

FIRST MONTGOMERY BAPTIST CHURCH

Financial Policy and Procedures Manual

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August 4, 2019

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Welcome!

The Senior Pastor, other ministerial staff, and FIRST MONTGOMERY Baptist Church FINANCE TEAM welcome you to the ministry team at FIRST MONTGOMERY Baptist Church (FIRST).

It is a privilege for the entire staff— paid and volunteer— to work together as a team for the LORD.

This Manual is for staff at all levels of employment and volunteerism in FIRST, and it enjoys the unqualified approval of the FINANCE TEAM and FIRST. It is designed to acquaint you with FIRST and provide you with information about our financial management policies and procedures.

You should read, understand, and comply with all provisions of the Manual. It describes many of your responsibilities as a ministry team member, and violation of these policies is grounds for disciplinary action, up to and including termination of employment or volunteer service.

Please thoroughly familiarize yourself with the contents of this Manual and help ensure that all of FIRST'S financial management policies and procedures are administered as consistently and fairly as possible. Please note, however, that this Manual and the policies and procedures it contains may be revised by FIRST at any time, with or without notice, as the FINANCE TEAM and Church membership may determine is in the best interests of FIRST. Nothing in this Manual is intended to create contractual obligations on the part of FIRST to any person or entity, nor should it be relied upon for that purpose. This Manual must also conform to the policies and procedures outlined in the By-Laws of FIRST dated **September 30, 2018** until changed by FIRST.

In our work together as a team, our goal is to have a heart for people while we fulfill Jesus' command:
"...go and make disciples of all the nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, and teaching them to obey everything I have commanded you. And surely I am with you always, to the very end of the age."
Matthew 28:19-20 (NIV)

God bless you.

Senior Pastor

FINANCE TEAM Chairman

General Provisions

Manual Conventions

This Manual contains the basic financial management policies, practices, and procedures for FIRST. It applies to all of FIRST'S employees, volunteers, contractors, and consultants, whether full-time, part-time, or temporary. As used in this Manual:

- A. The words "shall" or "will" are understood to be mandatory in nature, and the word "may" as permissive in nature;
- B. "Supervisor" means an individual with the authority to assign, direct, and review the work of two or more subordinates.

Senior Pastor

The **Senior Pastor** is FIRST'S Chief Financial Officer and is responsible for fair and consistent enforcement of FIRST'S financial management policies and procedures. The **Senior Pastor** is accountable to the FINANCE TEAM on all matters concerning financial management. The **Senior Pastor** provides staff assistance to the other pastoral/ministerial staff, support staff, and volunteers in developing, communicating, and adhering to FIRST'S financial management policies and procedures.

Human Resource Records

Each employee's signed acknowledgment of this policy will be kept in their personnel record, along with documentation of any actions taken to enforce this body of policies and procedures.

FIRST Ownership of Technology Systems

All computer systems are the property of FIRST and are provided to enable users to carry out their duties of employment and volunteerism. To ensure that its technology systems are dedicated to ministry purposes and are secure, FIRST maintains the right to monitor all technology systems and their use, including Internet access and usage. All email messages are and shall remain the exclusive property of FIRST. Those using FIRST systems should not have any expectation of privacy in their use or in anything which is created or maintained on them.

General Financial Management

Financial Integrity

It is the FINANCE TEAM'S policy that all accounting and financial management be done with integrity and accountability, fulfilling the command of Jesus, the Light of the World, when He said *"let your light shine before men, that they may see your good deeds and praise your Father in heaven."* (Matthew 5:16, NIV)

Public Disclosure

The FINANCE TEAM desires to be transparent in its operations and has determined that the financial books are available to FIRST members (and others on a need-to-know basis) with the exception of sensitive

information such as donor and payroll data. A summary oral and written financial report will be presented to the membership of FIRST during the regularly scheduled annual business meeting.

If FIRST is required to file an IRS Form 990, disclosure will be made according to the governing laws, rules, and regulations.

FIRST members (and interested others on a need-to-know basis) may inspect the FIRST financial records in the presence of the Senior Pastor or his designee. Such an inspection must be requested in writing to the Senior Pastor and will be scheduled at a mutually convenient time.

Records Retention

FIRST has set the Records Retention Policy according to the Schedule on page 18.

Independent Audits and Reviews

A full audit of the previous fiscal year will be conducted at the request of the FINANCE TEAM or Ministry Engagement Team, according to FIRST's By-Laws, by an independent (NON FIRST MEMBER), licensed certified public accountant (CPA) with an annual review every year.

- A. The audit report will be presented in full conformity with GAAP (General Accepted Accounting Principles);
- B. The audit will include a management letter and audit report;
- C. The audit report will be presented to the Senior Pastor and FINANCE TEAM;
- D. Any audit exceptions will be addressed with the necessary corrective actions as determined by the FINANCE TEAM together with the Senior Pastor and Personnel Committee;
- E. The audit report will be made available to FIRST membership at the next scheduled annual business meeting.

