

**Grace Episcopal Church  
Parish Financial Policy**

**Statement of Purpose**

The canons of the church give *exclusive* authority over the fiscal affairs of the parish to the Vestry. Additionally, as the elected governing board of a non-profit organization incorporated in the State of Georgia, the Vestry is liable, both legally and ethically, for the proper financial management of the parish. It is therefore the intention of the Vestry that the finances of Grace Episcopal Church be managed in accordance with principles of good Christian stewardship, standard business procedures for a non-profit organization, the canons and policies of the Episcopal Church and the Diocese of Atlanta, the bylaws of Grace Episcopal Church, and this Parish Financial Policy.

**Treasurer**

The Treasurer is elected by the Vestry and need not be an elected member of the Vestry. The Treasurer serves a term of one year as directed by the Grace Church by-laws and may be reelected. One or more Assistant Treasurers may also be elected by the Vestry as directed by the Grace Church by-laws in order to assist the Treasurer in the performance of his or her duties to include signing checks in place of the Treasurer. Treasurers do not control parish finances, but are stewards who serve under the direction of the Vestry. The Treasurer is responsible to the Vestry for ensuring that this Financial Policy is fully implemented and routinely followed. Canon 7 of the national church requires that the Treasurer be bonded.

**Finance Committee**

The purpose of the Finance Committee is to assist the Vestry by assessing the financial challenges and opportunities of the parish and providing research, advice and recommendations to the Vestry regarding financial matters. The chairperson shall be appointed by the Rector (or Senior Warden, if none). Normally, the chairperson is a member of the Vestry, but the Treasurer or other parishioner who is not a member of the Vestry may be appointed, if deemed desirable. Members shall consist of the Rector, Senior Warden, Treasurer, Parish Administrator and additional parishioners who have experience in church financial affairs, expertise in accounting, banking, business, insurance, law and/or finance, or who have expressed an interest and ability to serve on this committee.

Recommendations to hold, sell, exchange, rent, lease, transfer, invest, borrow, reinvest and in all other respects to manage and control the assets of Grace Church should be made by the Finance Committee (unless otherwise stipulated in this policy) and must be approved by the Vestry.

**Budget**

The Operating Budget is the fiscal vehicle that supports much of the mission and ministries of the parish. Staff members and Committee chairs shall evaluate the effectiveness of their particular area of ministry annually and submit an estimate of the resources required to operate their programs for the upcoming year. These budget requests shall be submitted to the Treasurer and Finance Committee via the Parish Administrator.

The Finance Committee will hold budget development meetings that will be publicized and open to all parishioners. Once developed by the Treasurer and Finance Committee, the proposed budget shall be sent to the Vestry for review, modification as necessary, and adoption.

**Funds and Accounts**

The following funds are authorized by the Vestry in order to carry on the mission and ministry of Grace Church. Funds are accounting entities that keep track of income and expenses that are for a specific purpose, such as the Operating Fund or Building Fund. Assets, liabilities, revenues and expenses within a fund are generally categorized into various accounts or line items (i.e., Plate Offerings, Office Supplies, or Adult Formation) for budgeting and accounting purposes. Bank accounts, such as checking, savings or investment accounts, are used to hold parish financial assets. All checking and savings accounts used by the church shall be insured deposit accounts.

All expenditures shall be made in accordance with the guidelines for each fund as stated below and in accordance with the Manual of Business Methods in Church Affairs. If the guidelines state, "should be recommended by the Finance Committee and must be approved by the Vestry," this means that the normal and expected process is for the Finance Committee to provide a recommendation to the Vestry. The Vestry may then accept or modify the recommendation or choose an

alternative solution. In a time critical situation, the Vestry may choose to act without such a recommendation, but this should be considered an exception to the rule. In an emergency, when the Vestry cannot meet or be polled by other means, the Rector shall obtain the written consent of two of the following (Senior Warden, Junior Warden, Treasurer, Chair of the Finance Committee) prior to authorizing an expenditure that has not been approved in accordance with these criteria. This emergency authority is limited to no more than \$10,000.

