

Greenwod District Leadership Training in Finance

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Beth Westbury, Treasurer & Director of Administrative Services
Sunday, February 6, 2022

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Agenda

- ▶ What does the finance committee do? OR "Who's on first?"
- ▶ The local church audit
- ▶ Statistics and how apportionments are calculated
- ▶ Gift acceptance policy
- ▶ How to release restricted gifts

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What does the finance committee do? Book of Discipline para. 258.4

- ▶ Compiling the budget
- ▶ Overseeing stewardship
- ▶ Raising funds to meet the needs of the budget
- ▶ Administering and disbursing funds received by the church
- ▶ Counting and depositing the offering
- ▶ Establishing and documenting financial policies including internal controls
- ▶ Using contributions according to the donor's intent
- ▶ Providing for the annual audit
- ▶ Reporting to church council and charge conference

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What does the finance committee do? Who does what? Treasurer

- ▶ The treasurer:
 - ▶ Disburses funds (writes checks, but does not sign checks) when presented with properly approved requests for payment. This includes payroll checks.
 - ▶ Makes reports to the finance committee and church council.
 - ▶ Monitors cash balances and makes recommendations to invest excess cash.
 - ▶ Prepares and files payroll tax returns.

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What does the finance committee do? Who does what? Treasurer

- The treasurer does not:
 - Approve payment requests
 - Count/deposit offering
 - Sign checks
 - Perform the annual audit
 - Serve as financial secretary
 - Reconcile the bank statement

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What does the finance committee do? Who does what? Financial Secretary

- The financial secretary:
 - Supervises the offering count, but does not count the offering.
 - Keeps records of contributions.
 - Give treasurer the deposit slip and summary of purposes for which donations were given (\$ for operating budget, \$ for building fund, \$ for pastor's discretionary fund).
 - Provide donors with statements of giving on a regular basis (required annually, quarterly if possible).

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What does the finance committee do? Who does what? Financial Secretary

- ▶ The financial secretary does not:
 - ▶ Sign checks
 - ▶ Reconcile the bank account
 - ▶ Approve expenditures for payment
 - ▶ Conduct the annual audit
 - ▶ Serve as treasurer
 - ▶ Physically count the offering

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What does the finance committee do? Who does what? Chair of Finance

- ▶ The chair of finance (with input from and in cooperation with the committee):
 - ▶ Leads the financial direction of the church
 - ▶ Compiles the annual budget
 - ▶ Develops and implements plans to raise the income to meet the budget (stewardship)
 - ▶ Administers funds according to instructions from church council and donors
 - ▶ Provides guidance to treasurer and financial secretary
 - ▶ Arranges for the annual audit, does not perform the annual audit
 - ▶ Designates who can sign checks and who can approve requests for payments
 - ▶ Designates a person to reconcile bank statements

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What does the finance committee do? Who does what?

- ▶ The primary concerns are to make sure the work gets done and proper internal controls.
- ▶ Optimal disbursement cycle:
 - ▶ Person #1 initiates the expenditure and prepares the payment request attaching appropriate documentation
 - ▶ Person #2 approves the payment request and submits to person #3 who holds the check book (person #3 is treasurer or someone else like a paid bookkeeper)
 - ▶ Person #3 writes the check, but does not sign it. He/she gives the check and supporting documentation to person #4 to sign the check and verify the documentation.
 - ▶ Person #4 reviews the supporting documents to verify legitimacy, signs the check and mails it to the payee. Don't sign a check payable to yourself.
 - ▶ Person #5 reconciles the bank statement. This is a person who is independent of the disbursement process.

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What does the finance committee do? Who does what? Who signs checks?

- ▶ At least two people should be listed as signers.
- ▶ If you have a requirement for two signatures on each check, you need at least three people listed as signers.
- ▶ Who are some people you might have sign checks?
 - ▶ Someone on the finance committee who is not the treasurer or financial secretary. (Treasurer may sign if someone else has possession of the check book)
 - ▶ Someone on board of trustees.
 - ▶ If you are incorporated, who are your corporate officers according to your bylaws?
 - ▶ Do not put the pastor on the signature card.