FINANCE TEAM

The FINANCE TEAM members are selected and serve in accordance with the By-Laws of FIRST. Their duties, term of office and qualifications are defined in FIRST's By-Laws.

Internal Controls

FIRST has recommended the Internal Accounting Control Checklist according to the Schedule on pages 18-19. There will be a separation of duties between the authorization of financial transactions and the recording of financial transactions.

Financial System Security/Access

Financial records should be safeguarded. The accounting system should be protected with appropriate passwords that are not easily guessable, and all physical records (hard copies of invoices, checks, etc.) should be kept in a secured area. Only individuals with legitimate business needs should have access to view the accounting system, and only those authorized should be able to make changes to the data in the system.

Fiscal Year

FIRST's fiscal year runs from September 1st through August 31st.

Accounting Method

Interim financial statements and reports may be presented on a modified cash basis. Modified cash means that all receipts and expenses will be processed on a cash basis. Payroll and receivables, however, may be processed on an accrual basis.

FINANCE TEAM and FIRST require audited financial statements to be presented in accordance with GAAP. Audit adjustments must be made so that FIRST's financial records are in accordance with GAAP.

Monthly Financial Statements

FIRST's financial statements are to simply and effectively communicate FIRST's financial position to staff and others both internally and externally.

Timeliness

FIRST's monthly financial statements should be completed and distributed for review by the FINANCE TEAM by the regularly scheduled FINANCE TEAM monthly meeting. When extenuating circumstances occur such as short staffing due to vacation or turnover, this policy may be temporarily modified for one month at a time by the Senior Pastor and ratified by the FINANCE TEAM.

Required Reports

Minimally, FIRST's monthly financial reports will include:

- A statement of financial position (balance sheet) showing balances at the end of the current period ,
- A statement of activities (income statement) showing the current period and year-to-date,
- A budget variance report showing the current period and year-to-date budget performance, and
- A designated funds report showing the current period fund activity.

Distribution

FIRST's monthly financial statements will be distributed to—

- The Senior Pastor and the FINANCE TEAM, in whole,
- Department and/or ministry heads reflecting only their areas of budgetary responsibility,
- FIRST members will receive a summary statement and yearly financial report at the annual business meeting.

Government Tax Requirements

FINANCE TEAM's policy is to obey Jesus' mandate in Matthew 22:21 in which He said that we are to *"give to Caesar what is Caesar's"* (NIV). At the same time, the FINANCE TEAM wants to minimize the taxes governmental authorities require of FIRST.

Payroll Tax

All payroll tax deposits will be made according to the schedule set by each appropriate government agency.

Unrelated Business Income Tax (UBI)

FIRST will file IRS Form 990T and any state or locally required forms when unrelated business income is received above the limits set by the appropriate governing authorities in a timely fashion.

Property Tax

All property taxes levied will be paid in a timely fashion. Whenever possible, properties owned and/or used by FIRST should be removed from the property tax rolls through appropriate authorities and processes.

Sales/Usage Tax

Sales and usage taxes should be paid in accordance with appropriate state and local regulations in a timely fashion.

Minimum Staffing/Internal Control Recommendations

FIRST wants to keep the accounting department staffed at the adequate levels to safeguard FIRST's assets with appropriate internal controls.

Cash Management

Petty Cash

The purpose of petty cash is to have a small amount of cash on hand for emergency expenditures only. It is for FIRST business only and is not authorized to be used for loans to anyone for personal use, and/or cashing of personal checks.

Petty Cash Balance

Only one (1) FIRST petty cash fund of \$400 is authorized, and a maximum of \$40.00 will be distributed to any person at any time.

Procedures

The FINANCE TEAM will identify an individual to be the custodian responsible for the petty cash fund. This custodian must submit Petty Cash Log and Reconciliation forms (see example on page 20) when replenishment is required.

Disbursements

All disbursements must be accompanied by a receipt or signed check request form. These must document the recipient of the petty cash funds (individual or organization), the amount and date of the transaction, the FIRST purpose for which the funds were spent, and the recipient's signature.

Replenishment

The petty cash fund will be reconciled and replenished as needed. Each replenishment must include a Petty Cash Log and Reconciliation form.

Check Cashing

FIRST is not to serve as a check-cashing resource for any person or organization.

Purchase Orders

An approved Purchase Order Form or check request form is required, PRIOR TO A PURCHASE, of any non-budgeted expenditure exceeding \$500.00. The Committee/Ministry Heads are responsible for submitting the Purchase Order Forms/Check Request Forms for approval. The Senior Pastor or an individual designated

by the FINANCE TEAM will approve all supporting documentation. Blanket Purchase Orders are not permitted.

FIRST Provided Charge Cards

When FIRST provides a staff member/volunteer with a FIRST charge card, the staff member/volunteer must provide receipts for each expenditure with a written purpose of the expenditure. Direct billed FIRST credit charges will be submitted by each employee on an approved expense report form. When using FIRST credit accounts, be sure to check that no sales tax is being withheld. Expenditures exceeding \$500.00 must have the prior approval of the staff member's/volunteer's supervisor, except in the case of an emergency. Receipts must be turned in within one month of the expenditure unless other arrangements have been made. Personal charges are not authorized on any FIRST charge accounts.

