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| International Baptist Convention |
| Sample Church Accounting Policies and Procedures Manual |
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November 2019

# ACCOUNTING POLICIES AND PROCEDURES – SAMPLE

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# Introduction

IBC churches come in all shapes and sizes. Writing a “one-size-fits-all” accounting policies and procedure manual is nearly impossible. We have tried to write this manual with all churches in mind. Therefore, you may find that some items do not apply to you. Please use these as suggestions for things that you should consider when creating your own accounting policies and procedures manual. The Table of Contents above gives you a list of things you should include.

To help you know some specific things to consider for your church, we have marked some items in *[italics with braces]* indicating that these things should be changed/updated based on your church situation. We have also included some sample forms in the appendix which you may find helpful. Please feel free to adapt these to meet your church’s needs. These are marked with a 🗍.

Remember that the goal of your manual is to provide full accountability and transparency for the resources entrusted to you as a church. You should also check with a tax consultant or accountant in your country as to what is required, especially in the area of taxable benefits for payroll, reimbursement of travel expenses, and reporting to the government.

As you set up your financial policies and procedures, here are some questions to ask yourself:

* Will we have a petty cash fund? If yes, how much will we keep on hand?
* Will we have church credit cards? If yes, who should have them and what limit?
* Will we have church debit cards? If yes, who should have them and what limit?
* Who will have bank authorization? How many signatures will be required to disburse money?
* What financial reports do the Finance Team and leadership (pastor, elders, deacons) want to see? What information should be reported to the congregation and how often?
* To what extent will lay-leaders be empowered to make financial decisions in the areas they oversee?

Answering this last question is the beginning of defining the financial culture[[1]](#footnote-1) of your church. This is especially important if you are a new church or church plant. The answer for your church will lie on the spectrum between fully empowered lay leaders and centralized financial authority. Take a look at this chart to see the difference between the two:

|  |  |
| --- | --- |
| Fully Empowered Lay Leaders | Centralized Financial Authority |
| Lay Leaders are empowered to manage budget for their area | One person approves all expenditures for all ministries |
| May take a little longer to get payments approved because you have to track down 2 people | One person can make decisions faster than a group |
| Budget is created with input of those who are “hands on” with the ministry | Budget might not be realistic or in touch with ministry |
| Budget process takes longer because meetings are harder to schedule with many people | Budget process will be much quicker |
| Communication to all budget managers is more complicated | Easy to communicate with one |
| Risk having many workers and no boss | Risk a financial dictatorship, embezzlement, or other financial wrong-doings. |

Now think about the implications of each one:

* Full empowerment means lay leaders are involved in the budget process which mean more people which means more time but includes more people in touch with what is needed and who are committed to the budget.
* Full empowerment means that lay leaders are trusted to manage their part of the budget.
* Full empowerment means that lay leaders are the ones to approve expenditures which means more people which means more time. But often it is the leader who is making purchases so there is a maximum of two other people to get approval from.
* Full empowerment means that communicating the “big picture” message may be complicated. How do you effectively communicate “There is a spending freeze until a certain date or event.”? Emails and meetings are good ways to share this information.
* Full empowerment means that the budget is managed by multiple people. How do you decide what ministry or event has priority when funds are limited? How do determine if it is wise to buy a new rocking chair for the nursery because the children’s ministry has money in the budget while the electric bill doesn’t get paid because that budget has been used up repairing the furnace? Who decides?

With full empowerment of lay leaders, there should also be oversight from the Treasurer/Finance Team and church leadership. Having a limit for larger expenses or capital inventory purchases and prior approval by those with oversight keeps things in balance.

On the other hand:

* Centralized authority mean all money and budgets are managed by one person so how do lay leaders understand their authority to lead? Are they truly empowered to lead?
* Centralized authority means leaders are always asking for resources to accomplish what you have asked them to do.
* Centralized authority means that all decisions are with one person which can lead to a financial dictatorship, financial wrong-doing, and many other disadvantages and risks.

# Section 1 – Duties and Responsibilities

*These roles and financial responsibilities are a guide only. Each church is unique and needs to outline which duties are assigned to which person. Separation of duties and accountability are extremely important to protect the integrity and reputation of the church and its financial team. Guidelines for the election of all of these positions and their length of service should be included in your church’s by-laws or operating procedures.*

*Confidentiality of Information*

*It is very important that anyone who has access to the contribution records of individual donors keep this information strictly confidential. Try to keep the number of people with access to individuals’ contribution records to a minimum.*

