

Goodridge Area Lutheran Parish Best Practices for Church Finances

Administration of church finances is a sacred trust. It is important that a strong system of internal control be established. Internal Controls help staff and volunteers understand what is expected of them to maintain the integrity of the organization and trust of the congregation.

Best Practices for Applied Internal Controls.....	2
General Controls.....	2
Computer Controls.....	2
Bank Accounts.....	2
Cash Receipts.....	2
Cash Disbursements.....	3
Offertory Collection Counting.....	3
Creating the Annual Financial Report.....	3
Credit Cards.....	4
Payroll.....	4
Best Practices for Receiving and Recording Gifts.....	5
The General Fund.....	5
Designated Giving.....	5
In-Kind Donations.....	6
Payments to a Vendor by a Third Party.....	6
Donations of Services.....	6
Contributions Made to Organizations within the Church.....	6
Gifts to Individuals.....	7
Thrivent Choice.....	7
Qualified Charitable Contributions.....	7
Year End Reporting.....	7
Steps for Establishing a New Designated Fund.....	8
Designated Giving Policy.....	9
Bethany Designated Gift Policy.....	9
Ekelund Designated Gift Policy.....	9
Faith Designated Gift Policy.....	10

Best Practices and Applied Internal Controls

General Controls

1. An annual budget is prepared by the Parish Council and Congregation Council
2. The annual budget adopted by the Annual Meeting of the Congregation
3. Financial statements shall be submitted in writing and reviewed by the Parish/Church Council and the Pastor on an at least quarterly basis.
4. Clean and thorough explanations and documentation will be retained for all checkbook entries and deposits.
5. Financial statements should be kept up to date and available upon request.
6. New accounts may only be opened by Council approval.

Computer Controls

7. All computer files should be backed up on a regular basis.
8. Passwords should be used to restrict usage of computer programs. They should never be shared or documented where others may find them.
9. Password should be changed regularly and should have numbers, symbols, and characters or a combination of all.

Bank Accounts

10. Bank reconciliations should be completed monthly.
11. The sequence of all check numbers should be accounted for.
12. Examine the paid checks for the date, name, endorsement and compare them to the cash disbursements checkbook.
13. Compare the detail of bank deposits to the cash receipts records.
14. Investigate other reconciling items
15. Follow up on old outstanding checks.
16. The number of bank accounts should be kept to a minimum.
17. All accounts should be audited each year by at least two congregational members not involved with church financial activities.

Cash Receipts

18. Pre-numbered receipts should be issued to individuals who bring checks/cash to the Parish Office for fees/donations, etc. Receipts should contain the date, name, amount, and purpose of funds and be signed by the employee/volunteer who received the funds.
19. Receipts should be accounted for in numeric order.
20. Deposits for offerings should be identified by source of income (cash, check, etc).

Cash Disbursements

21. All cash disbursements should be made by pre-numbered checks with the exception of petty cash.
22. Receipts shall be kept for petty cash payments.
23. All bills should be evidenced in writing.
24. Budgeted congregational obligations to vendors/organizations outside the Parish should be remitted before making payments to the Parish Fund (benevolence, dues, mission support, etc).
25. All paid bills should be filed by vendor or by month by fiscal year.
26. Voided checks should be marked VOID and retained.
27. Check stock should be kept in a locked cabinet/safe and inventoried on a regular basis.
28. All supporting documents should be given to the check signer to review before signing the check.
29. A check to CASH is prohibited.
30. Individual checks should clearly identify the specific expenditure for the disbursement.
31. Reimbursements to individuals should not be made without receipts and prior authorization.
32. Dual signature is required.

Offertory Collection Counting

33. Cash count procedures should be in writing and available for counters.
34. Church employees and their families should not be involved with the offertory collection.
35. No fewer than 2 unrelated individuals should count the offering.
36. The collection should be counted in a secure location.
37. The count should be entered on a summary sheet and signed by two counters.
38. The count sheet should be prepared in ink.

Creating the Annual Financial Report

39. The Financial report shall include beginning and ending balances for all funds.
40. The financial report shall include transfers of monies in and out for special funds or projects.
41. The financial report shall make note of any in-kind donations in which bills owed by the church were paid directly by a third party.
42. The Financial Secretary shall provide a report of all income deposits and transfers into the accounts.
43. The yearly financial report shall include all income and expenses and be reconciled between the Treasurer and Financial Secretary.

Credit Cards

44. The Parish Secretary shall have custody of the credit card.
45. Purchases shall be made by purchase order whenever possible to avoid sales tax as allowed as a tax exempt organization.
46. No personal purchases, cash advances, or balance transfers are allowed.
47. The Credit Card shall have a \$1000 monthly spending cap with a \$1500 limit.
48. Statements should be reconciled monthly.
49. The Parish Secretary will be the contact with the card issuer for disputes, problems.
50. The Parish Board shall oversee the proper use of the credit card.

Payroll

51. All compensation for employees will be paid through the parish fund with appropriate deductions for taxes, etc.
52. There is one payroll monthly paid on the tenth of the month for the month previous.
53. Hourly and event employees are required to submit a signed timecard.

