

ST. JOHN UMC FINANCIAL CONTROLS

(Originally approved by Leadership Board, May 22, 2023 and revised May 20, 2025)

The initial 23 items in bold reflect the policies as adopted by St. John. They are followed by a list documenting the original language provided by the UMC General Council on Finance and Administration and/or the North Georgia Conference along with comments explaining the rationale for any modification.

CHECKLIST FOR PROTECTION OF CHURCH FINANCES-Revised 3/2018 NGUMC

The following 13 items are a checklist to help ensure adequate control over church finances.

- 1. With the exception of the Finance Secretary (a paid staff member), the Finance Committee, as constituted through the Simplified Accountable Structure (SAS) and a “Committee of the Whole” process, is organized according to the 2016 Book of Discipline. The roles of Finance Committee Chairperson and Treasurer were combined as approved by the Leadership Board at its April 2023 meeting.**
- 2. The roles of Finance Committee Chairperson and Treasurer are combined as approved by the Leadership Board at its April 2023 meeting. The Financial Secretary is a staff position (Financial Manager). These two roles shall not be filled by the same individual, nor from the same family or household..**
- 3. The annual budget is approved by the Leadership Board.**
- 4. The Finance Report shall be a standing agenda item for the Leadership Board at each of its regular meetings. The report (to include Income and Expense by month and a year-to-date Budget Report for the period) is distributed with the Board consent package to allow opportunity for review prior to the meeting. Questions or requests for information may be submitted by individual members in advance and during the regular meeting to permit careful review and discussion of any variances or financial challenges.**
- 5. The Treasurer maintains control of all bank accounts – both checking and savings. The Financial Secretary has on-line access to the accounts in order to fulfil his/her job duties, generating checks to pay vendors and other parties and depositing funds collected during the normal course of church business (church offerings, donations, fund transfers). However, s/he only makes changes or transfers funds between accounts at the direction (documented) of the Treasurer. The Chairperson of the Leadership Board will be given on-line access as a “back-up” in the event of an unplanned**

event or emergency for which the Treasurer is not available. The account password will be changed at least annually but always when there is a change of appointment in any of the three above roles (Treasurer, Financial Secretary, Leadership Board Chairperson). Each of these individuals will take appropriate measures to safeguard the account password.

The investment management firm handling St John UMC Endowment Funds (including the Parsonage account) provides monthly reports to the Endowment Committee Chairperson and the Treasurer. The Endowment Committee Chairperson oversees withdrawals from and deposits to the investment account(s). The Treasurer is responsible for the monthly updating of the Endowment Fund Distribution Report, to include earnings, deposits and withdrawals. The monthly balance of the Endowment Fund is reported to the Leadership Board as part of the Finance report.

6. A group of church members is enlisted by the Finance Chairperson to assist in the weekly church offering/receipt of funds count. These individuals serve on a rotating basis and are not related to or living in the same household as the Financial Secretary. One of these individuals meets with the Financial Secretary each Monday to count the weekly church offering as well as all other cash and checks received for deposit. Offerings are deposited by the Financial Secretary each week on the same or next business day (usually Monday). The Financial Secretary posts the deposit after the bank deposit is completed. In the event of the Financial Secretary's absence, a temporary substitute will be appointed by the Finance Chairperson to assist in the count, complete the deposit slip and make the bank deposit.
7. The Treasurer reviews the weekly deposits through on-line access, comparing the scanned deposit slip (and checks, as appropriate) to a copy of the Deposit Log created by the offering counter and Financial Secretary. This information is also used in the monthly bank reconciliation process.
8. Annually, as part of the Leadership Board agenda, the Finance Committee approves the signatories on all church bank accounts. The Pastor is not a signatory on any church account. In addition, the Treasurer is authorized to make electronic payments of bills following procedure as approved by the Board.
9. Bank account reconciliations are performed monthly and reviewed by the Finance Committee Chairperson or designee at least quarterly. This review includes examination of copies of cancelled checks to ensure proper church purpose and is documented.
10. Timely payment of state and federal payroll taxes are reviewed by the Finance Committee Chairperson/Treasurer at least quarterly in conjunction with the checking account reconciliation process. Documentation of this

review will be provided to the Finance Committee at least quarterly as part of the Finance Report to the Board.