## Treasurer

1. To work according to the guidelines contained in this manual.
2. To supervise the disbursement of all money contributed to the local church budget and the keeping of accurate records of how much is spent.
3. To perform bank reconciliations each month in a timely fashion.
4. To verify that the bank balance reconciles to the bookkeeping records.
5. To prepare accurate monthly financial reports indicating the financial status of the congregation.
6. To prepare an annual report of the financial status of the church to the congregation.
7. To prepare records for an annual audit.
8. To be knowledgeable about collecting, counting, and recording procedures.
9. To participate in and report regularly to the appropriate committees/teams, officers, staff, and congregational meetings.
10. To assure there are adequate records documenting the assets of the church for insurance and other purposes.
11. To make recommendations for the investment of funds.
12. To ensure that all governmental taxes, reporting forms, and regulations are met on a timely basis.
13. To coordinate access to online banking and/or checks
14. To coordinate the issuing, monitoring, and collection of church credit cards, including recommending/establishing credit card limits.
15. To be accountable to the congregation.
16. To work with the Finance Team to develop a recommended annual budget for the congregation.

## Financial Secretary

1. To work according to the guidelines contained in this manual.
2. To receive funds from whatever source, record them in the accounting program, and report them to the church treasurer, the church, and its leadership as provided in church policies.
3. To collect offerings received during the worship services at the conclusion of the service, making certain that more than 1 person is involved in collecting and counting the money.
4. To ensure money is deposited in a bank as soon as possible after it is received. All deposits should be made within *[3]* days of receipt.
5. To establish a procedure to collect and record money received through methods other than regular offering such as cash or checks received through the mail or fundraising events.
6. To produce individual charitable gift receipts summaries of all donations received during a calendar year and distributed to individuals or other charitable tax relief systems.
7. To disburse all money contributed to the local church budget, keeping accurate records of how money is spent.
8. To record all disbursements in the accounting program.
9. To ensure that computer files are backed up weekly, at a minimum monthly, and the back-ups are stored off site. Off-site locations should meet legal and liability requirements.
10. To supervise cash balances to ensure sufficient funds are maintained.
11. To maintain filing system and storage system for all financial records and banking records.
12. To maintain historical data and establish a retention system for old financial records in accordance with government requirements (For example in Germany you must keep some records for 6 years, others are for 10 years).

## Counting Team

The counting team usually consists of 3-5 church members. The weekly counting team will consist of 2 unrelated persons. Weekly counting teams should be rotated regularly so that the same people are not counting together all the time.

1. To work according to the guidelines contained in this manual.
2. To prepare an offering count sheet, including a list of all designated offerings and checks received.
3. To verify that the amounts written on the offering envelopes matches the contents of the envelopes.
4. To restrictively endorse all checks received as required by the bank
5. To sign and date the count sheet, verifying everything recorded is correct.

## Finance Team

1. To work according to the guidelines contained in this manual.
2. To review bank statements monthly.
3. To propose an annual budget that covers the ministry, administrative, personnel, and practical needs of the church.
4. To oversee and monitor the budget and to propose changes as needed to the budget.
5. To evaluate the on-going financial status of the church. As part of this the Finance Team should recommend to the church the amount of reserves the church should hold.
6. To recommend to the church the approval of specific restricted/designated fund accounts.
7. To assure compliance to all of the financial policies as contained in this manual.

## Trustees

Trustees represent the church in all legal matters regarding the church. (In Germany, for BEFG member churches, they will hold the power of attorney from the Bund.)

1. To work according to the guidelines contained in this manual.
2. To represent the church in all legal matters concerning the property, personnel, and other legal documents of the church.
3. To ensure that adequate insurance is carried by the church.
4. To assist the Finance Team in determining legal aspects of the financial guidelines such as record retention policy.
5. To provide for an audit of the church financial records on a regular basis as determined by the church.
6. To ensure that the church is in compliance with legal aspects as required by the city, county, and/or country where the church is located.

# Section 2 – Internal Controls

## Financial Year

The financial year is *[January 1 – December 31]*.

## Banking Authorization

* The church will approve all persons authorized to have bank access (sign checks, make bank transfers, online banking, etc).
* *[Two signatures]* will be required for all disbursements.
* No more than one person in a family will hold bank authorization.
* No more than *[one]* staff member will hold bank authorization.
* No checks will be signed blank.

## Borrowing Authority

* Only the congregation, meeting in a regular or specially called meeting with proper notice, may approve the borrowing of any funds from any source.
* All contracts and/or loans are signed by the Trustees after congregational approval.