Activity, Event and Retreat Cash Advances

Budgeted activity, event, and retreat cash advances must be approved by the Senior Pastor, and must be accounted for according to FIRST's Accountable Reimbursement Plan (see page 12). If a non-budgeted activity is planned, the responsible staff member or the senior pastor must approve the advance.

Bank Accounts

Establishing New Checking Accounts

The FINANCE TEAM's preference is to manage as few checking accounts as possible. All bank accounts will be FDIC insured and the FDIC insured limits will be complied with at all times. The FINANCE TEAM and the Senior Pastor, together, will determine the number and type of cash management accounts necessary to support FIRST's cash management needs. All bank and investment accounts must be recorded on FIRST's financial statements and be reconciled monthly. Only bank accounts controlled by FIRST will be allowed to use FIRST's Federal Identification number.

Checking Account Signatories

Two signatures will be required on all checks.

Designation of Authorized Check Signatures

The FINANCE TEAM will recommend to FIRST persons authorized to sign checks for each account held. Those prohibited from being authorized check signers include the Senior Pastor, and any person currently serving on the FINANCE TEAM and any person who has access to the general ledger.

Signatories' Responsibilities

The signatory for a check, prior to signing, is to verify that the expenditure is appropriate. This is measured by asking the following three (3) questions (a yes response to each question is required for each check):

1. Is the check request signed by the person responsible for the general ledger expense account being charged
2. Is there supporting documentation, such as an invoice and/or purchase order
3. Is the expenditure reasonable, both as to amount and items being purchased

Cash Reserves

The FINANCE TEAM has determined that the minimum cash reserve level for expenses is one-fourth of FIRST's annual budget for the fiscal year, to be used in the case of emergency or temporary budget short fall. FIRST membership approval is required before allowing cash reserves to fall below one-sixth of the annual budget.

Investments

As deemed necessary by the FINANCE TEAM, and Senior Pastor, excess cash will be invested in a money market account at a reputable banking institution insured by the FDIC. Other investments must be voted on by FIRST membership.

Long-Term Debt

All notes and non-budgeted leases must be recommended by the FINANCE TEAM and approved by the FIRST membership.

Annual Budget

To assist FIRST achieve its mission and goals and as defined within FIRST's By-Laws, the FINANCE TEAM has determined that an annual budget is required to ensure that best stewardship is achieved. This process will help to ensure that each expenditure is driving FIRST closer to its targeted goals and accomplishing its mission.

Timing and Oversight

The Senior Pastor is responsible to:

- Meet with the FINANCE TEAM determine the budget thresholds, goals, and procedures for developing the budget for the new fiscal year;
- Meet with staff members and Committees/Ministry Teams to discuss budget goals and procedures at least annually;
- Meet with the FINANCE TEAM to prepare a fair and balanced budget for presentation to FIRST membership;
- Meet with the FINANCE TEAM and present the proposed budget;
- Communicate any changes to the proposed budget to staff members and Committees/Ministry Teams;
- Monitor and report on budget performance throughout the year.

The budget process for the next fiscal year is to begin not less than three months prior to the end of the current fiscal year, and should be completed by the end of the eleventh month of the current fiscal year. In accordance with FIRST's By-Laws, when necessary, the FIRST membership, at the recommendation of the FINANCE TEAM, may vote to adjust budgets to accommodate lower-than-anticipated income or other material changes to budgeted expense items.

Process

Each year the budget should be approached freshly, as though this was FIRST's first year. This will help avoid continuing functions that don't help FIRST achieve its goals or fulfill its mission.

Adjustments

Ministry heads may adjust line items within their areas of responsibility, during the fiscal year, under two conditions:

- Such adjustments do not change the overall bottom line of their department, and;
- The department head has met with the Senior Pastor in advance, and the Senior Pastor has agreed to the change.

Activities, Events, and Retreats

All activities, events, and retreats will be self-funding unless agreed to in advance through the budget process. This means budgeting realistic income as well as expenses for each event, and tracking income and expenses in the general ledger.

Stewardship

Mission Giving

FIRST believes in the biblical basis of mission giving as commissioned by the Lord Jesus Christ in Matthew 28:18-20. The church will commit to give a minimum of ten percent (10%) of its general receipts to mission causes.

Unrestricted Gifts

FIRST members are encouraged to support the ministries of the church through regular tithes and offerings to the general operating budget of the church.

Designated Gifts

Individuals can give designated gifts for the ministry of the church. Twelve (12) month inactivity in a designated fund may result in its closure as determined by the FINANCE TEAM.

Memorial Funds

While FIRST believes in the importance of memorial funds, the FINANCE TEAM will make the final decision in the usage of the memorial funds. The FINANCE TEAM will respect the intent of the donors, but FIRST will not be legally bound by the donor's intent.