- I I. An internal or external audit shall be conducted at least every three years (or following a change in the staff position Financial Manager/Finance Secretary) using the Local Church Audit Guide (LCAG) revised February 2021 with recommended procedures as adapted for St. John UMC on May 20, 2025. [See Attachment C to Guiding Principles.] The audit shall be conducted by a qualified member or other party not directly involved in financial decisions for the year(s) under review, with support from the Finance Secretary and the Finance Chair/Treasurer. Results shall be reported to the Church Conference per item #11 in the “Checklist for Protection of Church Finances – Revised 3/2018.”

In addition, any accounts held by United Methodist Women (UMW)/ United Women of Faith (UWF) shall be included in these same reviews as stated in the LCAG page 7, “Groups to be Included.”

If the audit is conducted by a CPA, it should be performed as part of an Agreed Upon Procedures (AUP) engagement per item #3 page 5 of the LCAG rev. February 2021.

Note: It is advised that both documents “Local Church Audit Guide – Rev. February 2021” and “Local Church Audit Guide FAQs” be reviewed prior to the audit, rather than simply referring to the procedures as outlined in the Guiding Principles Attachment C.

12. Financial records should be retained in accordance with appropriate record retention guidelines provided by the Conference Treasurer. Financial records are maintained for eight (8) years – seven (7) prior years plus the current fiscal year.

Note: Work is ongoing to review and identify existing records and create an initial inventory – appropriately disposing of any records that no longer need to be maintained. Following this process the records will be categorized and reviewed for method of storage (and process for “re-accessing” when needed). This will include consideration of paper records, scanned documents, electronic files (e.g. spreadsheets) and so on.

13. Pastor, Finance Team, Treasurer and Finance Secretary/Finance Manager have watched the Conference financial administration training videos from the Conference website: <https://www.ngumc.org/adminresources>, “Five Short Finance Training Topics.”

Additional Internal Controls adopted from the Local Church Audit Guide, Internal Control Checklist – Appendix B

- 14. Financial policy and authority guidelines are developed by the Finance Team and presented to the Leadership Board for approval/adoption.**
- 15. Invoices or other appropriate documentation (e.g., emails) are required for all payments from all accounts.**
- 16. The Leadership Board directs that individuals other than the Treasurer shall approve invoices/expenditures within their area of responsibility. The pastor reviews/approves credit card statements, while the Facility Manager, Operations Manager and Music Director approve expenditures in their respective functional areas.**
- 17. Typically, the Treasurer should make payments only after invoices are approved. A policy may be implemented whereby routine, budgeted expenses (e.g., rent/mortgage, electric bill, etc.) may be paid without recurring approval; non-routine expenses must be approved prior to payment.**
- 18. As required by federal law, W-2 forms must be issued for employees, including pastors, and 1099 forms issued for nonemployee compensation by January 31 for the preceding year. A third-party vendor manages St John payroll. To assure compliance, the Finance Chair/Treasurer reviews the W2s and 1099s as issued by the vendor each year.**
- 19. As required by federal law, payroll tax forms and deposits must be submitted as required for the payroll amount, with reporting completed for the IRS and SSA by the due date appropriate for the filing method. A third-party vendor manages St. John payroll. To assure compliance by the vendor, the Finance Chair/Treasurer reviews payroll processing monthly and IRS and state employee taxes quarterly.**
- 20. Housing allowance and exclusions for the pastor are approved annually at the charge conference as part of the pastor's compensation package. These are kept on file by the Office Administrator.**
- 21. A list of all church property shall be maintained for insurance purposes. Items with value > \$1,000 shall be identified by location with description, serial number and actual or estimated current value. Photos of miscellaneous items shall be taken room by room. The listed items and**

photos shall be maintained as an ongoing inventory record with electronic copies on the Finance Manager's workstation and a hard copy on file.

- 22. Currently St. John does not have a safety deposit box. If needed, a safe is available on site but it has limited use.**

Note: The safe's fire rating should be determined. In addition, a review should occur to determine what, if any, items warrant safety deposit box storage.

- 23. Computer records are backed up and password-protected for security. St. John computers and network are maintained by a third-party vendor.**

Note: Per vendor, all workstations are backed up daily; however, it should be determined whether this is only to the local server or offsite (e.g., cloud storage). It should also be determined what business continuity would exist following a ransomware attack or other hacking event.

The following are the original Financial Control Policies (as recommended by the UMC General Council on Finance and Administration and/or the North Georgia Conference) and comments providing rationale for modifications as adopted by St. John UMC.

