



## **Mennonite Church USA Treasurer's Handbook**

### **Sample Guidelines/Policies**

1. Counting the money – how to play it safe
2. Pastor's housing allowance worksheet
3. Pastor's living in a parsonage worksheet
4. Memorial Gift Policy - sample
5. Policies for Stewardship of Financial Assets - sample
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## Counting the money – How to play it safe

Pages 2-6 were developed by Don Stauffer for a workshop he led at Indiana-Michigan Mennonite Conference in 2006. Don is retired from Stauffer and Company, a CPA firm.

### Internal Controls for Accounting Systems

#### **Objectives**

Internal controls serve several purposes. One is to protect an organization's assets. Another is to protect the reputations of the individuals responsible to manage and carry out the financial responsibilities and recording of transactions. Another is to ensure compliance with an organization's policies. Internal controls create a system of checks and balances that helps to prevent a person from making a mistake (intentional or not) and then cover up that mistake.

#### **Accounting Procedures Manual**

A manual should describe the procedures to be followed in the execution, recording, and reporting of financial transactions. This provides a guide for persons involved in the various processes to understand the expectations of their task as well as the tasks of others involved in the transaction process. Below are some of the items to be included in the manual, and certain procedures that should be considered for each process.

#### **Financial Budget**

An annual operating budget should be prepared with input from each of the managers of all divisions or projects. The budget should be approved by the Board. The budget is a valuable tool to be used by Board members and managers for comparing actual results with the budget plan. Significant variances can then be easily identified for additional inquiry or investigation.

#### **Cash Receipts**

All cash received should be properly receipted, and kept in a secure area. In general, the person receiving and preparing the receipt should be someone other than the person responsible for recording the transactions. The person making deposits to a bank should also be someone other than the one receiving the funds and making the receipt.

#### **Cash Disbursements**

Payments should be properly authorized and documented by an invoice or a payment requisition form by a person with authority to request the payment. Many expenditures, such as salaries, rent, and other similar fixed regular payments, do not need an invoice or requisition form. These items would have a standing authorization based on the budget or contract agreement.

#### **Separation of Duties**

One important internal control factor is to have different persons performing different tasks. For an adequate separation of duties to occur, authorization of transactions, recording of transactions, and asset custody should be performed by different individuals. When different people handle separate aspects of the same transaction, the likelihood that an error will go all the way through the system is diminished. Each person will, in effect, be checking on the other's work.

### **Reporting**

Regular financial reports should be provided to the organization's team leaders, managers, finance committee members, and any other persons responsible for a specific area of operation. Annual reports should be provided to Board members and member agencies.

### **Monitoring and Review**

An evaluation of an organization's financial records can be performed at different levels. The first option is to have an internal review of the records performed by a person who is part of the organization, but not involved in the financial activity process. This can be a person who is knowledgeable in accounting and finance procedures and may be a member of the finance committee or the Board of directors. Some not-for-profit organizations arrange for an outside person to perform this task on a voluntary service basis. These procedures would include reviewing recorded transactions to ensure they comply with the organization's stated accounting policies and procedures. Tests would also be performed to ensure proper documentation exists to support the recorded receipts and disbursements and that they have been accurately classified and reported.

Another option would be to employ an independent accounting firm to perform either a review or audit of the financial statements. A review consists primarily of inquiries and analytical procedures, and provides a limited level of assurance that the financial statements accurately reflect the results of the period. An audit involves much more extensive procedures, and provides an opinion of the auditor whether the statements accurately reflect the results of the period.

### **Internal Review Procedures**

A list of certain internal review procedures could include the following:

1. Perform a test of transactions by selecting a sampling of receipts and disbursements and trace each to a source document to determine the transaction is properly documented and recorded.
2. Trace selected receipts to bank statements or to proper records of cash on hand.
3. Review selected bank statement reconciliations to determine that the balance agrees with the accounting records.
4. Check selected disbursements for proper authorization and verify accuracy in the accounting records.
5. Determine that instructions set forth in the accounting procedures manual are being properly followed.

### **Accounting Systems**

There are numerous computer accounting software systems available. Some are specifically designed for not-for-profit fund accounting. The cost and complexity increase with the number of options included. Two of the lower cost and less complex ones (and their web sites) would be: Quick Books ([www.quickbooks.com](http://www.quickbooks.com)) and Microsoft Money ([www.microsoft.com/money](http://www.microsoft.com/money)). While these are often used by not-for-profit organizations, they are not specifically designed for fund accounting. This is generally not a problem unless the organization has a complex accounting system with many different divisions, funds, or projects to track.