**The Grace General Fund (Checking Account)** – This Fund includes the Operating Fund and certain other Designated Funds of Grace Church. These designated funds are held in the Grace General Fund and may be created or terminated by the Vestry at any time. Each of these Designated Funds is used for a specified purpose to cover specific programming and/or items not included in the annual Operating Fund Budget. Unless indicated otherwise below, Spending Authority for these designated funds is given to the Rector for expenditures in compliance with the stated purpose of the fund and is limited to no more than \$5000. Expenses in excess of \$5000 should be recommended by the Finance Committee and must be approved by the Vestry. Each of these designated funds shall be a part of the monthly Reconciliation of Funds Report and the Annual Financial Report.

**Operating Fund** – This fund within the Grace General Fund represents the Annual Operating Budget of Grace Church. This fund shall be used for the normal operating expenses of the parish, including salaries and benefits of staff, outreach, building and grounds maintenance, administration, education, ministry, music and worship, and interest payments on church debt. Capital expenditures of less than \$2000.00 may also be made from this fund. The Vestry may authorize transfers from the Operating Fund to other funds as necessary. Spending Authority for the Operating Fund is given to the Rector by the Vestry approved Operating Budget. Additional operating expenses not included in the annual budget including increases in individual salaries or benefits, new staff positions, multi-year financial commitments, and other line item increases should be recommended by the Finance Committee and must be approved by the Vestry.

**Friends of Music Fund** – All gifts to this fund will be used to support special music presentations and/or paid staff singers at Grace Church, but shall not be used for the ongoing, regular Sunday music program costs, which (with the exception of paid staff singers) should be provided by the Operating Fund. Expenses are authorized by consensus of the Friends of Music Committee, the Director of Music, and the Rector. Expenses in excess of \$5000 must be approved by the Vestry.

**Memorial Fund** - All gifts to this fund shall be used to purchase or replace liturgical furnishings, accessories, and other like assets on an as needed basis. Spending Authority for this fund is given to the Rector for expenditures in compliance with the stated purpose of the fund and is limited to no more than \$5000. Expenses in excess of \$5000 should be recommended by the Finance Committee and must be approved by the Vestry.

**Columbarium Fund** - All gifts to this fund and all income from the sale of niches shall be used in accordance with the governing trust document. Spending Authority for this fund is given to the Rector for expenditures in compliance with the stated purpose of the fund and the governing trust document and is limited to no more than \$5000. Expenses in excess of \$5000 should be recommended by the Finance Committee and must be approved by the Vestry.

**Flower Donation Fund** – All gifts to this fund will be used to purchase flowers for the church. Spending Authority is given to the Rector, Parish Administrator, and Flower Guild Chairperson for expenditures in compliance with the stated purpose of the fund and is limited to no more than \$5000. Expenses in excess of \$5000 should be recommended by the Finance Committee and must be approved by the Vestry.

**Outreach Fund** – All gifts to this fund will be used to for Outreach purposes. Expenses should be recommended by the Outreach Committee and must be approved by the Vestry. Additionally, transfers from the Outreach Fund to the Operating Fund may be authorized by the Vestry approved Operating Budget, but must be used for Operating Budget Outreach line items. Any additional transfers should be recommended by the Finance Committee and must be approved by the Vestry.

**Other Designated Funds** of Grace Church, held in separate accounts, follow. Each of these shall be a part of the monthly Reconciliation of Funds Report and the Annual Financial Report.

**Building Reserve Fund (Savings and Checking Accounts)** - This fund shall be utilized for capital expenditures in excess of \$2000 to include improvements to our facilities, major repairs, and the purchase or replacement of furniture and equipment. It is to be maintained for both planned and unforeseen capital expenditures that may arise, but may also be used for unanticipated contingencies, including transfers to any Grace Church fund that has a cash shortfall as determined by the Vestry. Surplus cash from all Grace Church funds (except Endowment Funds) over and above

normal expenses plus a suitable reserve may be transferred to the Building Reserve Fund, which shall be held in a high yield savings, money market, or other interest bearing account until needed in the Building Reserve checking account. Additionally, transfers from the Operating Fund to the Building Reserve Fund shall be made annually whenever possible via a line item in the Operating Budget. Recommendations for all expenditures from the Building Reserve Fund should be made by the Campus Vision and Development Committee and the Finance Committee and must be approved by the Vestry. Recommendations for transfers to and from the Building Reserve Fund should be made by the Finance Committee and must be approved by the Vestry. Spending Authority for the Building Reserve Fund is given to the Treasurer by Vestry approval of a specific capital expenditure at a stated maximum amount.