Income

Cash Handling

When receiving and handling cash contributions:

- A. There will be a minimum of two approved people with the cash at all times;
- B. The cash needs to be counted in a secure area;
- C. Counting teams should be rotated regularly;
- D. A Deposit Log and Bank Deposit Form (Appendix, page XX) should be completed in ink and signed by each counter present.
- E. Cash/checks should be kept in a secured location at all times. All deposits shall be made as soon as practical to minimize the risk of loss;
- F. The cash received will never be used to cash checks or pay for expenses, and will be deposited in full.

Non-Cash and 8282/8283 Gifts-in-Kind

When non-cash gifts, or gifts-in-kind, are received, they are to be acknowledged in writing, but never assigned a value. If a non-cash gift is given to FIRST whose assessed value is above \$5000 (excluding

publicly traded securities), the Senior Pastor or his designee will complete Part IV of Section B on IRS Form 8283 for the donor. If FIRST disposes of any gift for which an 8283 was issued within two years, the Senior Pastor or his designee will complete IRS Form 8282 and send it to the IRS and to the donor.

Stock Gifts

When FIRST is given stocks or bonds, it must be in compliance with First's By-Laws.

Love and Freewill Offerings

Love and freewill offerings may occasionally be authorized. These must be approved in advance by FINANCE TEAM or by a member of the church pastoral staff designated by the FINANCE TEAM. If the recipient is an individual vs. a corporation, FIRST must have a current W-9 on file before the funds are disbursed and they will be issued an IRS Form 1099 if the annual amount is \$600 or more.

Real and Personal Property

The handling of gifts of real property and personal property are discussed by a defined process in Sections 9.4 and 9.5 of FIRST's By-Laws.

Statements and Receipts

FIRST's intent is to acknowledge all gifts received in writing. All receipts and statements for the previous year will be made available by January 31st.

Checks Received for Non-Exempt Purposes

Checks received by FIRST in which the person who wrote the check received a personal benefit, directly or indirectly, should be so stamped identifying the portion of the check received that is not tax deductible, and not included on their contributions statement. Examples include wedding and funeral fees, retreats and activities, meals, etc.

Fundraising/Donor Development

All sales and/or fundraising appeals require the prior approval of the FINANCE TEAM. These requests will only be considered for projects, organizations, or individuals sponsored or supported by FIRST.

FIRST List Privacy

FIRST lists will not be given, rented, or sold to any outside organization.

Compensation for Fundraising/Donor Development

FIRST will not compensate employees or outside consultants for fundraising/donor development efforts on a percentage basis.

Royalties on Promotional Items

FIRST will not offer any promotional item in which a FIRST officer, director, or other FIRST principal receives royalties or other compensation for the item.

Short-Term Mission Trips

Only those with prior Mission Committee and FINANCE TEAM approval may make individual support appeals. Trip participants may raise financial support outside FIRST membership to help in their

participation in missions trips. Although mission trip participation may require a minimum fee, whether paid or raised, funds raised to support individuals going on short-term mission trips go into a pool to support the entire mission trip and its participants, not just to one individual. Donors must be informed in advance that their donation may be used to help multiple individuals, and checks must be made payable to FIRST. Money given for a mission trip shall be treated as a designated gift.

Sales and Related Inventories

Any Ministry that is going to sell items, for a profit, needs to have the prior approval of the Senior Pastor. The kinds of issues that must be addressed are collection of sales taxes (where required by state and/or local laws) and procedures for tracking sales and purchases (see examples of Sales Log, Monthly Perpetual Sales Inventory Log, and Physical Inventory Count forms on pages 26, 27, and 28 respectively).

Rental Income

FIRST may allow the use of its properties, facilities, and equipment for groups or special events when not in disagreement with our stated purpose, mission, or FIRST's zoning use permit. Fees will be charged on a case-by-case basis managed by the Senior Pastor or his designee. Any group or individual using FIRST's properties, facilities, or equipment is responsible for scheduling the setup and cleanup for the event unless other arrangements were made in advance. Damages and/or breakages incurred must be reimbursed by the using group or individual.

Property and Facility Use Fees

Property and facility use fees will be accounted for in accordance with IRS regulations regarding unrelated business income (UBI), if applicable.

Disbursements

Accounts Payable

Check-Writing Schedule

Accounts payable checks will be written once each week according to a regular schedule. To facilitate accounts payable work flow, completed check request forms and support documentation should be submitted to the proper location throughout the week, and no later than noon the day before the scheduled check run. Although strongly discouraged, exceptions to this policy, if approved, must have the requestor's supervisor's signature on the check request form authorizing the off-schedule payment.

Vendor W-9's

Completed W-9's will be requested from all vendors. Cash disbursements to individuals and companies cannot be made until a completed W-9 is on file in FIRST's vendor file.