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# Offering Worksheet

Date \_\_\_\_\_

Coin	<u>Face value</u>	<u>Number</u>	<u>Amount</u>
	.01	_____	_____
	.05	_____	_____
	.10	_____	_____
	.25	_____	_____
	.50	_____	_____
	1.00	_____	_____

Currency	1.00	_____	_____
	5.00	_____	_____
	10.00	_____	_____
	20.00	_____	_____
	50.00	_____	_____
	100.00	_____	_____

Checks \_\_\_\_\_

Envelopes \_\_\_\_\_

Total amount \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

# Payment Voucher

Date: \_\_\_\_\_

Pay to: \_\_\_\_\_

Amount: \_\_\_\_\_

For: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Approved by:  
\_\_\_\_\_

## Housing Allowance Worksheet

For federal income tax purposes, pastors are permitted to exclude from their church income a housing allowance designated by the congregation, to the extent that the allowance is used for paying housing expenses. Below is a worksheet to assist pastors with this process.

The amount spent for housing is limited to the fair rental value of the home. While all the items listed can be used in determining the amount spent for housing, some of the items could cause the total to exceed the rental value in a particular year. These include a down payment, improvements, and furnishings. The current limitation of the amount to exclude from taxable income for housing is the lesser of, the amount designated in advance as housing, the amount actually used for housing costs, and the fair rental value of the home.

<u>Expenses</u>	<u>Amount</u>
1. Down payment on house	_____
2. Mortgage payment (including both principle and interest)	_____
3. Payments on home improvement projects	_____
4. Rent payments	_____
5. Real estate taxes	_____
6. Property insurance for owners or personal property insurance for renters	_____
7. Utilities (gas, electricity, water, sewer, trash pick up, phone, etc.)	_____
8. Furnishings and appliances (purchase and repair)	_____
9. Structural repairs and remodeling	_____
10. Yard maintenance and improvements	_____
11. Maintenance items (household cleaners, light bulbs, etc.)	_____
12. Homeowners association dues	_____
13. Miscellaneous	_____
14. Total	_____

## Worksheet for Pastors Living in a Parsonage

### Pastor's compensation

- A. Base salary \_\_\_\_\_
- B. Increments for years of service \_\_\_\_\_
- C. Education consideration \_\_\_\_\_
- D. Fair market rental value of parsonage  
including utilities paid by church\* \_\_\_\_\_
- E. **Social Security taxable income (add lines A through B above)** \_\_\_\_\_
- F. Parsonage allowance estimate \_\_\_\_\_
- G. Subtract line F from line E \_\_\_\_\_
- H. Social Security paid by the church multiply line E by 7.65% \_\_\_\_\_
- I. **Income reportable to IRS as wages on W-2 (G + H = I)** \_\_\_\_\_
- J. Contribution to pension plan \_\_\_\_\_
- K. Contribution to health insurance premium \_\_\_\_\_
- L. **Pastor's total compensation (E + H + J + K = L)** \_\_\_\_\_

### Accountable business reimbursement

- M. Hospitality \_\_\_\_\_
- N. Car allowance at current IRS rate \_\_\_\_\_
- O. Continuing education (seminars, books, workshops) \_\_\_\_\_
- P. Professional dues \_\_\_\_\_
- Q. Churchwide meetings \_\_\_\_\_
- R. **Total reimbursements (M+N+O+P+Q=R)** \_\_\_\_\_
- S. **Total cost to church for the pastor's services (L+R)** \_\_\_\_\_

\*The parsonage fair market value should be an agreed upon amount between the pastor and the congregation, as the pastor and the church will have to pay self-employment tax on the amount. Therefore it should not be overstated. The church also pays pension based on this amount, so again it should not be overstated. Nor should it be understated to avoid an adverse effect on the pastor's pension or his/her Social Security benefit.

## Memorial Gift Policy (Sample from one congregation)

**Purpose.** The Memorial Fund Policy has been established to accept bequests or contributions in memory of a loved one. The policy is administered by the Stewardship and Finance Commission and the Church Board in accordance with Church plans and needs. At the Board discretion, the bequest may go to Council for information, feedback, or approval.

1. **Procedure for Giving:** Meet with the Pastor to begin the process
  - a. Designated Gifts: Members and friends of the Church desiring to contribute to a fund in memory of a loved one may give a monetary gift by designating the gift for the Memorial Fund. Designated giving for items/projects not on the memorial wish list (see 4a) will go before the Board for consideration.
  - b. Undesignated Gifts: Undesignated memorial gifts the Church receives will be used as projects arise that are outside of church operating budget.
  - c. Material Gifts: If a donor wants to give a material gift to the Church, the Pastor(s) will send their request to the Church Board for consideration.
  
2. **Recognition of Gifts**
  - a. A Book of Remembrances will record the names of the donors and the name of the person honored. The Book will be maintained by the Administrative Assistant and kept in the Church Library.
  - b. A letter of appreciation for the Memorial Fund or gift will be sent by the Stewardship and Finance Commission and the money will be placed in the Memorial Fund.
  - c. Naming. Plaques and fixed names on gifts if requested should be conservative in nature and appropriate to the project, and approved by Trustee and Property.
  - d. It is understood that items donated may eventually need to be replaced and the Church may do so at its discretion.
  
3. **Record of Gifts**
  - a. All gifts will be properly recorded by the bookkeeper.
  - b. Administrative Assistant will keep a record of intent and contact person.
  - c. Stewardship and Finance will report to the Board and to Church Council all gifts to and expenditures from Memorial Funds.
  