**Building Fund (Checking Account)** - Payments to architects, contractors, and suppliers for a major building project and payments to principal on church debt incurred as a result of a building project shall be made from this fund. All building project debt instruments, contracts and an overall building project budget should be recommended by the Finance Committee and must be approved by the Vestry. Spending Authority for the Building Fund is given to the Treasurer by the Vestry approved Building Project Budget or the Vestry approved debt instrument. Additional spending authority not included in the Building Project Budget or debt instrument should be recommended by the Finance Committee and must be approved by the Vestry. Donors to this fund may be recognized in some appropriate manner as determined by Vestry.

**Clergy Discretionary Fund (Checking Account)** - These funds are temporarily restricted funds of Grace Church, supported through a line item on the Operating Budget and supplemented by direct gifts from parishioners. These funds are traditionally used to relieve the poor of the parish church and the larger parish community and shall be disbursed at the discretion of the clergy in accordance with all guidelines contained in the "Manual of Business Methods in Church Affairs." In addition, these funds may also be used for expenses related to the exercise of ministry not otherwise provided in the church budget. However, these funds may not be used to sustain the ongoing operations of the church or to pay for anything that personally benefits the authorized clergy. These funds are subject to the Diocesan full disclosure policy and the annual parish audit except for the names of the individuals helped. All gifts to these funds from any source must be deposited and recorded in the Grace General Fund and transferred by the Parish Administrator to the appropriate Clergy Discretionary Fund checking account. Gifts to these funds shall be fully accountable to the Vestry so that they are tax deductible by donors as charitable contributions. Contributions for the direct benefit (pass through) of a named individual are not tax deductible and therefore will not be reported on giving statements.

**Children of Grace Funds (Checking Account)** - These funds of the Children of Grace Preschool (COG) are maintained to support the operation and programming needs of this ministry of Grace Church. The funds consist of the COG Operating Fund and two designated funds, the Designated Activity Fund and the Spring Fling Fund. Spending Authority for the COG Operating Fund is given to the Rector and COG Director by the Vestry approved COG Operating Budget, which is prepared by COG and approved by the Vestry. Additional operating expenses not included in the annual budget including increases in individual salaries or benefits, new staff positions, multi-year financial commitments, and other line item increases should be recommended by the COG Director and Rector and must be approved by the Vestry. Spending Authority for the designated funds is given to the Rector and COG Director for expenditures in compliance with the stated purpose of the funds and is limited to no more than \$5000. Expenditures from the designated funds in excess of \$5000 should be recommended by the Finance Committee and must be approved by the Vestry. Monthly statements shall be prepared and submitted to Vestry as part of the Grace Church monthly financial report. Yearly statements shall be made and presented for inclusion in the Grace Church Annual Financial Report. All funds shall be audited annually with a report presented to the Vestry.

**Asset Liquidation Account** - This account is the brokerage account for selling stock given to the parish.

**Endowment Funds (Investment Accounts)** - These funds are managed by the Endowment Committee of Grace Church in accordance with the Vestry approved October 23, 2006 Resolutions Establishing Endowment Fund Committee, the current Vestry approved written policies of the Endowment Committee, and the applicable donor provided trust documents or letters of instruction. The principal of these funds are permanently restricted assets and the annual earnings are temporarily restricted assets. All or part of annual earnings may be converted to principal in accordance with Endowment Committee policy. Distributions and transfers must be approved by the Endowment Committee in accordance with the restrictions provided in the Endowment Resolution and the donor provided trust documents or letters of instruction. Distributions and transfers must also be approved by the Vestry. Endowment Funds at present include the Van Giesen Fund and the Jane Eve Wilheit Fund. Once expenditures or transfers are approved by the Endowment Committee and Vestry, the Treasurer is authorized to sign instructions on behalf of the church to the investment company holding the endowment fund, although the Rector, Senior Warden, and Junior Warden are also authorized to sign for the church, if

necessary. Two of these four signatures are required for distributions over \$5,000, one of which must be either the Treasurer or Senior Warden.

