

FIRST PRESBYTERIAN CHURCH
OF LINCOLN, NEBRASKA

FINANCIAL POLICIES

Revised April, 2018

FIRST PRESBYTERIAN CHURCH

Table of Contents

- I. Introduction
- II. General Policy Statements
 - A. Relationship between First Church and First Presbyterian Church Foundation
 - B. Financing Current Operations
 - C. Excess Funds
 - D. Designated Gifts
 - E. Fund Raisers
 - F. Memorial Gifts
 - G. Bequests
- III. Budget Policy
 - A. General Policy
 - B. Budget Process
- IV. Accounting Policy
 - A. General Policy
 - B. Income
 - C. Expenses
 - D. Funds Transfer Request
 - E. Reporting and Auditing
- V. Investment Policy
- VI. Purchasing Policy
- VII. Credit Card Policy
- VIII. Accountable Reimbursement Plans

FIRST PRESBYTERIAN CHURCH

INTRODUCTION

The Financial Policy of First Presbyterian Church of Lincoln, Nebraska (First Church) is formulated for the purpose of giving guidance to the Session and Staff of First Church. All positions taken with regard to the responsibilities of individuals and governing bodies are intended to be in compliance with the Book of Order and, where latitude is allowed, the policies are intended to promote the use of generally accepted accounting practices. Its use is further intended to promote better corporate stewardship of funds thereby encouraging greater member support and enabling First Church to better serve the community and contribute to the world-wide mission of the Church.

This policy will be organized into sections dealing with overall philosophy of financing First Church's activities, budgeting, accounting, investing, and purchasing. In addition to policy statements, some procedures will be detailed which will help to provide continuity in these processes.

Any proposed changes to the Financial Policies of First Church should first be presented to and recommended by the Stewardship and Finance Committee who will bring the changes to the Session. Changes approved by the Session will be properly documented and made a part of this manual. The Financial Policies Manual will be maintained on First Church's computer using word processing and changes authorized by the Session shall be made to the policies. When changes are made, a printed copy of the manual or the changed section will be distributed to the members of the Session and Staff. An electronic version will also be made available.

Approved by the Session: September 8, 2011

Highlighted Sections still need to be updated and approved.

FIRST PRESBYTERIAN CHURCH

GENERAL POLICY STATEMENTS

A. RELATIONSHIP BETWEEN FIRST CHURCH AND FIRST PRESBYTERIAN CHURCH FOUNDATION

The First Presbyterian Church Foundation is a separate corporation and although the members of the congregation are also members of the First Presbyterian Church Foundation, the Session of the church has no authority over the Foundation. The Foundation is governed by its own elected board.

The Foundation has assisted the church by providing financial support for capital improvements, start-up funds for programs, and has provided additional assistance using yearly interest to supplement the programs and services that the church provides.

Whenever requests for financial assistance are to be made of the Foundation, these requests must first be approved by the Session and a Session request is made to the Foundation.

B. CURRENT OPERATIONS

The fundamental policy regarding the finances of First Church is that the day-to-day operations of First Church should be supported by the day-to-day collections consisting primarily of pledge payments but supplemented by non-pledge payments, cash payments, and by other miscellaneous receipts.

It is natural for members to favor one activity of First Church over another. However, members should be encouraged to give to the entire program of First Church, trusting in the wisdom of their elected officers to see that the funds are properly used through their stewardship efforts. For this reason, church-wide program giving is to be preferred over designated giving to the annual operations budget.

C. EXCESS FUNDS

Any funds that are set aside for future use or are the result of a favorable cash flow in the current year should be invested to generate additional income.

D. DESIGNATED GIFTS

Designated gifts are those gifts given for a specific purpose. The solicitation of designated gifts by committee or staff members is allowed only with prior approval of Session. An exception shall be made for the Pastor(s) who may participate in such activity in connection with their counseling of members or non-members.

Members and friends of First Church will from time to time indicate a preference as to where they would like to see their gifts applied. This can involve memorial gifts, bequests and other one-time or systematic giving. Designated gifts are in addition to a member's annual pledge.

All designated gifts shall be referred to the Stewardship and Finance Committee for consideration.

Designated Financial Gifts: When designated financial gifts are offered for a specific program or department, the Stewardship and Finance Committee should generally accept the gifts, provided they do not alter the program mix as established by the Session. If the amount given exceeds the current budget allocation for a program or department, the gift shall be referred to the Session with a recommendation. The Session then has the option of 1) expanding the program for which the money was offered, 2) refusing the gift, or 3) negotiating with the donor regarding a change in the designation, or the time frame in which the gift is to be used. The receipt of designated gifts is not considered as providing funds to a particular program "in excess" of the amount already budgeted. To do this, would be to allow a person or group of people to modify programs established by the Session. Instead a designated gift is considered a "floor" to the spending in a designated area. If the amount given exceeds the amount appropriate for a program, the use of the gift will be negotiated with the donor.