Best practices for receiving and recording gifts

Expressing our gratitude we build and maintain relationships with all who support the work and witness of the church. It is a gracious practice to provide written acknowledgement of all gifts regardless of amount or church membership in a timely manner. Giving statements for members shall be shared quarterly. Non-members should receive a written receipt within 30 days. All donors shall receive a year-end contribution statement.

Financial Secretaries are responsible for ensuring proper acknowledgement of donations. The Parish Secretary is responsible for acknowledging donations made to the parish account. The Goodridge Parish uses ICON (data base) for recording contributions and providing statements of gifts to donors. Mailing quarterly and yearly contribution statements is handled by the Parish Secretary.

The General Fund

The General Fund includes all undesignated gifts from weekly tithes and offerings. It is used to support the ministry of the church.

The church should provide a written communication or acknowledgment to the donor. It is a best practice to send the donor a written acknowledgment that includes the name and EIN of the church.

In order for a donor to claim a donation that exceeds \$250 as a charitable contribution on his/her federal income tax return, a written acknowledgment must be in the donor's possession and it should include a statement about whether the donor received any goods or services in exchange for the donation (and if so, the value of the goods or services received).

In addition, for direct donations, the church should also provide a statement of the amount donated (i.e., the face value of the check, stock or the cash received). The typical donor acknowledgment would therefore read: *"Thank you for your contribution of \$_____ that _____ Lutheran Church received on _____ (Date). No substantial goods or services were provided to you other than intangible religious benefits in exchange for your contribution."*

Designated Contributions

Designated contributions are contributions made to a church with the stipulation that the donations are used for a specified purpose (cemetery, building, etc). Designated funds cannot be spent on unintended purposes without a written agreement by the church. Without an agreement, the only way a church can legally change the purpose of these donations is by court order. Acknowledgements are made as above.

In-Kind Donations

A donor may deduct an in-kind (or, non-cash) donation as a charitable contribution. And a donor must obtain a written acknowledgment from the church to substantiate the gift, although the acknowledgment will not assign a dollar value to the donation.

In-kind donations generally fall into one of three categories:

1. Direct payment by a donor of bill owed by the church to a third party.
2. Donations of goods.
3. Donations of services.

For in-kind donations, the responsibility is on the donor to value the donation. Churches still have a responsibility to maintain good donor relations. A way to do this is by acknowledging the gift. The church may desire to state something like: *“Thank you for your contribution of (insert detailed description of goods/services donated) that _____ Lutheran Church received on _____ (date). Were it not for your generous donation, we would have had to expend \$_____ to procure/pay for _____. No substantial goods or services were provided to you, other than intangible religious benefits in exchange for your contribution. It is your income tax responsibility to determine deductibility and/or valuation. The dollar figure provided above is for Donor Recognition purposes only.*

Payments to a Vendor by a Third Party

In-kind donations in which bills owed by the church are paid directly by a third party should be confirmed with the vendor that the invoice was paid (and not somehow discounted and then paid) and receive written confirmation from the vendor. Once confirmed, the church may provide a written donor acknowledgment. These gifts should be recorded appropriately to give a clear indication of the overall operating expense of the congregation. The donor acknowledgement may state: *“Thank you for your contribution of (insert detailed description of goods/services donated) that was paid on behalf of _____ Lutheran Church on _____ (date). Were it not for your generous donation, we would have had to expend \$_____ to procure/pay for _____. No substantial goods or services were provided to you, other than intangible religious benefits in exchange for your contribution.*

Donations of Services

Generally personal services are not deductible, however, the expenses associated with providing such services are.

Contributions made to Organizations within the Church

Contributions designated to a group or organization within the church (i.e. Sunday school, WELCA, Men’s Group, etc) for its exclusive use and under its total control are not a deductible contribution to the church. These groups are not a 501(c)(3) organization. The church cannot include the designated contribution to the donor’s contribution statement because the church does not control the contribution.

Gifts to Individuals

A charitable contribution is tax deductible for a donor if it is “to” or “for the use of” the church. Gifts given to the church which are directed to be passed on to individuals are prohibited.

Thrivent Choice

Some donors are members of Thrivent Financial. Thrivent Choice—a member-advised charitable grant program—gives eligible clients with membership the opportunity to influence how Thrivent distributes some of its charitable funding. Thrivent clients who have designated Choice Dollars® can direct them to the church. Gifts through the Thrivent Choice Program cannot be included on an individual’s contribution statement because they are gifts given by Thrivent to the church. Gifts through the Thrivent Choice program are received to the General Fund and are used at the digression of the Church Council where the need is greatest.

Qualified Charitable Contribution

A qualified charitable distribution is an IRA withdrawal that is paid directly from your IRA to the church. IRA owners must be age 70 1/2 or older to make a tax-free charitable contribution. Those who meet the age requirement can transfer up to \$100,000 per year directly from an IRA to an eligible charity without paying income tax on the transaction. Please contact your financial advisor for more information.