### **Financial Records**

The parish will maintain organized and accurate church financial records in full accordance with the latest edition of the "Manual of Business Methods in Church Affairs."

All parish financial records, excluding individual pledge records or records of people helped through the rector's discretionary fund, should be a matter of public scrutiny. The church is a public-servant institution, and therefore our constituency has a right to full disclosure. There should be no secret funds, and salaries of all employees should be readily available. Clergy salaries in each parish must be published and distributed annually in Annual Council Journal. Names of the clergy are deleted in accordance with privacy laws. (Diocesan Vestry Handbook)

The Vestry shall write and deliver to the rector or vicar a full, accurate and faithful statement of the temporal condition of the parish prior to the annual parish meeting. This statement should show what money, lands and other property have been received during the past year and from what sources; what money has been expended and for what objects; what property has been exchanged or mortgaged or sold and for what purposes; and what debts are owing by the parish and what security, if any, has been given; and what money, lands or other property are then owned by the parish. The Vestry shall also furnish a separate statement of the money and property held in trust by or for the parish. (Diocesan Canon 33 Section 2)

### **Annual Audit**

Church finances, including clergy discretionary funds, shall be independently audited by a Certified Public Accountant on an annual basis. This audit should be completed at such time as allows it to be accepted by the Vestry and filed with the Bishop within 30 days of receipt, but not later than September 1 of each year.

### **Church Debt**

Any indebtedness incurred by the parish should first be recommended by the Finance Committee and must be approved by the Vestry. The specific debt instrument should be reviewed by the Parish Attorney and members of the Finance Committee with banking expertise prior to being signed by the Senior Warden (Junior Warden or Treasurer, if unavailable) and the Rector (Parish Administrator, if unavailable).

Diocesan Approval—The parish shall not encumber or alienate parish real property without the written consent of the Bishop and Standing Committee of the Diocese. (National Canon 1.7, Section 3)

Indebtedness not collateralized by parish property may be incurred by a Parish without the prior approval of the Bishop and the Department of Finance, where the debt service (i.e., annual payments of principal and interest) including debt service for all indebtedness heretofore incurred for current expenses and still existing, does not exceed 20% of the total annual receipts of such Parish during the preceding fiscal year. Short-term indebtedness in excess of the 20% limit may be incurred when there is reasonable expectation that it can be repaid in its entirety out of Parish receipts within the next three (3) years, and budget provision for such repayment has been so made. No further indebtedness may be incurred without the approval of the Bishop and Department of Finance. (Diocesan Canon 23, Section 2)

Diocesan Notification--The Bishop and the Department of Finance must be notified before any short-term or long-term indebtedness is incurred. (Diocesan Canon 23, Section 3)

### **Contracts and Competitive Bids**

Competitive bids shall be obtained prior to making purchases, repairs, capital expenditures or entering into contracts with a total value of over \$10,000. The Vestry can authorize exceptions in time critical situations or when using a preferred provider.

All projects, purchases and services requiring a written contract with a value of over \$10,000 should be recommended by the Finance Committee and must be approved by the Vestry. The actual contract document should be reviewed by the Parish Attorney and members of the Finance Committee with business, law or finance expertise prior to being signed by the Senior Warden (Junior Warden or Treasurer, if unavailable) and the Rector (Parish Administrator, if unavailable).

Contracts with a value of \$10,000 or less to be paid from the Vestry approved Operating Budget may be executed and signed by the Rector or Parish Administrator (with the Rector's approval). Multi-year contracts and contracts paid from funds other than the Operating Budget with a value of \$10,000 or less should be recommended by the Finance Committee and must be approved by the Vestry and may also be signed by the Rector or Parish Administrator (with the Rector's approval).

The parish should require a surety bond on contracts with a value of over \$50,000 unless the Vestry specifically decides it is unnecessary. If no surety bond is required, then the contractor's credit score and references should be examined as part of the due diligence process.

### **Gifts**

The acceptance of cash and non-cash gifts is governed by the Gift Acceptance Policy approved by the Vestry on October 27, 2007.

All non-pledged and non-designated gifts shall go into the Grace Operating Fund as Plate Offering. Gifts received and designated as memorials or honorariums, but with no specific project designation, shall go into the Memorial Fund. Endowment Fund gifts received shall be referred to the Endowment Committee for determination of acceptance and disposition.