## Reserves

*Reserves are funds that are set aside over time to help meet unexpected expenses or significant increases. There are a number of ways to build reserves but one way is to set aside all or a portion of net income (income – expenses) each year. Most experts agree that churches should have 3-6 months of operating costs in reserves. If your church has a large long-term debt, you may want to consider having an additional year of debt payments in reserve.*

## Receipts Policy

*The Finance Team, elected leadership, and staff should familiarize themselves with their country’s rules on restricted/designated gifts especially where these gifts are for specific individuals. In most countries, these gifts do not qualify as charitable gifts for tax purposes. Donors should be notified of this and the church should not issue receipts or letters of acknowledgement.* ***IMPORTANT: When gifts are received for a specific individual, these gifts may be considered taxable to the recipient (check locally as to what may be taxable and if they impact any benefits they are receiving from the government; see also Benevolence).***

Unless noted, all receipts are considered non-restricted receipts and are to go into the general budget. Those gifts that are restricted (designated) may only be accepted if the Finance Team has approved an account for designation or is a church budget item.

Money received for any purchases (such as fundraisers or dinners) will not be recorded as a contribution or receipt.

All monies from offerings, fundraising events, and activity events must be recorded in the church’s financial records.

Individual charitable gift receipts summaries of all donations received during a calendar year will be distributed to individuals before *[specific date for each country]* each year according to the country’s laws.

*The term “love offering” is often used to describe special offerings. Normally, a “love offering” is for a person or group. These may be considered taxable income. Know the laws for your country before giving to an individual. It is usually the best practice to give through an organization. Taxable income should be reported by the individual; if on staff, taxable income should be reported by the church to the payroll service. Offerings taken to defray the costs of an event (such as a conference, camp, or revival) should be called a “special offering” instead of a “love offering.”*

## Designated & Restricted Funds

*The terms designated funds and restricted funds are often used interchangeably. However, there are significant differences between the two. Designated funds are monies set aside from the general funds for a specific purpose. For example, your church may decide to set aside a certain percentage of your budget/income for property improvements. Restricted funds are monies given, collected, or donated for a specific purpose. The big difference between these two is that the church can decide to move designated funds back to the general funds. Restricted funds must be used for the purpose they were given, unless permission is granted by the donors or a significant amount of time has elapsed. See notes below for suggestions concerning this.*

[*Church name*] has a number of restricted/designated funds. It is important that each of these funds are properly established, receipted, disbursed, and accounted for. For that purpose, the following policy will apply:

* The church may establish such designated and restricted funds and accounts as are needed to further the ministry of the church.
* The church, through the Finance Team, may establish one or more separate bank accounts for such designated/restricted funds. Multiple designated/restricted funds may be held in one account so long as separate accounting is made.
* No restricted funds shall be received by the church except where the church has approved or established the fund and its related project or activity. Gifts with an unapproved specification will be returned or, at the discretion of the Finance Team, held conditionally until the church can decide whether it wants to approve this restricted fund.
* Members wishing to establish a new restricted fund should consult with the pastor, the Treasurer, or the chair of the Finance Team to request the church’s consideration of their specified use and any alternatives.
* Documentation of the purpose of each designated/restricted fund, the date of establishment, responsible church team, expected completion date, and how remaining monies are to be distributed shall be kept by the Financial Secretary. 🗍.
* Restricted funds will be restricted solely for the specified use and may not be diverted to other purposes without the written authorization of the donor. Because of this, it is advisable to use broad categories so that unused fund balances may be used for similar projects.

*When establishing and/or promoting a restricted fund or offering, your church may want to have the following statement as part of its policy:*

Should at any time in the future the church vote to close [*the named restricted]* fund, all remaining monies in the fund go into the *[general budget/other restricted fund]* of the church.

*In promoting restricted offerings, this disclaimer should be printed to reserve the right to move funds.*

## Cash Policy

* Cash (from the Sunday offering or other event) should never be given out in exchange for a check. In specific circumstances where non-local currency is collected (example, USD in Germany), a check can be written for the cash so that it may be remote deposited in a bank or local currency can be exchanged.
* Checks will never be accepted that are made payable to cash.

## Petty Cash

* The church will not maintain Petty Cash for security or other reasons.

Or

* The church will maintain one petty cash fund of *[500€]* with *[250€]* set aside primarily for office expenses and *[250€]* for ministry expense. The office staff will maintain this fund through procedures coordinated with the Treasurer. This account will be reconciled by the Treasurer at least monthly and will be recorded in the accounting system.
* When the petty cash fund reaches *[200€]*, the fund may be replenished either through the Sunday offering (AFTER it has been counted) or through a cash withdrawal from the bank.
* Cash advances should only be paid

## Transferring Money between Accounts

*At times it may be necessary or beneficial to transfer money between a savings and checking account or between a two different currency accounts.*

The Treasurer is authorized to transfer up to the equivalent of *[10,000€]* between the church’s *[U.S. Dollar]* account and its *[EUR]* account on a monthly basis with approval of the chair of the Finance Team. Transfer of amounts greater than this require the approval of the entire Finance Team and should be reported at the next church business meeting.