Year End Reporting

Financial Secretaries shall submit a detailed report of all income receipts to the church for publication in the annual report of the congregation. Categories shall be divided into General fund donations and designated gifts. The report should include if there were transfers from other funds into the general fund. This report should include the total number of households contributing and the number of households contributing more than \$250 to the General Fund (used in the Parish Dues Formulation). This should not include the names of donors. Example:

2022 Financial Secretary Report for _____ Lutheran Church

\$47,000	General Fund Offerings Receipts
\$1,000	Loose Offering
\$17,000	E-Giving (Vanco)
\$2,000	Thrivent Choice
\$2,000	Transfer from Building Fund
\$69,000	General Fund Receipts
\$4300	Designated Giving _____ Fund

25 total households contributed. 15 households gave more than \$250.

Steps for establishing a new designated fund:

1. A church member may request the Congregation Council establish a designated fund.
2. The Congregation Council must approve the request before the church accepts contributions for the fund.
3. The fund policy should state:
 - a. The purpose of the fund. Why is this designated fund needed and how will it further the church's mission?
 - b. Write a governing statement for the fund. How will contributions be received for the fund and what will be the reporting requirements to the church?
 - c. Establish a procedure for disbursements from the fund. How will the money be allocated?
 - d. How can the designated account be closed? How to disperse any money left in the fund after it's closed?
 - e. Establish accountability procedures. Periodic expenditure and substantiation reports to the church should be part of the accounting procedure.
5. Members should be made aware that the policy has been established and will be followed.
6. Keep a list of contributors – a list of donors and their contributions should be kept for record-keeping required by the Internal Revenue Service.
7. A list of contributors and their contributions is maintained for record-keeping the Internal Revenue Service requires.
8. Donors should be informed what will happen to funds when the fund goal is reached. Creating a policy statement that states clearly what will happen to funds in this case. For example: *"Each restricted contribution designated towards _____ will be used as designated with the understanding that when the need for such a fund, program or project has been met, or cannot be completed for any reason determined by _____ Lutheran Church, the remaining restricted contributions designated for such fund, program or project will be used where needed most."*

Designated Gift Policy

Creating a Policy about how the church will be handling all designated giving is helpful, especially in the event a project is completed or set aside.

Designated Gift Policy for Bethany Lutheran Church

This policy deals with contributions designated in support of a program or project that has been approved by Bethany Lutheran Church. This policy also deals with the use of designated funds if a project is oversubscribed or is terminated.

All funds designated by a donor will only be accepted for a fund, program or project approved by Bethany Lutheran Church. Such gifts must be appropriate to our work and in harmony with the adopted policies of Bethany Lutheran Church.

Bethany Lutheran Church reserves the right to accept, deny, or negotiate any proposed gift.

Each restricted contribution designated towards an approved fund, program or project will be used as designated with the understanding that when the need for such a fund, program or project has been met, or cannot be completed for any reason determined by Bethany Lutheran Church the remaining restricted contributions designated for such fund, program or project will be used where needed most. Such action will be documented in the official church minutes.

This policy includes all gifts made on or after March 1, 2022 and applies to all donors.

This policy will be posted at Bethany Lutheran Church published on the website of the Goodridge Area Lutheran Parish and will be printed in the church newsletter.

Designated Gift Policy for Ekelund Lutheran Church

This policy deals with contributions designated in support of a program or project that has been approved by Ekelund Lutheran Church. This policy also deals with the use of designated funds if a project is oversubscribed or is terminated.

All funds designated by a donor will only be accepted for a fund, program or project approved by Ekelund Lutheran Church. Such gifts must be appropriate to our work and in harmony with the adopted policies of Ekelund Lutheran Church.

Ekelund Lutheran Church reserves the right to accept, deny, or negotiate any proposed gift.

Each restricted contribution designated towards an approved fund, program or project will be used as designated with the understanding that when the need for such a fund, program or project has been met, or cannot be completed for any reason determined by Ekelund Lutheran

Church the remaining restricted contributions designated for such fund, program or project will be used where needed most. Such action will be documented in the official church minutes.

This policy includes all gifts made on or after March 1, 2022 and applies to all donors.

This policy will be posted at Ekelund Lutheran Church published on the website of the Goodridge Area Lutheran Parish and will be printed in the church newsletter.

Designated Gift Policy for Faith Lutheran Church

This policy deals with contributions designated in support of a program or project that has been approved by Faith Lutheran Church. This policy also deals with the use of designated funds if a project is oversubscribed or is terminated.

All funds designated by a donor will only be accepted for a fund, program or project approved by Faith Lutheran Church. Such gifts must be appropriate to our work and in harmony with the adopted policies of Faith Lutheran Church.

Faith Lutheran Church reserves the right to accept, deny, or negotiate any proposed gift.

Each restricted contribution designated towards an approved fund, program or project will be used as designated with the understanding that when the need for such a fund, program or project has been met, or cannot be completed for any reason determined by Faith Lutheran Church the remaining restricted contributions designated for such fund, program or project will be used where needed most. Such action will be documented in the official church minutes.

This policy includes all gifts made on or after March 1, 2022 and applies to all donors.

This policy will be posted at Faith Lutheran Church published on the website of the Goodridge Area Lutheran Parish and will be printed in the church newsletter.