Vendor-Specified Terms

FIRST and the FINANCE TEAM, wanting to protect the name and reputation of Christ's work on Earth, want all invoices to arrive at the invoicing vendor's remittance address no later than the vendor's due date. FINANCE TEAM's policy is to pay invoices by their due date, as stated, but not immediately upon receipt unless that is the only way to satisfy the vendor's terms. If, for some reason, satisfying the vendor's terms is

not possible, the Senior Pastor or his designee should be notified and should make alternative arrangements with the vendor.

Required Documentation

All Check Request forms must be signed by the authorized person responsible for the expense being charged. In addition, the check request must have supporting documentation such as an invoice, purchase order, receipt, or other written document.

Payroll

Ministerial Compensation Issues

FIRST's ministers are employees and receive IRS Form W-2's. The IRS has said that ordained ministers are self-employed for Social Security and Medicare tax purposes, and therefore Social Security and Medicare taxes are never to be withheld from an ordained minister's paychecks. Ordained ministers are required to pay quarterly tax estimates to the IRS directly. FIRST is not required to withhold income tax (FWT) for ordained ministers, but ordained ministers can elect to have FWT withheld and sent in to the IRS on their behalf. To relieve FIRST's ordained ministers from having to file quarterly estimates entirely, they may elect to have FWT withheld from their paychecks along with an additional amount that covers what they believe will be their Social Security and Medicare tax liability.

Pay Periods

FIRST pays employees by check or direct deposit on a regular basis and in a manner so that the amount, method, and timing of such payments comply with any applicable laws or regulations. All employees are normally paid on the fifteenth and the last day of the month. If the regular payday occurs on a Saturday, Sunday, or holiday, employees will be paid on the last working day prior to the regular payday.

Timesheets

All nonexempt hourly employees are required to complete an individual time record showing the daily hours worked. Time records cover one pay period and are to be completed contemporaneously throughout each workday. Because time records are legal documents, their falsification can result in discipline up to and including termination. The following points should be considered in filling out time records:

- A. Employees are to record their starting time, time out for lunch, time in from lunch, quitting time, and total hours worked for each workday;
- B. Employees are not permitted to sign in or commence work before their normal starting time or to sign out or stop work after their normal quitting time without the prior approval of their supervisor;
- C. Employees are required to take lunch and/or meal breaks when appropriate;
- D. Employees are required to sign each time sheet certifying that it is complete and includes all time worked for FIRST;
- E. Employee time records are to be checked and signed by the supervisor involved. Un-worked time for which an employee is entitled to be paid (paid absences, paid holidays, or paid vacation time) should be entered by the supervisor on the time record. Authorized overtime also should be identified by the supervisor; and prior approval for overtime must be given by the Senior Pastor.

Exempt and nonexempt salary employees are not required to fill out hourly time records but must account for daily attendance. In addition, exempt employees will not normally receive overtime compensation.

Reporting

It is the responsibility of the Senior Pastor or his designee to ensure that all government-required forms are accurately completed and submitted to the proper governmental authorities by their required due dates. It is also the responsibility of the Senior Pastor or his designee to ensure that all payroll taxes are transferred to the appropriate authorities by their required due dates.

Employee Payroll Advances

Employee payroll advances must be in compliance with First's Personnel Policies & Procedures.

Employee Expense Reimbursements

Accountable Reimbursement Plan

FIRST has adopted an accountable reimbursement policy pursuant to income tax regulations 1.162-17 and 1.274-5T(f). This policy makes it legally possible for FIRST to reimburse legitimate approved expenses to employees without having to show them as taxable income. Following are the terms of our accountable reimbursement policy:

- A. Any FIRST employee will be reimbursed for any ordinary and necessary business and professional expenses incurred on FIRST's behalf if the following conditions are satisfied:
 - a. The expenses are reasonable in amount;
 - b. The employee documents the amount, time and place, business purpose, and business relationship of each person or persons entertained with the same kind of documentary evidence that would be required to support a deduction of the expense on the employee's tax return (receipts are required; oral or employee-written statements will not qualify);
 - c. The employee documents such expenses at least monthly by submitting a Check Request form that has supporting documentation attached—an expense will not be reimbursed if submitted more than thirty (30) days after the expense is paid or incurred by the employee.
- B. Reimbursements will be paid out of budgeted FIRST funds, and not by reducing compensation by the amount of the reimbursements;
- C. Reimbursable and professional expenses may include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, vestments, cellular phone, and professional dues;
- D. FIRST will not include as taxable income any business or professional expense reimbursement properly substantiated and reimbursed according to this policy, and the employee should not report the amount as business expense on his/her IRS Form 1040;
- E. Any FIRST advance or reimbursement that exceeds the amount of business or professional expenses properly accounted for by an employee according to this policy must be returned to FIRST within 30 days after the associated expenses are paid or incurred by the employee, and will not be retained by the employee;
- F. If, for any reason, FIRST's reimbursements are less than the amount of business and professional expenses properly documented by an employee, the employee may deduct the unreimbursed expenses as allowed by law;
- G. Under no circumstances will FIRST reimburse an employee for business or professional expenses incurred on its behalf that are not properly substantiated according to this policy;
- H. All receipts and other documentation from an employee to substantiate reimbursed expenses under this policy will be retained by FIRST.