1. Finance Committee is organized according to the 2016 Book of Discipline ¶258, including the designation of a Treasurer and Financial Secretary.

Comment: Through the Simplified Accountable Structure (SAS), the "Committee of the Whole" represented by the Leadership Board constitutes the Finance Committee membership as outlined in Discipline, with the exception that the Financial Secretary would be a member (without vote).

2. The Finance Committee Chairperson, Treasurer and Financial Secretary are not the same person, nor from the same family or household.

Comment: In light of the adopted SAS, the functional roles of the individuals appointed to the Leadership Board and the resulting representation of the church membership, it is more efficient and appropriate to combine the roles of Finance Committee Chairperson and Treasurer. This structure still maintains appropriate oversight, as the "Committee of the Whole" is fully aware of finance activities through the Finance Committee reporting as a standing agenda item at the regular Board meetings.

3. The church has a budget approved by the church Council.

Comment: Under the SAS the Leadership Board is the church Council.

4. Treasurer's financial report is submitted at least quarterly. Results are compared to the budget and inquiries made of variances at Finance Committee meetings.

Comment: The Finance Report (by the Chairperson of Finance/Treasurer) is a standing item on the Leadership Board meeting (which occurs 10 times per year). The financial reports (narrative summary, Income and Expense by Month and Budget Report for the Period) are distributed in the Board consent packet for review prior to the meeting, allowing ample opportunity for Board members to review the information and make queries beforehand and/or raise questions and discuss the data and any variances during the meeting.

5. All checking and savings accounts are under control of the Treasurer. Investment accounts are accounted for and activity reported monthly to the Finance Committee.

Comment: All checking and savings accounts are presently managed by the Treasurer; however, a number of individuals have access to the account via an on-line password. On-line access to the accounts should be limited to no more than three individuals (it is recommended that these three be the Finance Committee Chairperson/Treasurer, the Financial Secretary/Finance Manager, and the Chair of the Leadership Board). Any individual assigned signature authority (approved by the Board) is able to access accounts and make changes at the bank branch.

Investment accounts (Endowment funds) are under the control of the Endowment Committee, with monthly reports provided to the church office (Finance Secretary and Treasurer) by the investment firm managing the accounts. The monthly Endowment Fund balance and any activity resulting in withdrawals from or deposits to the account is reported to the Leadership Board as part of the regular Finance Report.

6. At least two unrelated people count the weekly church offerings for deposit, and prepare the deposit slip. The deposit slip and deposit are placed in a bank deposit bag and locked. **See 2016 Book of Discipline ¶258.4 (a). page 202.**

Comment: This expectation is an anachronism that reflects traditional practices in which the bulk of the church income came through the weekly offering collected

during the service. There has been a wholesale transition to most of the income arriving through checks received in the mail or pledges/donations made via electronic funds transfer. While some funds are collected on any Sunday morning or during special services or events, the amount does not warrant continuation of the practice currently outlined in Discipline.

7. Deposit slip stamped by the bank is given to the Treasurer for recording and comparison to the bank statement.

Comment: The on-line banking system provides full detail regarding each deposit made. A copy of the deposit slip is scanned along with copies of all checks deposited, allowing a full review by the Treasurer and comparison to the Deposit Log created by the offering counter and Financial Secretary.

8. Annually the Finance Committee approves the signatories on all church bank accounts. Pastor should NOT be a signatory on any church account.

Comment: Current practice meets this guideline.

9. Bank account reconciliations are performed monthly and reviewed by the Finance Committee Chairperson or designee at least quarterly. This review includes examination of copies of cancelled checks to ensure proper church purpose.

Comment: Current practice meets this guideline. The Finance Committee Chairperson reviews the reconciliations monthly with the Finance Secretary.

10. Quarterly, the Finance Chair asks the Treasurer at a committee meeting for documentation of timely payment of state and federal payroll taxes.

Comment: Payroll is handled by an external firm (currently, Payroll Plus). The company is responsible for making all payroll taxes on a timely basis as well as generating W2 and 1099 forms annually. The payroll documents used to create journal entries in Power Church indicate the Federal and State payroll taxes due for each pay-period and that amount is deducted from the checking account each month to make the payment via an electronic transfer. As a result, the payments (twice a month for Federal and once a month for Georgia) are reflected in the monthly checking account statement and will be reviewed as a regular part of the monthly bank reconciliation. In addition, if there is any problem with these payments, the payroll contractor pays all associated penalties and fees.