### **Insurance**

When the church insurance policy is subject to renewal, the Finance Committee will solicit and review insurance company proposals for coverage and will make a recommendation to the Vestry. The Finance Committee should also conduct an annual management review of our coverage including physical assets, general liability, staff and officers liability and special risks and report the results to the Vestry.

### **Fundraising**

No person or organization in Grace Church can do any fundraising without (1) informing the Vestry of the purpose of the fundraising and how and when the fundraising will be done, and (2) obtaining the authorization of the Vestry prior to doing the fundraising.

### **Internal Controls**

Internal Controls shall be maintained consistent with recommendations in the Manual of Business Methods in Church Affairs.

#### **General Controls**

- The Rector has overall Spending Authority for the Vestry approved Operating Budget
- The Rector has delegated Spending Authority for individual line items to the Staff member and/or Vestry Chairperson responsible for that particular area of ministry.
- A Report of Expense form signed by the individual with Spending Authority will be submitted to the Parish Administrator. With the exception of payroll, expenses over \$2000 must also have the signed approval of the Rector.
- An invoice or receipt must be attached to the Report of Expense form for payment or reimbursement.

#### **Writing Checks**

- Use accounting software to print checks.
- Keep all unused checks in a *locked* cabinet or closet.
- Limit the number of people with access to the checks.
- Pay only from invoices. Do not process statements from vendors.
- Never pay a vendor without a valid invoice or contract.
- The person who authorized the purchase or service should approve it on the Report of Expense form and/or the invoice.
- Follow the same procedures for Electronic Funds Transfers (EFTs) as for checks.
- The Treasurer will review and initial the invoices and other documentation for all transactions, including EFTs, credit cards purchases and checks.
- The Treasurer or Assistant Treasurer will normally sign checks on behalf of the Church, although the Rector, Senior Warden and Junior Warden are also authorized to sign checks, if necessary.

- The Parish Administrator must have a signature card at the bank in order to have access for the business accounts.
- The Parish Administrator or any other person who prepares church checks is not authorized to sign them.
- Two signatures are required on check disbursements over \$5,000, one signature of which must be either the Treasurer, Assistant Treasurer or Senior Warden.
- A copy of the check shall be attached to the invoice prior to filing.

#### Deposits

- The Vestryperson of the Day (VOD) and a witness will count Sunday morning cash receipts along with the number of checks and pledge envelopes after each service.
- The amount of cash and the number of checks and pledge envelopes will be noted on the VOD report and signed by the VOD and the witness.
- All cash receipts, checks and pledge envelopes shall be placed in the safe located in the Sacristy.
- On the first business day following the Sunday donations, the Parish Administrator and a witness will pick up and transport the Sunday donations to an office space of their choosing.
- Both the Parish Administrator and the witness will then count the cash receivables and the number of checks and pledge envelopes and verify the totals agree with the VOD report.
- The Parish Administrator will make copies of all checks and the deposit slip for the files.
- A person serving as a witness may not be related to the VOD or Parish Administrator handling the deposits.

#### Credit Cards

- Parish staff members who are issued credit cards in their own name (with their credit limit) include the Rector (\$3000), Associate Rector (\$2000), Parish Administrator (\$2000), Youth Director (\$2000), Children's Director (\$2000), and Food Pantry Chairperson (\$2000).
- A church credit card (\$2000) may be provided to other staff members and parishioners on a short-term basis as necessary for a specific purchase. These individuals will sign a custody form.
- The collective credit limit for these church credit cards is \$15,000.
- COG staff members who are issued credit cards in their own name (with their credit limit) include the COG Director (\$10,000) and Assistant Director (\$5000). The collective credit limit for these GOG credit cards is \$15,000.
- A Report of Expense form along with receipts will be submitted to the Parish Administrator for all credit card purchases.
- The Treasurer will review and compare the Report of Expense forms, receipts and other documentation with the credit card bill for all credit card purchases

#### Reconciliation

- A person other than the Parish Administrator, Financial Secretary or Treasurer, normally a member of the Finance Committee, will receive the unopened bank statement each month and will reconcile the statement with the accounting ledger.