts payable balance to subsidiary ledger.
- .02 Review prepared listing of invoices and receiving reports received during the first two weeks of the New Year to determine adequacy of cut-off.

3.2 Long-Term Debt

- .01 Agree each balance to the lending institution's year-end statement.
- .02 Agree total balance to Debt Summary management report.

4.0 NET ASSETS

.01 Agree all new or changes in Committee designated reserve balances to applicable Committee minutes.

.02 Challenge proper classifications for restricted and unrestricted.

.03 Tie restricted balance to detailed listing of all restricted programs or projects.

5.0 CONTRIBUTIONS AND OTHER REVENUES

5.1 Contributions

.01 Gifts received through the mail or in the office prior to 5:00 PM December 31st will be credited to the donor's giving record for that year.

.02 Gifts received through the mail during the first week of the New Year, which are postmarked December 31st or prior, will be considered contributions for the previous year and will be posted to the donor's giving records for that year. The Financial Secretary will maintain all mailing envelopes for year-end donor contributions to support postings if questioned by a donor.

5.2 Other Revenues

.01 Any ministry that has funds in its possession on December 31st is to complete a Cash Transmittal ([Form No. 1-06](#)) and submit the funds and form to the Financial Secretary before 5:00 PM December 31st. If the funds cannot be submitted to the Financial Secretary by December 31st, the Financial Transmittal form shall clearly indicate that these are December funds and the funds are to be submitted to the Financial Secretary as soon as possible in January. Any January funds shall be recorded on a separate Financial Transmittal form.

6.0 EXPENSES

.01 Each expense account balance will be compared to the prior year balance and significant variances investigated.

7.0 ACCOUNTING TRANSACTIONS STATISTICS

.01 As part of the year-end accounting closing procedures, the Financial Secretary will

update the Accounting Transactions Statistics summary ([Form No. 1-81](#)). This summary shows the results of a variety of accounting transactions processed or handled during the year.

.02 The Finance Chair will review this summary on an annual basis.

8.0 YEAR-END FILING AND STORAGE

.01 The Financial Secretary will take last year's Year-End Filing/Storage Checklist ([Form No. 1-83](#)) and update it for the current year.

.02 Staff will file all related accounting records.

.03 New folders, files, binders, etc. will be prepared to house next year's accounting records.

.04 The Financial Secretary will be responsible for the completion of these tasks.

9.0 YEAR-END ADMINISTRATIVE ACTIONS

.01 A Computation of Minister's Housing Allowance ([Form No. 12-28](#)) shall be given by the Finance Chair to each minister of First United Methodist Church Weatherford by November 15 of each year. Each minister will request on this form what portion of their salary they would like to be designated as a housing allowance for the upcoming year. This form must be completed by each minister and returned to the Finance Chair no later than December 1. These forms will be presented for approval at the December Staff Parish Relations Committee meeting.

.02 All nonminister employees and those minister employees who have requested voluntary tax withholding, shall be provided a new IRS W-4 form for their completion. A new form is needed to ensure accurate payroll tax withholdings for the upcoming year. The Financial Secretary shall obtain these new forms from the IRS near year-end. The Finance Chair shall also prepare a memo and distribute to all ministers, who are presently making quarterly estimated tax payments, asking if they would like to begin voluntary withholdings for the New Year. This memo shall be prepared well in advance of year-end.

.03 The Financial Secretary will provide a Salary Reduction Agreement ([Form No. 7-11](#)) to all full-time employees by December 1 of each year requesting any changes to their tax-sheltered elective deferrals for the upcoming year.

.04 The Finance Chair will schedule, for inclusion in each of the December First United

Methodist Church Weatherford weekly newsletters and Sunday morning bulletins, an advisement notifying donors to not file their federal income tax returns until they have received the official annual contribution statement from the Church.

.05 The classification of all Church service providers (employees and self employed workers) shall be reviewed by the Finance Chair and the Staff Parish Relations Committee Chair to determine if any service providers shall be reclassified for the upcoming year. The Employee/Self-Employed Status Review ([Form No. 12-22](#)) shall be used in all instances where the classification is not clearly defined. These completed forms shall be maintained in the applicable employee Staff Parish Relations file or vendor folder for possible future justification.

.06 In the early part of December, the Financial Secretary shall place orders for all needed IRS tax forms for the upcoming year. These forms can be requested by visiting the local IRS office, calling the IRS toll-free telephone number (1-800-829-3676) or visiting the IRS website (www.irs.gov). Following, is a listing of the basic forms to be ordered. The actual number of forms to be ordered will be determined by the appropriate staff:

- W-2 and W-3
- 1099 MISC and INT
- 1096
- 8283
- W-4

.07 A Time Away Planning Sheet ([Form No. 12-34](#)) shall be distributed by the Senior Minister to all employees by December 1 of each year. This form is to be completed and submitted to the Senior Minister no later than December 15 for his review and final approval.

.08 In an effort to consistently try to find better ways of doing works of ministry in the Church office, the Finance Chair will furnish a Work Simplification Suggestion ([Form No. 12-57](#)) to each employee by December 1. Each employee is required to complete this form even if they have no suggestions. This form must be returned to the Senior Minister by December 15. These forms will be reviewed and evaluated at a specially called ministry Department Heads meeting.

.09 At the conclusion of each year-end, the following forms must be completed and furnished to the Finance Chair no later than January 31. The responsible person and forms are as follows:

- Staff Parish Relations Committee Chair
 - Analysis of Absenteeism ([Form No. 12-73](#))
 - Analysis of Turnover ([Form No. 12-74](#))

- Staff Parish Relations/Insurance Statistics ([Form No. 12-75](#))
- Trustees Chair
 - Summary of Historical Energy Consumption Costs ([Form No. 13-73](#))
- Finance Chair
 - Accounting Transactions Statistics ([Form No. 1-81](#))
 - Year-End Accounting Checklist ([Form No. 1-82](#))
 - Year-End Filing/Storage Checklist ([Form No. 1-83](#))
 - Statistical History ([Form No. 8-42](#))

10. All First United Methodist Church Weatherford insiders are required to complete the Conflict-of-Interest Disclosure Annual Reporting Statement ([Form No. 8-30](#)) by January 1 of each year. The Finance Chair will provide this statement to all Church insiders by December 1. The Finance Committee will review all returned statements at their February meeting.

.11 All Church members will be requested to complete a Renewal of Membership Commitment/Estimate of Giving by January 1 of each year. This renewal will be sent under a cover letter from the Stewardship Committee.