## Disbursement Policy

Budgeted Items:

* The church will approve persons authorized to approve disbursements. These persons will be knowledgeable of the budget and question anything irregular.
* All expenses must be accompanied by an original receipt.
* Recurring expenses such as utility bills, telephone bill, gifts to the IBC and union, that are adopted as part of the church budget may be approved by the *[pastor]*.
* Expenses from other budget line items must be approved by the *[ministry team leader]*. Single expenses over *[300€]* must be approved by the *[Finance Team]*.
* Purchases of *[1,000€]* or greater must have *[two]* quotes provided before a purchase is to be made. Items budgeted must have the approval from the Finance Team before a commitment is made.
* Once expenses have been approved and items purchased the Financial Secretary will prepare checks or bank transfers.
* The Financial Secretary will file all documents and retain them according to the church’s record retention policy.

Over-Spending of Budgeted Items:

* The Finance Team may approve spending over the budget, up to *[1,000€/10%]*, within an approved budget line item. In the case of unavoidable excess expenses, the Finance Team may grant approval for expenses exceeding the *[1,000€/10%]* limit as long as funds are available. All spending over budget will be reported to the church at its next business meeting. If the budget over-spending is more than *[1,000€/10%],* the church must approve an amendment to the budget showing this increase.

Unbudgeted Expenses:

* For emergency/urgent expenditures for unbudgeted expenses, the Finance Team may grant emergency approval up to *[5,000€]*, as long as funds are available to cover the expenses. A record of the spending will be reported to the church at the next business meeting. The emergency approval should only be done in an emergency situation when there is not enough time to secure congregational approval.

Restricted/Designated Accounts:

* A disbursement from a restricted/designated account may only be for what the funds were received.
* A restricted/designated account may not be overdrawn for any reason.
* When a restricted/designated account has a “sister” general budget account, the funds from the restricted/designated account must be used first before using funds from the budget account.
* Restricted/designated accounts should be used in a timely manner.

Benevolence

*Benevolence is part of who we are as churches. However, governmental regulations can impact what we can do, who we can help, and if donations to benevolence can be considered tax deductible. It can impact not only the church and donors but also the recipient. One principle is clear – you need to have a specific written benevolence policy in place. Contact your local tax advisor and Baptist union for assistance in developing your policy and advice on the best way to administer your fund.*

# Section 3 – Internal Processes

## Worship Service Offering

* Two people should handle the money at all times.
* During the worship service, the ushers will bring the collected offering to the front of the church (in view of all members) or secure it in a specified location.
* After the service, the counters for the day will pick up the offering and take it to a secure location.
* Count loose money, record it on the offering report, and set it aside. 🗍
* Open offering envelopes, verify the amount on the front of the envelopes matches the amount in the envelope, and make notations in red ink of any discrepancies. Both counting partners will initial any changes.
* Record the offering envelopes on the count sheet. It is recommended that envelopes have a member/donor number instead of a name to maintain the confidentiality of the donor. 🗍
* Total the amount of money removed from the envelopes, the amount listed on the front of the envelopes, and the amount listed on the count sheet. The totals should agree.
* Restrictedly endorse all checks as required by the bank.
* List checks on the count sheet. 🗍
* Total the amounts of the checks and the amounts listed on the count sheet. The totals should agree.
* List any designated offering amounts on the count sheet.
* Total the amount of money received for the general fund and for any designated funds.
* Sign and date the count sheet.
* Deposit money in local bank and if necessary transfer to main account.
* Offering envelopes must be kept with the count sheets and retained according to the church’s record retention policy.

## Other Receipts and Offerings

*Other receipts and offerings may consist of contributions received during the week (in the mail or by bank transfer), fundraising events, youth events, or mission trip events.*

Contributions:

* Contributions are handled by the Financial Secretary.
* Any cash or check contributions should be handled in the same way as listed above for worship service offerings.
* It is best if a second person verifies any cash and check contributions and signs the count sheet.
* Contributions received by bank transfer should be printed and recorded in the accounting program.
* All money should be deposited at least weekly.

Events:

* Receipts collected for an event should be counted by two people at the event.
* Any cash or check contributions should be handled in the same way as listed above for worship service offerings.
* The money, checks, and count sheet should be given to the financial secretary immediately or stored in the church safe.
* The financial secretary will deposit the money in the bank and record the receipts in the accounting program.
* All money should be deposited within *[3]* days of the event.