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Moving on

Finance Committee
Duties



Local Church
Audit

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Local Church Audit

- ▶ What is it?
 - ▶ Independent evaluation of the financial reports, financial records, and internal controls
 - ▶ For the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being safeguarded, and whether the law, Book of Discipline, and policies/procedures are being complied with.
- ▶ See Handout 1, Local Church Audit Guide

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Local Church Audit

- ▶ Do I need to hire a CPA firm?
 - ▶ The guidelines suggest:
 - ▶ Small churches having \$500,000 or less in gross receipts may have an independent and qualified member of the church or other volunteer to perform the audit.
 - ▶ Churches with receipts between \$500,000 and \$1,000,000 should have an independent CPA perform either agreed upon procedures or a financial statement audit every three years. For the years in between, a volunteer may perform the audit.
 - ▶ Churches with receipts between \$1,000,000 and \$2,000,000 should have an independent CPA perform a financial statement audit every two years. This is not the same as agreed upon procedures. A volunteer may perform the audit in the alternate years.
 - ▶ Churches with receipts greater than \$2,000,000 should have an independent CPA perform a financial statement audit every year.

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Local Church Audit

- ▶ Who is included in the audit?
 - ▶ Any organization or group that is using the church's federal identification number is included in the audit of the church.
 - ▶ Examples include:
 - ▶ Trustees' funds
 - ▶ Memorial funds
 - ▶ Foundation and endowment funds
 - ▶ United Methodist Men
 - ▶ Pastor's discretionary fund
 - ▶ Youth funds and Sunday school funds

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Local Church Audit

(Due March 31, 2021)
(File copies with the recording secretary, pastor, district superintendent, and chairperson of committee on finance.)

THE UNITED METHODIST CHURCH COMMITTEE ON FINANCE and CHARGE CONFERENCE

Report of the Annual Audit

The Committee on Finance is required to make provision for an annual audit of the records of all the financial officers (including the financial secretary or church business manager and treasurers of the church and all its organizations) and shall report to the Charge Conference. Guidelines for handling local church funds can be found in the "Local Church Financial Records Handbook" and in "Guidelines for Your Congregation: FINANCE." They also may be found online at umc.org/en/content/book-of-discipline-2584-committee-on-finance.

_____ Church South Carolina Conference
 _____ Charge _____ District

For the year 2020

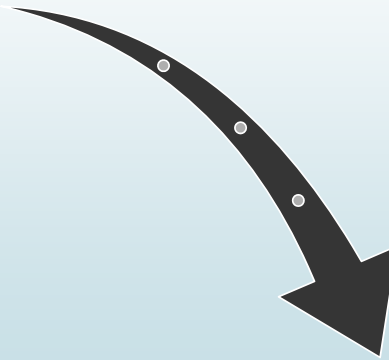
I. RECEIPTS, DISBURSEMENTS, and BALANCES (Round to the nearest dollar; do not show cents)

LOCAL CHURCH FUNDS (Use those applicable to your church)	(a) Balance at Beginning of Period	(b) Cash Received and Recorded	*(c) Total Disburse- ments (-)	*(d) Transfers + (-)	(e) Balance End of Period
General Fund / Operations					\$0
Benevolence Fund					\$0
Building or Improvement Fund					\$0

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Moving On

Local Church Audit



Statistics and Apportionments

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Statistics and Apportionments

- ▶ Statistics, EZRA, Tables 1,2, and 3: basically all the same thing
- ▶ The denomination, specifically GCFA, owns the forms that are used to collect the statistics.
- ▶ The website is ezra.gcfa.org
- ▶ It collects a variety of data on your church and its activities during the prior calendar year, including financial information.

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Tips for completing statistical tables

- ▶ Due date is February 28th.
- ▶ Before the end of the year, we emailed leadership that I have reset the password for accessing EZRA.
- ▶ When you view the form online, you will see instructions that you do not see when you print out a blank form.
- ▶ Make sure you save your work as you complete the input for each table. (Save buttons at both top and bottom of input forms)
- ▶ Pay attention to warnings and errors found near the top of the input forms. These help you identify things that may not be entered correctly, such as a keying error. If it is correct, provide an explanation for the warning. For example, church staff salaries increased because we added a praise band.

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Tips for completing the tables

- ▶ Color coded fields are explained on the right side of the input screen. You should pay particular attention to orange, tan, yellow, and salmon colored fields.
 - ▶ Orange - the information will be input by the conference treasurer
 - ▶ Tan - the field is a total line and will be automatically calculated
 - ▶ Yellow - the field has a warning
 - ▶ Salmon - the field has an error
- ▶ I will put in apportionment and missional giving that was paid to the Conference Treasurer. (Lines 28a - 36e)
- ▶ I will put in amounts paid for direct bill. (Lines 39 - 40)

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Tips for completing the tables

- ▶ Focusing on fields that are used for apportionments and where we frequently see errors
 - ▶ Line 41-Base Compensation should be at least equal to the gross compensation reported on the MSF (See Handout 3)
 - ▶ This is the amount before any deductions for retirement, benefits, utility exclusion, etc.
 - ▶ If there was a change in appointment, the gross compensation is prorated.
 - ▶ It can be higher than what appears on the MSF when it includes moving expense reimbursements and/or bonuses. (Christmas love offering for pastor)
 - ▶ Do not reduce it by compensation grants (such as Equitable Compensation)
 - ▶ Line 42-Housing includes a line for housing allowance in lieu of a parsonage and a line for parsonage expenses paid by the church. Do not put the utility exclusion here. Do not put debt payments here.