Automobile Usage

FIRST may allow certain employees to drive on FIRST business. Employees who use their personal vehicle for approved business purposes will receive a mileage reimbursement equal to the current IRS business mileage rate in effect at the time for such usage. According to the IRS, this allowance compensates for the cost of gasoline, oil, depreciation, and insurance. In addition, employees driving on FIRST business may claim reimbursement for parking fees and tolls incurred.

Fixed Assets

Inventory

A schedule of fixed assets will be maintained by the Senior Pastor or his designee that includes all assets purchased whose cost was more than the capitalization level (see the following capitalization policy). Although often less than the capitalization level, items that should always be included in the schedule are computers, printers, scanners, fax machines, cameras, PDA's (personal digital assistants such as Palm Pilots), cell phones, sound equipment, and other portable items. All items in the fixed asset schedule should be identified as belonging to FIRST with an individually numbered tag. The schedule of fixed assets should be independently confirmed annually by a person outside of the accounting department and independent of those having custody of assets with a physical inventory which is signed and dated by the Senior Pastor.

Capitalization

FINANCE TEAM's capitalization level is \$2,500. To facilitate the budget process, it is FINANCE TEAM's policy to expense departmental capital purchases throughout the fiscal year, and then to reclassify them in period thirteen to the Fixed Asset section of the statement of financial position (balance sheet). Depreciation should, following the period thirteen reclassification, be posted for the purchase year beginning with the purchase date. This expense can be applied to period thirteen in the purchase year, but shall be done monthly in subsequent years.

Property and Liability Insurance

FIRST shall insure all church property at replacement value.

Depreciation

All assets will be depreciated monthly using the straight line method over the asset's useful life. The depreciation schedule should be independently reconciled by a person outside of the accounting department and independent of those having custody of assets at least annually with the general ledger. Land is not depreciated.

Retirement

When a FIRST asset is about to be retired, it will be communicated through a method chosen by the Senior Pastor so that interested parties may bid on purchasing the item. All such purchases are without any written or implied warranties as to usefulness, safety, or any other expectation.

FIRST Formal Tendering Process

In order to achieve value for money, FIRST will use a range of methods to procure products and services. The choice of method depends on the type of product or service and its overall value. However, competitive formal tendering is our overall preferred course of action for supplier selection and will be utilized at the discretion of the FINANCE TEAM with or without modifications when the value of the goods and services to be purchased exceeds \$15,000. The following documents will be used:

- Covering letter
- Instructions to tenderer
 - Detailing administrative procedures relating to the tender e.g. dates and times, method of tender return, evaluation criteria, where, and to whom tender queries should be directed
- Invitation to tender, including:
 - Specification of requirement(s)
 - Service level agreement
 - Commercial, operational, corporate social responsibility and health and safety questionnaires
 - Pricing schedule

Formal Tendering Process

There are two tendering approaches that are approved by the FINANCE TEAM and are to be used for all contracts that exceed \$15,000. “Sealed bids” are required for all formal tendering.

- *Open tendering* (a minimum of three (3) bids are required)
 - Open tendering is a one-stage bidding process, where all interested service providers responding to an advert/solicitation will be invited to submit a tender. The advert/solicitation states where interested parties obtain tender documents and the last date when tenders will be accepted.
- *Restricted tendering* (a minimum of three (3) bids are required)
 - This is a two-stage bidding process in which potential contractors expressing an interest in bidding are evaluated first. A short list is then drawn up from the evaluation exercise for the sole purpose of inviting bids. The contractor notice gives details on information that must be submitted by the supplier or on how to receive the necessary documentation to express an interest in being short listed. The restricted procedure is most likely to be applied where large numbers of applicants are anticipated.

Pre-qualification

Potential suppliers must demonstrate their financial, commercial and technical capabilities to fully meet the contractual requirements under tender. FIRST also takes account of a company's past performance and experience with reference to contracts of a similar nature, both with the FIRST and other organizations. We also look for clear demonstration of commitment to equal opportunities in employment, to the environment and to health and safety (where appropriate).

Evaluation of Tenders

In order to preserve the integrity of the competitive tendering process, it is imperative that the evaluation of proposals is undertaken objectively, consistently and without bias towards particular suppliers. Tenders are usually evaluated against a pre-determined set of criteria. Scoring and weighting of criteria is determined at the same time the tender is compiled. It is very unlikely that contracts are awarded on the basis of price alone. FIRST will only award a contract to the supplier(s) it considers offers the best value for money. For this reason, the main evaluation criterion will be the "most economically advantageous tender" as determined by the criteria set out in the tender documents. The award criterion varies depending on the type of contract. Examples of award criteria, in addition to price, are experience, technical merit, financial viability, and flexibility to future changes to requirements, speed of project delivery, sustainability, quality and equalities.