## Disbursements

All bills will be paid in a timely manner. All bills must be approved before they are paid. A Disbursement form or a reimbursement form should be attached to all bills. 🗍

Bills may be paid in one of the following ways:

1. Recurring expenses: Recurring budgeted expenses such as contributions to the IBC or rent will be paid automatically on a *[monthly]* basis.
2. Invoice system: This is the preferred purchase method. All expenses are billed to the church by invoice. All invoices should have the church’s name on it.
3. Reimbursement of expenses: see Reimbursements.
4. Petty Cash: see Petty Cash.
5. Credit/Debit Cards: see Debit/Credit Cards.
6. Cash Advances: *Cash advances should be limited and used only in exceptional circumstances (special approval required).* All cash advances will be signed for. 🗍 Within *[one week]*, the original receipts have to be turned in with a completed Reimbursement Form. 🗍

For churches with U.S. military and dependents:

* Tax-free items from military bases will not be reimbursed.
* Purchases sent to APO addresses are strictly prohibited and will not be reimbursed.

## Reimbursements

Expense Reimbursement:

* Single expenses over *[300€]* must have prior approval of the *[Finance Team]* before purchase.
* Complete the Reimbursement/Expense Form 🗍 and submit it with original receipts to the *[ministry team leader]* for approval.
* *[Reimbursements should be requested for a given month by the 15th of the following month or Reimbursements should be submitted within 30 days of expenditure.]*
* *[Reimbursements will be granted only in the currency used for the purchase or Reimbursements for a currency other than the currency of purchase must show exchange rate used for the calculation.]*
* Reimbursements can be made by *[U.S. check, cash, or bank transfer to a EUR bank account.]*

Travel Reimbursement:

* The church will reimburse only pre-approved and reasonable ministry-related business expenses incurred by a minister, employee, or volunteer. Subject to budget limitations, these expenses will include:
* Business use of automobile, up to the current *[country]* mileage rate.
* Business travel away from home including transportation, lodging, and meals on overnight trips.
* Convention, conference, and workshop expenses.
* Entertainment/hospitality expenses, if business connection requirement is met. All entertainment/hospitality expenses must show amount, date, place, business purpose, and business relationship for each person entertained.
* The minister, employee, or volunteer will submit requests for reimbursement following the above guidelines. Documentation should include the date, place, and purpose of the trip. 🗍 All requests must be approved by the *[pastor]. [The pastor’s request must be approved by the chair of the Finance Team.]*
* Cash advances may be granted before a trip. 🗍 Cash advances must be approved by the *[chair of the Finance Team]*. All cash advances which exceed the actual business expense must be returned within *[30 days]*. A new cash advance will not be made until a previous one is reconciled.
* Under this arrangement, the church will not report reimbursed amounts as taxable income.
* The church may decide to reimburse travel expenses (especially meals) on a per diem basis. Per diem rates are usually determined based on the destination. 🗍

## Petty Cash

* A petty cash voucher will be required for each disbursement regardless of how small. 🗍 This voucher must be dated, signed by the person receiving the cash as well as the person issuing the cash, and must have receipt or bill attached to it for processing.
* Petty cash should be reconciled on a monthly basis. For petty cash to balance, the total of petty cash vouchers plus any cash must total the amount of the church-approved petty cash. The person reconciling the bank statements should also reconcile petty cash.
* Petty cash should be reconciled before it is reimbursed. Petty cash should be reimbursed when it reaches the limit set by the church.
* Petty cash should be kept in the safe at all times.

## Debit/Credit Cards

* It is the church’s policy to issue debit/credit cards to staff to facilitate the planning and purchase of advance tickets, trip accommodations, materials, and other items required in their ministry area.
* Limits for these debit/credit cards will be based on reasonable expectations of the monthly ministry requirements and will be determined by the *[Treasurer]*.
* Proper use and accountability of the card is documented in a Debit/Credit Card Agreement, which all cardholders must sign. 🗍
* An original receipt will document all debit/credit card purchases/expenses. The receipt must be provided to the Financial Secretary as soon as possible following the purchase/expense.

