

Richland Lutheran Church
FINANCIAL POLICIES

The following policies have been adopted by the Congregation Council for the purpose of achieving the following goals:

- *Provide a framework for the congregation’s financial decision making*
- *Establish a baseline of best practices for protecting and managing the assets of the congregation*
- *Ensure the maintenance of accurate records and financial activities*
- *Establish a baseline for creating financial procedures relative to day-to-day operations*
- *Provide continuity in practices as staffing and Congregation Council membership change*

I. ACCOUNTING PROCEDURES

A. Basis of Accounting: Richland Lutheran Church uses the cash basis of accounting. The cash basis is the method of accounting whereby revenue is recorded when deposited and expenses are recorded when paid.

B. Bank Reconciliations: Bank reconciliation and approval will occur within 15 days of receipt of the statement.

C. Monthly Close: Balance Sheet accounts are reconciled by the 15th of the following month.

D. Recordkeeping: Records will be retained in accordance with the following schedule:

ACCOUNTING RECORDS	LENGTH OF RETENTION
Bank Statements and Checks	4 years
Financial Statements	4 years
Deposit Slips and Detail	4 years
Monthly General Ledger Reports	4 years
Support for Endowments and Trusts	4 years
Support for Gifts and Memorials	4 years
Annual Reports	4 years

CORPORATE RECORDS	LENGTH OF RETENTION
Articles of Incorporation	Indefinitely
Bylaws	Indefinitely
Charters	Indefinitely
Tax Status Determination	Indefinitely
Contracts and Agreements	Period of Agreement

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Deeds and Loan Documents	Period of Agreement
Member Loan Agreements	Period of Agreement
Retirement and Pension Records	4 years
Tax Returns	4 years
Invoices and Support Documents	4 years minimum – longer for purchases with warranties

PAYROLL AND PERSONNEL RECORDS

LENGTH OF RETENTION

Personnel Files	Termination + 4 years
Wage and Tax Filings	Termination + 4 years
Time Cards and Payroll Files	Termination + 4 years

INSURANCE RECORDS

LENGTH OF RETENTION

Expired Policies	Termination + 1 year
Claims/Incident Reports	4 years

CORRESPONDENCE RECORDS

LENGTH OF RETENTION

Legal	Indefinitely
Other	4 years

MEMBERSHIP RECORDS

LENGTH OF RETENTION

Financial Giving Records	4 years
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II. INTERNAL CONTROLS

A. Lines of Authority

1. The Congregation Council approves financial policies and reviews them annually.
2. The Finance Officer is the primary line of communication between the Congregation Council and Staff for matters related to finance.
3. The Ministry Assistant for Biblical Stewardship develops and documents financial procedures to support the policies as a matter of conducting routine business.
4. The Finance Committee works with the Finance Officer and Ministry Assistant for Biblical Stewardship to make investment and policy recommendations to the Congregation Council.
5. The MALT is responsible for monitoring ministry budgets and approving expenditures within the budget.

6. The MALT may re-allocate budgeted dollars within the ministry budgets they manage.
7. Requests to re-allocate budgeted dollars between different ministries must be agreed to by all affected MALTs and be approved by the Executive Committee.
8. A member of the Executive Committee approves expenditures for the Council portion of the budget, and the Council monitors the entire budget.

B. Conflict of Interest: All employees and Congregation Council members are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Congregation Council member conflicts with the interest of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

C. Segregation of Duties: Richland Lutheran Church's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the congregation's assets while also considering efficiency of operations.

D. Physical Security: Richland Lutheran Church maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate, and other valuable property.

III. FINANCIAL PLANNING AND REPORTING

The congregation's financial statements are prepared monthly and presented to the Congregation Council. The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations." Revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as 'with donor restrictions' and 'without donor restrictions'.

A. Budgeting Process: The annual budget for Richland Lutheran Church is prepared in compliance with the congregationally approved Constitution and Bylaws. Teams are encouraged to give budgeting information input to the MALT team which, in turn, takes these requests into consideration when developing the annual budget.

- a. Staff requests funding for all known goals in the Ministry Plan.
- b. Council addresses budgeting shortfalls from alternative sources such as contingency funds and operating reserves, and in accordance with Congregational direction.

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- B. Internal Financial Reports:** The Finance Officer provides regular financial reports on a monthly basis. All reports are finalized within 30 days of the close of the prior month.
- C. Audit:** Audits are conducted annually in accordance with requirements stated in the Constitution and Bylaws for Richland Lutheran Church. The audit report is delivered to the Congregation Council by July 31 of the year immediately following the year being audited.
- D. Tax Compliance:** All federal reports are generated and submitted by the bookkeeper.

IV. REVENUE

- A. Revenue Recognition:** All contributions will be recorded in accordance with GAAP, with specific attention to standards FASB 116 and 117 (www.fasb.org). Contributions are recorded as pledged or received in accordance with FASB 116, and must be credited to the appropriate revenue lines as presenting in the annual budget and coded as designated in the Richland Lutheran Church's Chart of Accounts.
- B. Cash Receipts:** Richland Lutheran Church receives funds via mail, electronic transfer, cash, and checks. Processing of the various forms in which revenue comes to Richland Lutheran Church is documented procedurally in the RLC Finance Handbook.
- C. Deposits:** Deposits are made at least once a week.

V. EXPENSE AND ACCOUNTS PAYABLE

- A. Purchases and Procurement:** Whenever practical, any expenditure exceeding \$10,000 for a single item should have bids from three suppliers. These bids will be reviewed by the Ministry Lead or Officer responsible for that particular part of the budget.
- B. Independent Contractors:** Richland Lutheran Church intends to comply with all applicable Federal and State laws relative to the use of independent contractors, and to apply their use as part of sound fiscal management.