Non-Monetary or Material Gifts: Non-monetary or Material gifts shall be referred to the appropriate committee for review. Recommendations by a committee to accept a gift shall then be referred to the Stewardship and Finance Committee for approval. If questions are presented, it will be referred back to the originating committee for response. If the Stewardship and Finance Committee decides to decline a gift, it will report that to Session and the Session has the option of reconsidering the gift.

Considerations in accepting a gift (monetary or non-monetary): the Session and committees should consider such things as:

1. Does the designation of the gift fit within the ministry priorities of the Church?
2. Does the gift obligate the church to additional expenditures in the future (i.e. upkeep)?
3. Is the gift so specific that if the church needs or ministry priorities change in the future, having the gift will create a burden (i.e. designated for a specific program or position that may be discontinued in the future)?
4. Is there a need for the gift?

Upon acceptance of a designated gift (financial or non-monetary) by the Stewardship and Finance Committee, a report shall be made to the Session stating the receipt of the gift, the use of the gift, and any other necessary plans for the use of the gift.

Exceptions to this policy are occasions on which the Session has authorized the solicitation of designated gifts, such as One Great Hour of Sharing, Pentecost, Peacemaking, Christmas Joy, and PW Birthday. These annual events which have come to be a tradition and other solicitations may be added to this list at the Session's discretion.

Written receipts shall be given to all donors indicating the specifics of the gift and a pertinent statement regarding the charitable gift for IRS documentation so that the donor can claim the gift as a charitable gift on their tax return if desired.

E. UNDESIGNATED GIFTS

Undesignated gifts are those gifts given to the church for which no specific purpose or contingency is attached. As with Designated Gifts, these shall be referred to the Stewardship & Finance Committee for consideration and a suitable use shall be approved by the Session.

Gifts of \$10,000 or less shall be recorded as regular income in the current year's budget without any stipulation for its use.

Gifts of more than \$10,000 up to \$100,000 shall be made available immediately and can be used for programming, equipment, building and property or capital improvement needs as identified by the Stewardship and Finance committee and approved by the Session.

When a gift exceeds \$100,000, a Task Force composed of the Chairpersons of the committees responsible for submitting a budget to the Stewardship & Finance Committee each year shall be created. They will be tasked with identifying immediate programming, equipment, building and property and capital improvement needs. They will be asked to put a monetary value on those identified before presenting them to the Session, who will make the final determination.

Since the members of the Task Force will be composed of the Chairpersons of the committees responsible for submitting budgets each year, it is suggested that every year as part of their budget submission, they include a "dream list" of "If Money Was No Problem" wants. This will help identify near term and long term projects that may be considered going forward.

F. FUND RAISERS

All plans for any fund raising events must be first approved by the Session. Bake sales, car washes, and activities of this nature which are conducted as fund raisers by church groups and are intended to secure money from general membership of First Church and others will

be considered as one-time authorizations and must receive the approval of the Session in advance of each such activity.

As plans are made for any fund raising event, a careful examination of First Church's master calendar would be expected in order to avoid any obvious scheduling conflicts.

Groups and/or committees that are involved in fund raising activities will follow the steps listed below with regards to the handling of these funds:

- a. Two people must be present for the counting of the funds at the completion of the fund raising event. A tally should be prepared of the coins, currency, and checks that have been collected and both people should sign it.
- b. The signed tally sheet and funds should be brought to the Finance Office as soon after the event as possible. The Finance Office staff and event representative will then count and reconcile the funds prior to deposit.
- c. Vouchers for all expenses pertaining to the fund raising event should be submitted to the Finance Office for payment. If items need to be returned, they should be returned and then the credit slip and original purchase receipts can be submitted with the voucher for payment.

G. MEMORIAL GIFTS

Memorial gifts are gifts given in memory of or in honor of a person. Those gifts are considered undesignated gifts to the church. Only when it has been publicized that the gifts are for a specific program of the church or if they are given with a specific designation by the donor are they considered designated, in which case Section D of this policy applies.

Memorial gifts are sometimes given to First Church and sometimes given to the Foundation. Each gift shall be deposited with the appropriate entity. Memorial gifts given to First Church that total less than \$1,000 shall be deposited in the church undesignated memorial fund, where the Session will determine their use. Gifts of \$1,000 or more shall be deposited in the church designated memorial fund, and the family of the deceased or the person honored will be consulted regarding their use. The Session shall maintain a list of possible memorial items that shall be shared with the family. Where the family or person requests a designation other than those listed on the possible memorial item list, the procedures in Section D will apply. Memorial gifts unspent after one year, designated or undesignated, shall be moved into the church undesignated memorial fund. Session can always extend that time period in specific cases if the situation warrants.