# Section 4 – Payroll

Employees:

*Employment, payroll, tax, insurance, social costs, and benefits vary from country to country. It is best to contact a local payroll service, your Baptist union, or a tax advisor for assistance in employing personnel and paying them. When discussing this, be sure to include all benefits an employee is receiving. Never assume that the benefit is non-taxable. These benefits could include (and are not limited to) salary, additional insurance, retirement pay, love offerings, housing/accommodation, benefits in kind, local language training, home travel, a car or transportation package, and/or cell phone.*

*Once you have found out what is required, add appropriate guidelines and procedures to your manual. You may want to consider having a separate Personnel Policy Manual.*

Guest speakers:

*Check with your local payroll service, tax advisor, or Baptist union to see what is allowed for honorariums and/or reimbursable expenses for guest speakers. Once that is determine, add appropriate guidelines and procedures to your manual. Some things to consider is how the money will be paid (cash from petty cash, cash after the offering is counted, bank transfer, check) and what documentation of expenses might be needed.*

# Section 5 – Reporting and Records

## Budget

Budget Preparation:

* The annual church budget will be proposed by the Finance Team and approved by the congregation. The budget will consist of all planned expenditures including personnel, ministry, missions, administrative, and property.
* The Finance Team will gather budget input from each [ministry team leader]. 🗍 Ministry input should be mission and vision-driven. Each ministry should evaluate itself on how it is helping to meet the mission and vision of the church.
* The Finance Team will review all requests, compare to prior-year budgets, and secure additional information as needed. A worksheet comparing the past 2 years and YTD figures might be helpful. 🗍
* The Finance Team will prepare an overall proposed budget and present it to the church.

Budget Management:

* Overall budget management is the responsibility of the Finance Team.
* Proposed budget changes during the year will come through the Finance Team and be approved by the congregation.
* For additional information, see Disbursements Policy.

## Bank Statements

* Bank accounts will be reconciled on a monthly basis by the *[Financial Secretary]*. Note: Some churches require that someone other than the Financial Secretary reconcile the bank statements each month. Your Finance Team will need to decide whether you want this additional check in place.
* Bank statements should be compared to the bookkeeping system on a *[monthly]* basis by the Finance Team.

## Church Financial Reports

*Your Finance Team will need to decide which reports it wants to see and how frequently they want to receive them. Standard reports usually include the Income & Expense vs Budget which shows how much you received or spent vs how much you planned and the Balance Sheet which shows your bank accounts and any designated funds you have. The Finance Team should also decide which reports or what information it will share with the congregation. A description of all of this should be included in your guidelines.*

## Governmental and Other Reporting

*Governmental reporting is based on the country where you are located. For assistance in determining what is necessary, check with a local tax advisor, your Baptist union, or other local churches. Are you reporting the songs you sing each week to CCLI? Are you reporting the use of pre-recorded music in your service? Are there special taxes that must be paid (for example, in Germany, you must pay a TV/radio/computer use tax)? Is there any special reporting of money transfers in/out of the country (for example, in Germany you must report any transfers more than 12,500€)?*

## Contribution Statements (for tax purposes)

Contribution statements (for tax purposes) will be prepared on a yearly basis in the format required by the tax authority. Contribution statements should be provided to the donors no later than *[date set by country where located]*.

## Record Retention

All financial records will be stored for *[10]* years. This includes offering envelopes as these document gifts by particular donors.

## Backup of Financial Computer

*Backup of your computer system is essential. It is not a question of if you will need it; it is a question of when. Test your backup to make sure you can retrieve the files that are needed.*

* Financial records should be backed up on a *[daily]* basis.
* An off-site (or cloud) backup should be done on a *[monthly]* basis as a protection against fire or theft. Off-site storage should meet legal (including GDPR) and liability requirements. Some questions to consider: Is the backup date in a safe location? Is it accessible to those who are responsible for it? Is deletion/editing of data for GDPR purposes being done on the backup as well?

# Section 6 – Audits

* An internal audit will be conducted annually on the church accounts.
* The audit will be conducted by someone who is not involved on a regular basis with the church accounts.
* The selection of the auditor will be determined by the *[Trustees]*.
* The audit criteria will be determined by the *[Trustees]*. 🗍

# Appendix – Sample Documents

All sample documents are available as .docx or .xlsx files.

## Designated Fund Form

|  |  |
| --- | --- |
| Name of Fund: |  |
| Account #: |  |
|  |
| Purpose of Fund: |  |
| Date Fund Established: |  |
| Date Fund to be Completed (estimate): |  |
|  |
| Disposition of Any Monies at Fund Completion: |  |
| Responsible Ministry: |  |
|  |
| Form completed by: |  |
| Date: |  |

## Cash Advance Form

Any change and all receipts should be submitted with a completed Reimbursement Form within *[one week]* for purchases and *[30 days]* for travel.

|  |  |
| --- | --- |
| Date: |  |
| Amount: |  |
| Purpose: |  |
| Signatures |
|  |  |
| Name: | Financial Secretary |
|  |
| Amount Returned: |  |
| Amount on Reimbursement Form: |  |
|  |  |
| Financial Secretary | Treasurer |