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Tips for completing the tables

- ▶ Lines 47, 48, and 49
 - ▶ Line 47 is counted in the apportionment formula and includes things like utilities, maintenance, insurance, office expenses, small equipment purchases
 - ▶ Line 48 is not counted in the apportionment formula. Report here amounts paid on long term loans (principal and interest) including payments for the parsonage.
 - ▶ Line 49 is not counted in the apportionment formula. Report here amounts paid for capital expenditures and major equipment purchases (HVAC, roof, organ, piano, etc.)
- ▶ **The most frequent error hurting a church in the apportionment calculation is putting capital expenditures in line 47 as an operating expense.**
- ▶ **The most frequent error that lessens apportionments is under-reporting pastor compensation (line 41). I look for these.**

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Tips for completing the tables

Coronavirus Impact

- ▶ They way you calculate certain lines may change due to COVID 19
 - ▶ Line 7 regarding average attendance, for 2021 use only those weeks that you had in person services.
 - ▶ Line 7a regarding online worship, hits are not the same as watches. Count those who watch a significant portion of your service.
 - ▶ Line 27 regarding PPP loan, if the church received a loan from the Paycheck Protection Program (PPP) that has not been forgiven as of 12/31/21, include the amount of the loan in line 27.
 - ▶ If you received a first or second round of PPP money in 2021, report it on line 54c whether it has been forgiven or not.

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Tips for completing the tables

- ▶ Save your work as you finish each table.
- ▶ Make sure you have addressed warnings and errors.
- ▶ Once you are done and satisfied with all the tables, **you must submit** the completed tables. The submit button is in the black menu bar at the top of the screen.
- ▶ You can find additional tips for completing the statistics on the Conference website at <https://www.umcsc.org/statistics/>.

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Calculating Apportionments

- ▶ See Handout 4
- ▶ It is based on the information reported by the churches via statistics (aka Ezra, Tables 1,2, and 3)
- ▶ It looks at an average over two years.
- ▶ It is your church's average in relation to all the other churches.
- ▶ A church that reports reduced costs could still see an increase in apportionments because other churches are reducing their costs at a greater rate.

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Moving On

Statistics and Apportionments



Gift Acceptance Policy

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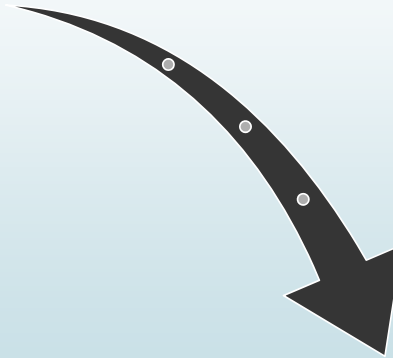
Gift Acceptance Policy

- Each church is encouraged to have a gift acceptance policy
- Handout 5 is a sample policy provided by Discipleship Ministries
- Whether in your financial policies or in your gift acceptance policy, address things like how gifts made in honor or in memory of someone will be handled.
- What is the process to begin and end a designated fund?
- What happens to the money if you raise too much or too little for the designated purpose?
- How will you decide which gifts to refuse?

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Moving On

Gift Acceptance Policy



Releasing Restricted Gifts

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Releasing Restricted Gifts

- You have a big fundraiser that requires a separate designated/restricted fund.
- When you are planning the fund raising campaign, prepare promotional materials that explain what will happen to funds raised beyond what is needed. At a minimum, print it in the bulletin and keep a copy for the files.
- If you have not planned for raising too much or too little, you may be in a situation where you have restricted funds that you cannot use.

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Releasing Restricted Gifts

- ▶ Only the donor can release funds for another purpose.
- ▶ If I give to the piano fund and you do not raise enough to buy the piano, what happens to that money?
- ▶ You have to approach me, as the donor giving a restricted gift, and ask me to release the restriction.
- ▶ Offer me options like supporting another music need or the general budget.
- ▶ Get my release in writing.
- ▶ Think first in first out (FIFO)

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The End

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