Richland Lutheran Church intends to hire individuals as full time and part time employees for its regular work force and to meet its short-term labor needs by hiring temporary employees. However, on occasion to meet the congregation's objectives, it may be necessary to consult with experts in a particular field and to

engage individuals for specific periods and/or specific assignments to provide short-term expertise.

An independent contractor is not intended to be a substitute for a regular or temporary employee. A Richland Lutheran Church employee is not eligible to perform work as an independent contractor during the same year in which he or she works as an RLC employee.

- C. Invoice Approval and Processing:** All invoices are approved by the Ministry Lead or Officer of the ministry for which the expense was incurred. All invoices are paid in accordance with the terms established by the vendors.
- D. Petty Cash:** Richland Lutheran Church sets aside \$375 in petty cash which is reconciled monthly or needed by the Church Secretary. Reimbursements over \$50 must be paid by check and are not eligible for reimbursement through petty cash. The Pastor's Assistant is the primary custodian of the petty cash fund.
- E. Employee and Member Expense Reimbursement:** RLC will reimburse staff on an accountable basis for all other approved and reasonable business-related expenses such as books, and other professional expenses within budgeted limitations. Employees and members must submit accurate and receipted expense reports to obtain reimbursement within 30 days of incurring the expense.
- F. Store Charge Accounts:** Local store accounts (store credit cards or store charge accounts) may be established by the Ministry Assistant for Biblical Stewardship with specific vendors for direct billing purposes for congregational business. See Section XI.
- G. Major Credit Cards:** Major credit cards (i.e. American Express, Mastercard, and Visa) may be established for use for congregational business. See Section IX.

VI. PAYROLL

- A. Payroll:** The work week runs from 12:00 midnight on Saturday through 11:59.59 p.m. Friday. The payroll period is two consecutive work weeks. Pay day is the Friday following the completion of the pay period. All non-exempt employees are required to record time worked, vacation taken, personal holidays, and sick leave. All exempt employees are required to record vacation taken, personal holidays, sick leave, and continuing education hours used.
- B. Payroll Preparation:** The Ministry Assistant for Biblical Stewardship processes payroll electronically in accordance with the submitting deadlines established by

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Intuit to ensure employees receive paychecks by Friday. When the regular payday is a holiday, paychecks will be issued on the last working day prior to the holiday.

- C. **Payroll Approval:** The congregation approves a lump sum for salaries and benefits in the annual budget. The Congregation Council determines individual salaries and benefits based on dollars approved. New salary rates are documented with an authorization form signed by an officer of the congregation.

VII. PAY UPON TERMINATION

- A. Richland Lutheran Church complies with Washington State law in regard to paying termination wages. Termination wages are paid no later than the next regularly scheduled payday, regardless of whether the employee quit or was fired.
- B. Unused vacation and sick leave are paid in accordance with the employee policies.

VIII. ASSET MANAGEMENT

- A. **Cash Management and Investments:** The Finance Officer is responsible for administering all investment accounts to ensure investments are consistent with the risk tolerance/risk preference as determined by the Congregation Council. Investments may only be made in instruments congruent with and in no way opposing Richland Lutheran Church's Confession of Faith.
- B. **Employee Retirement Accounts:** Refer to the personnel policy for current employee retirement account information.
- C. **Operating Reserve:** Richland Lutheran Church will strive to establish an operating reserve account equal to three months operating costs. Operating reserves are liquid, unrestricted assets that can be used to support operations in the event of an unanticipated loss of revenue or increase in expenses.

IX. CREDIT AND/OR DEBIT CARDS

- A. The Congregation Council must authorize the application for and acquisition of major credit and/or debit cards (Visa, MasterCard, American Express, etc.) These are secured to facilitate transactions that cannot be made through standard payment processes, and reduces the need for card holders to use personal credit cards for church business.
- B. The Congregation Council authorizes each cardholder, which will include the Lead Pastor, the Associate Pastor, and other ministry leads as deemed necessary.

- C. Authorized cardholders will be required to sign an agreement indicating their understanding of the terms for using the card, and the consequences for non-compliance. The agreement will include:
 - 1. Cards may never be used for cash advances.
 - 2. Cards may never be used for personal charges of any kind.
 - 3. Purchases must be pre-approved by a ministry lead. Procedures for ensuring approval prior to use are outlined in the Finance Handbook.
 - 4. Misuse of card will result in removal of privileges.

X. STORE CHARGE ACCOUNTS

- A. Store credit will be secured to facilitate transactions that cannot be made through standard payment processes, and reduces the need for staff and member to use personal credit cards for church business.
- B. Accounts will be established and maintained by the Ministry Assistant for Biblical Stewardship.
- C. Use of these accounts will be for purchases pre-authorized by a ministry lead.
- D. To ensure credit lines are respected, consult with the Ministry Assistant for Biblical Stewardship prior to use.
- E. Detailed receipts are to be turned in to the Ministry Assistant for Biblical Stewardship.
- F. Authorized user lists are maintained by the Ministry Assistant for Biblical Stewardship.
- G. Authorized account users can only be a staff or church member and will be required to sign an agreement indicating their understanding of the terms for using the account, and the consequences for non-compliance. The agreement will include:
 - 1. Cards may never be used for personal charges of any kind.
 - 2. Purchases must be pre-approved by a ministry lead. Procedures for ensuring approval prior to use are outlined in the Finance Handbook.
 - 3. Misuse of card will result in removal of privileges.