## Disbursement Form

|  |  |
| --- | --- |
| Requestor’s name: |  |
| Date: |  |
| Description of items purchased: |  |
| Amount in EUR: |  |
| Quotation for pre-approval (more than EUR 250): |  |
|  |  |
| Budget category (please provide specific information) |
| ❒ Ministry Team - |
| ❒ Staff Expenses -  |
| ❒ Travel Expenses (see also per diem form) -  |
| ❒ Other:  |
| Payment Details |  |
| ❒ Invoice(s) to be paid directly (attached) |  |
| ❒ Paid expenses – receipt(s) attached to be reimbursed to requestor’s bank account: |
|  ❒ Same bank account as before 󠇁  ❒ New account Bank account holder: Bank name: IBAN: |  |
| ❒ Charged to church credit card – receipt(s) attached |
|  |  |

|  |  |
| --- | --- |
| **Requestor:** | **Authorization:** (if requestor is not *[team leader]*) |
|  | Name: |
|  |  |
| Signature | Signature |

The Requestor and Authorizer confirm that the above item(s) are necessary for and directly related to accomplishing the purposes of their ministry; the items will be used exclusively for church purposes.

## Reimbursement Form



## Travel Per Diem Form (xlsx)



## Travel Per Diem Form (docx)

|  |  |
| --- | --- |
| Name: |  |
| Purpose of travel: |  |
| Destination (city, country): |  |
| Per diem amount for travel days  | EUR |
| Per diem amount for full days  | EUR |

|  |  |  |  |
| --- | --- | --- | --- |
|   | Date | AmountEUR | Note meals provided, if any (not for travel days)  |
| Travel day (to) |   |  |   |
| Full day 1 |   |  |   |
| Full day 2 …. |   |   |   |
| Travel day (from) |   |   |   |
| **Total** |  |  |  |

## Debit/Credit Card Agreement

[Church Name] is providing you with a debit/credit card. The church will be responsible for the payment of the balance incurred each month. You, as a member of the staff, are charged with the responsible use of this debit/credit card. Acceptable charges must be within the budget adopted by the church and include expenses specifically related to the conduct of ministry for your area of responsibility within the church. Documentation of all charges including receipts is required.

I,\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in my capacity as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in signing this statement, agree to the following conditions set forth by the church budget and [*Finance Team*], with regard to the issuance of a debit/credit card held by me:

* I will use this debit/credit card for church business purchases related only to church ministries and church business over which I have authority.
* I will provide original receipts for each debit/credit card purchase/expense to the [Financial Secretary] as soon as possible following the purchase/expense and within the normal billing cycle of the card.
* I will forfeit my debit/credit card upon termination of employment and/or upon request by the chairperson of the [Finance Team], and I will be personally responsible for any purchases that have not be accounted for at the time of forfeiture of the card.
* I am aware that purchases that are not accounted for within the prescribed time period (monthly) may be deducted from my paycheck for the first pay period ending after the unaccounted for billing cycle (not to exceed 60 days).

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Staff Member Signature Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Financial Secretary Date

## Petty Cash Voucher



## Offering Count Sheet



## Offering Checks



## Offering Envelopes



## Budget Request & Ministry Plan

|  |  |
| --- | --- |
| Ministry Name: |  |
| Ministry Leader: |  |
| Associate Ministry Leader: |  |
|  |
| **[Church’s Mission and Vision]:** |
| [mission and vision statement] |
|  |
| **Ministry Strategy:** How will your ministry accomplish the mission and vision stated above? What is your action plan for each area of the mission & vision? |
|  |
| **Ministry Budget:** What financial resources will be needed to accomplish your strategic goals? |
|  |
| **Ministry Leadership:** Who have you identified as a potential future leader in your ministry? What steps are you taking to further their development? |
|  |
| **Ministry Support:** How can the church leadership best support your ministry? |
|  |
|  |
|  |  |  |
| Date Reviewed | Ministry Leader Signature | Ministry Coordinator Signature |

## Budget Comparison Worksheet



## Internal Audit Checklist

**FINANCIAL STATEMENTS**

* Are monthly financial statements prepared on a timely basis and submitted to the church board or appropriate person or committee?
* Do the financial statements include all funds (unrestricted, temporarily restricted, and permanently restricted)?
* Do the financial statements include all bank accounts? Ask banks to provide a list of accounts with balances for all accounts using the church’s name. Verify these reports against the financial system.
* How are USD accounts shown on the financial statement? What exchange rate do you use?
* Are account balances in the financial system reconciled with amounts presented in financial reports? Compare EOY reports to EOY system.
* How are multiple currencies handled in the financial system? Do you do EOY currency adjustments?

**CASH RECEIPTS**

General

* Are cash handling procedures in writing?
* Are procedures established to care for offerings and/or monies delivered or mailed to the church office between services?