FIRST will ask for references from previous customers, bankers and business information companies and, in some cases, arrange inspection visits to the company and/or its work sites.

Award of Contract

A Tender Evaluation Team, will examine each tender received and make recommendations as to which tender represents best value for money. Once the contract has been awarded, both the successful and unsuccessful tenderers will be notified. Unsuccessful tenderers may obtain feedback through written application to FIRST.

Tender Evaluation Team

The Tender Evaluation Team will be selected at the discretion of the FINANCE TEAM and will consist of either three (3) or five (5) of the following:

- The Senior Pastor
- The Chairman or Head of the Ministry/Committee in the area where the expenditure will occur
- The FINANCE TEAM
- At least two (2) other members that will be chosen by the FINANCE TEAM.

Appendix –Sample Forms
(substitutions are allowed as practical with FINANCE TEAM approval)

Records Retention Schedule.....	18
Internal Controls Audit Checklist.....	19
Check Request.....	21
Deposit Log – General Fund.....	22
Deposit Log – Designated.....	23
Employee Timesheet.....	24

Type of Record	Retention Time
Corporate Records	
Incorporation documents (such as Articles of Incorporation, Bylaws, Constitution, etc)	Permanent
Governing board documents (such as meeting agendas & minutes, etc	Permanent
Insurance policies & related correspondence (including those that have expired)	Permanent
Property records (such as deeds, blueprints, etc)	Permanent
Tax exemption documents (such as federal and state applications, determination letters, supporting documentation, etc)	Permanent
Executed contracts & leases	10 years beyond termination
Financial Records	
CPA reports & correspondence (such as audits, reviews, compilations, etc)	Permanent
Annual Treasurer's financial report / statements	Permanent
Annual IRS 990 information returns with tax return worksheets & backup	Permanent
General ledger	10 years, then destroy
Subsidiary Ledgers	7 years, then destroy
Contribution year-end statements	7 years, then destroy
Annual IRS 990 information returns tax return worksheets & backup	7 years, then destroy
Vendor invoices & supporting documentation (including W9 & 1099 forms)	5 years, then destroy
Bank statements & reconciliations, canceled checks, check registers, investment account statements, etc	5 years, then destroy
Contribution envelopes & other supporting documentation - for restricted purposes	3 years beyond restriction being met, then destroy
Contribution year-end statement envelopes & other supporting documentation	3 years, then destroy
Petty cash vouchers	3 years, then destroy
Monthly Treasurer's financial Reports / statements	3 years, then destroy
Journal entries	3 years, then destroy
Budgets	3 years, then destroy
Annual trial balance	3 years, then destroy
Bank deposits slips & remittance advices	1 year beyond payment / filing, then destroy
Human Resource Records	
Payroll tax returns	10 years, then destroy
Personnel records including application, INS I-9, reviews, etc	7 years beyond termination, then destroy
Time cards	5 years, then destroy
Expense reports	5 years, then destroy
Employment applications of those not hired	1 year, then destroy
Scholarship Records	
Scholarship recipient information (such as name, address, school attending, etc)	7 years beyond end of scholarship, then destroy
Scholarship applications	3 years, then destroy
Selection committee records (such as selection criteria, etc)	3 years, then destroy

General	
	Is there a complete and up-to-date accounting procedures manual
	Are accounting records safeguarded (who has access to general ledger processing)
	Are all persons with access to cash bonded
	Are monthly bank statements reviewed and reconciled by a person having no responsibility for handling cash, processing, and recording functions
	Are bank statements mailed directly to person reconciling the account
	Is there one person assigned to monitor internal control policies
	Do all persons have accountability to another
	Are vacations required
	Are jobs rotated for everyone involved in handling and accounting for cash
	Are money and other valuables always kept in a locked safe
	Do you have an annual CPA audit
	Are new employees qualified and screened
	Are the financial statements periodically verified to the general ledger
Cash Receipts	
	Are two or more people with the cash at all times
	Is the cash counted in a secured area
	Are volunteers rotated regularly (ushers and counters)
	Are counter's tally sheets completed in ink
	Are counter's tally sheets signed by all counters
	Is a <i>copy</i> of weekly tally sheet kept separate from cash
	Are deposits made by Monday
	Are contributors encouraged to write checks and use offering envelopes
	Are offering envelopes encouraged to be used even with cash offerings
	Is cashing of checks and other use of offerings prohibited
	Are offering counts and deposits done by different people
	Are deposit slips reconciled to offering counts regularly
	Are contribution receipts distributed on a regular basis, and any discrepancies encouraged to be reconciled
	Are checks stamped "For Deposit Only" immediately after being received
	Is accounting record access denied to persons receiving cash
	Is the collection always deposited intact, including coin