11. Annual audit is completed by a qualified person and reported to the Church Conference. (See 2016 Book of Discipline ¶258 4. (d), page 203)

Comment: The Finance Team worked on the task of “readying” St John for an audit – establishing and implementing internal controls, working on record retention clean-up and categorization and documenting the duties/requirements of the Financial Manager/Financial Secretary position and his/her processes and procedures. After exploring the possibility of an external CPA audit, it was determined that such an undertaking was too expensive and possibly more in-depth than required for St John. The conference treasurer recommended using the UMC document “Local Church Audit Guide” and undertaking the work internally. The board approved this approach and a review of the FY 2023 finances was completed. As a result of the work undertaken and the insights gained, the Finance team recommends using the Local Church Audit Guide (as adapted for St John) on an ongoing basis as outlined in the approved policy.

12. All financial records are retained in accordance with appropriate record retention guidelines provided by the Conference Treasurer. **Records should be securely maintained at the church with duplicates of critical records kept off-site. Pastor should have access to church records.**

Comment: Work has been ongoing to review and identify existing records. It has been difficult to find records and the sheer volume has been overwhelming at times. They had not been maintained in a readily accessible manner (i.e., categorized and indexed), and were scattered throughout offices, drawers, cabinets, share drives and computers.

13. Pastor, Finance Committee and those who count and otherwise handle funds have watched the Conference financial administration training videos from the Conference website: <https://www.ngumc.org/administration>

Comment: This item was added by the Conference to the original document provided by the General Council on Finance and Administration. Given the current SAS, the entire Board would need to complete this task along with the offering counters. In addition, the link provided goes to the general administration page where it is extremely difficult to find the relevant material. Following careful review by the Finance Team (and correction of the link), it was determined that the expectation should be limited to the Pastor, Finance Team, Treasurer and Finance Secretary/Finance Manager.

14. Financial policy and authority guideline should be written and approved by the Finance Committee.

Comment: Under the Leadership Board structure, this occurs with drafts and recommendations developed by the Finance team and approved by the Board.

15. Invoices should be required for all payments from all accounts.

Comment: While invoices are generally required, instances occur where other documentation is deemed sufficient (e.g. emails).

16. Someone other than the treasurer (with authority by Finance Committee) should approve invoices for payment.

Comment: While the pastor reviews and authorizes payment on all staff credit card statements, other authorization is delegated to the staff member responsible for the expenditure/purchase: Facility Manager, Operations Coordinator, Music Director.

17. No change from original UMC guidance.

18. W-2s must be issued for employees, including pastors, and 1099s issued for nonemployee compensation by January 31 for preceding year (federal law requirement).

Comment: All tax reporting requirements are fulfilled by a third-party vendor responsible for managing St John payroll. The Finance Chair/Treasurer reviews payroll processing monthly, IRS and state employee taxes quarterly and W2 and 1099s annually.

19. Payroll tax forms and deposits done as required for payroll amount (federal law requirement) – payroll reporting should be completed for the IRS and SSA by appropriate due date for filing method.

Comment: All tax reporting requirements are fulfilled by a third-party vendor responsible for managing St John payroll. The Finance Chair/Treasurer reviews payroll processing monthly, IRS and state employee taxes quarterly and W2 and 1099s annually.

20. Housing allowance or exclusions approved annually at charge conference and kept on file (federal law requirement).

Comment: Documentation of housing allowance and exclusions as approved by the charge conference are maintained by the Office Administrator.

21. Prepare list of all church property for insurance purposes – include item description, serial number and value.

Comment: Per advice of the Conference Treasurer, the physical inventory has been established to only include items > \$1,000 in value. Miscellaneous items are captured room by room in photos.

22. Prepare list of safety deposit box contents – update authority as needed – access should be allowed by two unrelated people.

Comment: St John does not have a safety deposit box. There is a safe that can be used to protect items/records but it has limited use. A review should be made to determine what, if any, items warrant safety deposit box storage.

23. Computer records are backed up and password protected for security.

Comment: St. John computers and network are maintained by a third-party vendor. Per vendor, all computers are backed up daily; however, it should be determined whether this is only to the local server or offsite (e.g., cloud storage). It should also be determined what business continuity would exist following a ransomware attack or other hacking event.

Revised and approved by the Leadership Board May 20, 2025