Offering counting for Churches

* Are at least two unrelated members of the counting committee present when offerings are counted?
* Do money counters verify that the contents of the offering envelopes are identical to the amounts written on the outside of the envelopes? Are these counted separately and listed separately on the count sheets? Are offering envelopes kept with the counting sheets?
* Are money counters rotated so the same people are not handling the funds each week?
* Are donor-restricted funds properly identified during the process of counting offerings?

Depositing of funds

* Are all funds promptly deposited? Compare offering and other receipt records with bank deposits.
* Are all receipts deposited intact? Receipts should not be used to pay cash expenses.

Restricted funds

* Are donations for restricted purposes properly recorded in the accounting records?
* Are restricted funds held for the intended purpose(s) and not spent on operating needs?

**DONATION RECORDS/RECEIPTING**

* Are individual donor records kept as a basis to provide donor acknowledgments for all contributions?
* How do you handle donations in lieu of reimbursements? (Donor must be entitled for the reimbursement).
* Do donor acknowledgements adhere to the standards for the country where issued?
* Are the donations traced from the weekly counting sheets to the donor records for a selected time period by the audit committee?

**OTHER INCOME**

* Is there income from book tables, fund raisers, or conferences? Does the income exceed the level for income tax and for VAT?
* Are income and expenses separated in financial system?

**CASH DISBURSEMENTS**

* Are all disbursements paid by check?
* Is written documentation available to support all disbursements?
* Are any disbursements made to individuals (for benevolence, scholarship)? Spot check through General Ledger.
* Are pre-numbered checks used? Account for all the check numbers including voided checks.

**ACCOUNTS PAYABLE**

* Is there a schedule of unpaid invoices including vendor name, invoice date, and due date?
* Are any of the accounts payable items significantly past-due?
* Are there any disputes with vendors over amounts owed?

**PETTY CASH FUNDS**

* Do you have a petty cash fund?
* Is a petty cash fund used for disbursements of a small amount? Are vouchers prepared for each disbursement from the fund?
* Is the fund periodically reconciled and replenished based on proper documentation of the cash expenditures?
* Does someone other than the treasurer count the petty cash at least once a year?

**BANK STATEMENT RECONCILIATION**

* Are written bank reconciliations prepared on a timely basis? Test the reconciliation for the last month in the fiscal year. Trace transactions between the bank and the books for completeness and timeliness.
* Are the bank reconciliation reports signed and dated?
* Are there any checks that have been outstanding over three months?

**SAVINGS AND INVESTMENT ACCOUNTS**

* Are all savings accounts recorded in the financial records? Compare monthly statements to the books.

**LAND, BUILDINGS, AND EQUIPMENT RECORDS**

* Are there detailed records of land, buildings, and equipment including date acquired, description, and cost or fair market value at date of acquisition?
* Was an equipment physical inventory taken at year-end?
* Have the property records been reconciled to the insurance coverage’s?

**INSURANCE POLICIES**

* Is there a schedule of insurance coverage in force? Reflect effective and expiration dates, kind and classification of coverage’s, maximum amounts of each coverage, premiums, and terms of payment.

**AMORTIZATION OF DEBT**

* Is there a schedule of debt such as mortgages and loans?
* Have the balances owed to all lenders been confirmed directly in writing?
* Have the balances owed to all lenders been compared to the obligations recorded on the balance sheet?

**BANKING SIGNATORIES**

* Who has signatory on bank accounts
* When was this last verified?

**SAFETY DEPOSIT BOX**

* Does the church have a safety deposit box? If so, is there a record of what is stored in the box?

**PAYROLL**

* Are taxable benefits reported to the salary service – salary, accommodation, car, love offerings, benefits in kind, local language training, home travel?
* Do time sheets match pay slips?
* Do amounts paid match pay slips?
* Is income tax being calculated and paid correctly?
* Are social benefits being calculated and paid correctly, including mini-jobs?
* Are minimum wage rules being followed, especially for mini-jobs?
* Is Workers’ Compensation insurance being carried, if required?
* Are personnel files kept for each employee? If yes, where are they stored and who has access to them? How long are they retained?
* Are performance appraisals being done? Are evaluation forms written and signed by the supervisor and employee?
* Are the legal requirements for employment being followed? Is it documented?

**REPORTING OBLIGATIONS**

*Check your country’s laws to see what is required.*

* *[Are bank transfers outside of Germany >12,500 EUR reported to the Bundesbank?]*
* *[GEZ, CCLI, GEMA]*
1. Adapted from [www.churchplantingwiki.com/Financial](http://www.churchplantingwiki.com/Financial) Procedures in a New Church [↑](#footnote-ref-1)