H. BEQUESTS

From time-to-time gifts will come to First Presbyterian Church from members and friends as a result of actions taken in their estate plans. All gifts received in this manner shall be administered in accordance with the policies and procedures outlined in sections D and E.

BUDGET POLICY

A. GENERAL POLICY

The budget is a plan that will serve as a guide for the programs for First Church.

First Church will prepare an annual operating budget recognizing anticipated income and expenses for the fiscal year.

A capital budget will be prepared when there is a capital campaign.

The Stewardship and Finance Committee will consolidate the program costs into a budget in communication with the committees, weighing the budgeted expenses against anticipated resources. It is not the responsibility of the Stewardship and Finance Committee to arbitrarily reduce any or all of the programs as established by the committees and approved by the Session. The budget is a plan that will serve as a guide for the programs for First Church.

B. BUDGET PROCESS

The Stewardship and Finance Committee will build a schedule. The schedule will include the following steps:

- Committees will prepare their budgets using a Budget Request Form.
- Pledge cards will be developed and sent to members.
- Pledge cards will be received by the Finance Office.
- The Finance Office will submit an estimated income report to the Stewardship and Finance Committee.
- The Committee Chairs will present their budget requests to the Stewardship and Finance Committee and work to reconcile with the total budget.
- The Stewardship and Finance Committee will prepare a preliminary budget for the Session approval.
- The finalized budget will be presented to the congregation at the Annual Meeting.

In the event an unanticipated expense or any adjustment was not budgeted by a committee, the committee chair will submit a written request to the Stewardship and Finance Committee. The Stewardship and Finance Committee will review possible funding sources and make recommendations to the Session.

ACCOUNTING POLICY

A. GENERAL POLICY

First Church uses the cash basis of accounting during the fiscal year of January 1 through December 31. Income is recorded when received. Expenses are recorded when disbursed.

The Chart of Accounts is a list of all accounts to be used. The accounts will be divided by asset, liability, fund, income, and expense.

The Finance Office will be responsible for the day-to-day activities which include the following: paying bills, depositing receipts promptly, making investments to maximize use of church funds, and producing reports.

According to the Book of Order (Section G-3.0205), the Treasurer shall be elected annually by the Session. The Treasurer's work will be supervised by the Session. The Treasurer will attend Stewardship and Finance Committee meetings and, when requested to do so, should attend Session meetings.

B. INCOME

First Church's income is primarily from pledges and contributions received in the weekly offering. According to the Book of Order, the counting and recording of all offerings by at least two duly appointed persons or a fidelity bonded person.

Investment income is recognized each time interest is credited. The investment income is credited to the fund generating the income.

C. EXPENSES

The expenses are driven by the committee budget. The requestor will indicate the expense accounts to be charged based on the committee budget.

The person (committee) submitting the expense will complete the Request for Payment Form and attach the invoice or receipt. The completed form with appropriate authorizations must be submitted to the Finance Office.

The following are authorized to sign checks: President of Corporation, Treasurer of Corporation, Chair of Stewardship and Finance, and others as authorized by Session. Two signatures are recommended on checks over \$1,000.00 and payroll checks.

D. FUNDS TRANSFER REQUEST

First Church requires a Funds Transfer Request to be completed for the transfer of funds between committees and/or groups. Forms are available in the Finance Office. After mutual approval by the committee and/or group, the form should be returned to the Finance Office for processing.

The committee requesting to have the funds transfer should complete the Funds Transfer Request with the information pertinent to the request. It should then be presented to the chair of the other committee for committee approval. Upon approval, the completed form should be presented to the Finance Office.

E. REPORTING AND AUDITING

The Book of Order states that those in charge of the various funds in the church shall report at least annually to the Session and more often when requested.

The Finance Office will adequately keep the books and records to reflect all financial transactions. The books and records will be open to inspection by authorized church members at reasonable times.

The Finance Office will periodically report the financial activities to the Session at least annually, preferably more often.

A full financial review of all books and records relating to finances once each year by a public accountant or public accounting firm or a committee of members versed in accounting procedures. Such auditors should not be related to the treasurer (or treasurers). Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.

INVESTMENT POLICY

First Church will maintain a reserve fund to ensure funds are available when receipts lag the need for funds. In addition to the checking account that is maintained, First Church may also maintain a savings account and/or money market accounts for the short-term cash flow variations. A plan will exist for the investment of excess funds whether for a short time to adjust to any daily flow problem or to provide proper stewardship of funds that will be spent over a longer period of time. The Finance Office monitors the checking account balance and insures that funds are transferred as necessary to maintain a working balance.