Cash Disbursements	
	Are the authorization, processing, check signing, recording, and bank reconciliation functions performed by separate individuals
	Is there a written authorization policy and is it adhered to
	Is there an annual budget
	Does the finance committee or other qualified persons review budgeted financial statements
	Are cash purchases kept to a minimum (petty cash only)
	Is more than one person required to sign a check above a nominal amount
	Does a listing of checks (check register) accompany the checks for signature
	Is the check signer required to initial the check register that they have reviewed the supporting documentation
	Do all disbursements require supporting documentation (appropriate receipts)
	Are employees required to give adequate substantiation for travel and miscellaneous reimbursements
	Are all charge account items supported with individual receipts along with monthly invoices and statements
	Has the bank been instructed not to cash church checks made payable to the church or to cash
	Are supporting documents canceled when checks are issued
	Is there an approved list of vendors
	Are unused checks kept in a secured location
Bookstores and Other Sales	
	Is responsibility for inventory established and appropriate physical safeguards maintained
	Are inventory records periodically reconciled with the general ledger
	Is a physical inventory periodically taken by persons independent of custody and record keeping functions
	Are cash register tapes used in duplicate (a copy for management that cannot be touched by store)
Payroll	
	Does an independent party review your salaries and benefits to determine that all taxable compensation is being recorded on the employee's W-2
	Are wage approvals, employment status, and job descriptions maintained in employee personnel files independent of the accounting department
	Are time cards signed by employees and supervisors outside the accounting department
	Does the payroll register accompany the checks for signature
	Are payroll registers reviewed and initialed by the check signer
Fixed Assets	

	Are fixed asset purchases approved by the governing board
	Is the fixed asset ledger periodically reconciled with the general ledger by a person independent of the recording and custody functions
	Does the fixed asset ledger include all land, buildings, and equipment showing description, location, identification number, date of acquisition, and cost of each asset
	Are physical inventories of fixed assets periodically taken by persons independent of custody and accounting functions
Petty Cash	
	Do you keep an impress petty cash fund (The cash, receipts, and vouchers should always add up to the total amount allocated to the fund. Receipts are totaled and given to the accounting department when the fund needs to be replenished.)
	Is the responsibility given to a single custodian
	Is there a policy for the types and amounts of disbursements allowed
	Are advances to employees authorized by appropriate personnel
	Do persons receiving petty cash sign petty cash vouchers
	Are petty cash reimbursement checks payable only to the custodian
	Are receipts and vouchers reimbursed marked to prevent reuse
	Is there security over funds (locked boxes, etc.)
General Ledger	
	Do you use a double-entry system of accounting
	Do you have subsidiary accounts to support balance sheet accounts (fixed assets ledger, accounts receivable ledger, accounts payable ledger, inventory controls, etc.)

FirstMontgomery Check Request Form

Part 1: To be filled out by the person requesting the funds

Request For (Circle One): Reimbursement Prepayment*

*Requires actual receipt after purchase

Payee _____ **Date** _____

Description	Amount	Ministry Budget ¹	Classification (Office Use Only)

Total Amount \$ _____

¹Ministry Budgets: Facilities, Sr Adults, Youth, Children, Preschool, Missions, Bible Study Literature, Fellowship, Benevolence, Worship, Banners, Office Supplies, Other
(Approval of designated staff member is required for all requests)

Part 2: To be filled out by the staff member approving the funds

Name of Approving Staff Member _____

Signature _____ **Date** _____

FirstMontgomery

BAPTIST CHURCH

Deposit Log for General Fund

Date: _____

	Tithes & Offerings	Wednesday Meals	Missions	EL Salvador Mission	Youth				
	1	2	3	4	5	6	7	8	Totals
Currency									
Coin									
Checks									
Totals									

Print Name _____

Print Name _____

Signature _____

Signature _____



Deposit Log - Designated

Date: _____

Currency	
Coin	
Checks	
Totals	

Print Name

Print Name

Signature

Signature

TIMESHEET

WEEK OF:TOTAL HOURS _____

TOTAL HOURS _____

Supervisor (Signature)	Print Name	Date
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Employee Statement of Acknowledgment

This is to acknowledge that I have received a copy of FIRST's Financial Management Policies and Procedures Manual. I understand that it provides guidelines and summary information about FIRST's financial policies, procedures, and rules of conduct. I acknowledge specifically that all email, computer and communications equipment, software, networks, and systems, Internet and other online access and/or email accounts, and all other computer and communications mechanisms, are the property of FIRST and are provided to enable me solely to carry out my duties for FIRST and in furtherance of its ministry purposes, and that all email messages and other content I may create in my service to FIRST are and shall remain the exclusive property of FIRST. I also understand that it is my responsibility to read, understand, become familiar with, and comply with the standards that have been established in this Manual. I further understand that FIRST reserves the right to modify, supplement, rescind, or revise any provision or policy from time to time, with or without notice, as it deems necessary or appropriate. I further understand and agree that any violation of FIRST's policies or procedures may lead to disciplinary action, up to and including termination of my employment with FIRST.

Team Member's Name (Please Print)

Team Member's Signature

Date