The Session authorizes the Foundation Investment Committee to manage the investing of funds for the First Church.

PURCHASING POLICY

First Church has a purchasing policy to authorize and properly allocate and track income received and expenditures made by the church's staff, the Foundation, committee members, or

other groups on behalf of the church. The intent of the policy is to provide an audit trail of each expense and each income item.

All purchases, including credit card and on-line purchases, are to be made solely for the benefit of First Church for Session approved budget items and other session approved expenditures.

Church members are prohibited from incurring expenses on behalf of First Church without prior approval from the appropriate staff member, committee chair, or organization leader.

Consumables (such as office and hospitality paper supplies) should be purchased through the Finance Office rather than by church members.

A Request for Payment Form will be submitted to the Finance Office by the committee requesting the purchase or by an individual requesting reimbursement. Requests for reimbursement shall be submitted within 60 days of the expense in order to be eligible for reimbursement, unless a waiver is requested of the Finance Office or Head of Staff.

First Church encourages purchases from vendors where there are established accounts. It is strongly recommended that an inquiry be made with the Finance Office if the proposed vendor has an established account with First Church.

The IRS requires businesses to charge sales tax unless the purchase is made on a church credit card, is paid by a church check, or is charged to the church on account. Therefore wherever possible, all purchases should be handled through the church Finance Office or by a staff person with a church credit card. Recommended vendors will already have an account for the church and should not charge sales taxes on purchases. If the purchase has to be made from a new vendor, please contact the Finance Office.

CREDIT CARD POLICY

Credit cards in the name of First Presbyterian Church and the cardholder will be approved by the Stewardship and Finance Committee and the Personnel Committee. The credit cards will be lodged in the Finance Office for all staff members except the pastor(s) and program staff, and checked out when authorization has been granted for the purchase. Itemized receipts are required for all credit card expenditures, including meals. All receipts will be turned into the Finance Office within 30 days of the expense. After 30 days, or if the credit card was used without authorization, or no receipt was turned in to account for an expense, the cardholder will be required to reimburse the church for that expense. Cardholders will be required to sign a release agreeing to this rule. The cardholder may request an exception to this rule to the Stewardship and Finance Committee. In addition, the Head of Staff and the Finance Office has the authority to use their judgement in allowing exceptions to this rule for occasional small amounts, as long as it does not become commonplace.

ACCOUNTABLE REIMBURSEMENT PLANS

Some staff have Accountable Reimbursement Plans (ARPs) for such things as professional expenses, continuing education expenses, and auto expenses (such as mileage and parking). IRS rules govern the use of ARPs. The following also applies to volunteers and staff without specific ARPs regarding substantiating reimbursement requests.

First Presbyterian Church maintains a fully accountable expense reimbursement plan for its ministers, employees and volunteers, in accordance with the rules and regulations of the Internal Revenue Service. These regulations provide that an employee “need not report on his/her tax return” expenses paid or incurred by the employee solely for the benefit of the church for which such employee is required to and does account to the church and which are charged directly or indirectly to the church. Accordingly, all property, goods and services purchased under an accountable expense reimbursement plan belong to the church, not the individual. Regarding staff, the Personnel Committee can make exceptions to this rule for such things as books and vestments. Computer software and equipment purchased under an ARP belong to the church, not the individual.

In addition to the rules and regulations of the IRS, the following requirements for expense reimbursement apply.

1. All mileage expenses will be reimbursed at the published IRS rate. Documentation must accompany the request that lists the time and place, actual mileage driven, identification of business and statement of business purpose. Commuting miles will not be reimbursed. For example, if a pastor drives from the church to visit a member in the community and then drives home after visiting the member, the miles from the church to the member are reimbursable, while the miles from the member to the pastor’s home are not.
2. Individual, itemized receipts are required for reimbursement of expenses.
3. Requests for reimbursement for meals or entertainment must include the business relationship among the parties to sufficiently explain the business purpose and why the expense was incurred on behalf of the church. Alcohol purchases shall not be reimbursable.
4. When necessary, the church will provide cash advances for allowable and appropriate business expenses. By accepting an advance, the minister, employee, or volunteer agrees to comply with the requirements of the plan and will document the expenses and return excess payments within 60 days.
5. Requests for reimbursement or cash advances will be made on an expense report, signed by the payee, approved in the same manner required for all reimbursement requests, and submitted for payment. Reimbursement requests must be approved by the staff person or chair of the committee that approved the expense. Reimbursement requests cannot be approved by the payee.

6. Expenses will be charged to a particular program area that is associated with the reason for the expense. Professional development expenses will be charged to an appropriate personnel account.

7. Requests for reimbursement must be made within 60 days of the expense.

8. Original receipts and documentation of the request for reimbursement will be retained by the church to substantiate the expense.