4. **Memorial Fund Type and Uses.** Some or all of a memorial gift may be designated for a specific use in the Church by the family of a person to be honored or by a donor in accordance with Church plans and needs. The following are examples:
  - a. Memorial "Wish List": Each year, the Stewardship and Finance Commission, as a part of the budget planning process, will compile a "Wish List" of projects outside of normally budgeted expenses. This list will serve as a guide to the families and friends as well as to the Pastor(s) in selecting an appropriate gift.
  - b. Capital Reserve Funds: The purpose of the Capital Reserve Fund is to support major capital improvements and repairs. The intent is to preserve the principal amount of the fund and use only the income and/or appreciation, for non-emergencies. The fund is administered by the Trustee and Property Commission in consultation with the Stewardship and Finance Commission.
  - c. Benevolence Funds: Donors may wish to designate gifts to special outreach projects or benevolences that the Church is currently supporting. The Church's budget can be consulted for a list of benevolences the Church is currently supporting. The appropriate Commission in discussion with the Stewardship and Finance Commission shall determine use of undesignated gifts for immediate outreach.
  
5. This policy replaces "Memorial and Estate Gifts, dated November 7, 1979. In accordance with the Church's Constitution, Council can amend this policy.



## **Policies for Stewardship of Financial Assets**

### **(Sample from one congregation)**

#### **Introduction**

Christian stewardship involves conscious, thoughtful, and purposeful decisions about the use of all of our resources and possessions. As **individuals**, we are called to share with the church for building God's Kingdom on earth both from our current income and also from our accumulated, inherited and appreciated resources.

As a **congregation**, we also are called to be faithful Christian stewards. We wish to have a well thought out and clear plan for the management and use of all planned gifts and bequests received by the congregation. We do this with the hope that members and friends of Prairie Street Mennonite Church will be encouraged to make faithful decisions, and that we as a congregation are faithful in carrying out the work of Christ in the world.

#### **Purpose**

The purpose of these guidelines is to establish a pre-determined basis and procedure for receiving, managing and disbursing bequests and other planned gifts received by the congregation. We believe that having comprehensive guidelines will broaden and deepen our understanding of the meaning of Christian stewardship.

#### **Biblical Basis for Stewardship Policies and Guidelines**

The Bible sets forth very clearly God's claim on all of our possessions. "The earth is the Lord's and the fullness thereof" (Ps. 24:1). "For all things come from you, and of your own have we given to you" (1 Chron. 29:14). Our accumulated possessions are not ours alone, but are a means of fulfilling our role of God's faithful stewards.

Jesus spoke often of money and finances, but always pointing beyond them. "For where your treasure is, there will your heart be also" (Matt. 6:21). "You cannot serve God and mammon" (Matt. 6:24). "If, then, you have not been faithful in handling worldly wealth, how can you be trusted with true wealth?" (Luke 16:11). Wealth and material possessions are not to be ends in themselves; what matters is our attitudes toward them and how we use them for fulfillment of the Kingdom.

#### **X Mennonite Church Mission Statement**

(This is currently our "Purpose" statement, but we need a mission statement).

The Church embodies Christ's ministry in three interrelated dimensions of congregational life: in worship, in community and in mission. X Mennonite Church exists to worship God, to nurture believers through preaching and teaching, to share in caring fellowship with one another, to proclaim the good news of Jesus Christ at home and abroad, and to embody justice, love and peace in serving our communities and the world.

## **General Financial Policies**

### **Policy for Cash Reserves**

X will keep a cash reserve of 10% of the previous year's spending plan. Stewardship Commission will be responsible for the reserve. If there is an income shortfall in a year, the reserve will be used to make up the shortfall needed to match income and expenses. A reserve shortfall will be a budget item for up to the next three years spending plans so the reserve is restored.

### **Policy for Acknowledging Annual Fund Contributions, Special Fund Contributions, Major Gifts, Memorials, Other**

#### **Memorial Fund Policy and Procedures Surrounding Memorial Gifts:**

1. Memorials/Bequests may be in any amount but may not be designated for a specific item unless the total cost of that item is covered by the gift.
2. Memorials/Bequests may not be used for maintenance expenses or to meet the budget (this is revised per the Disbursing Bequests... policy below).
3. See separate "Policy Regarding Memorials and Bequests" dated 6/16/1989 – maybe that policy should be revised into this one.

#### **Policy for Fund Disbursements/Drafts/Approval Protocols/Forms**

This area needs to be looked at by Stewardship Commission to fully document the policies and procedures.

#### **Accounting and Auditing Policy/Expectations:**

Annual Trust proceeds are disbursed to the associated Funds and are held in interest bearing accounts until spent by the responsible commission/committee for said amounts.

#### **Policy for Community Benevolences/Discretionary Fund:**

Currently there is no fund. Community members are referred to Church Community Services for assistance. Should we have a fund and who answers that question (Mission Commission)?

#### **Policy for Audit Procedures:**

This area needs to be looked at by Stewardship Commission to fully document the policies and procedures – revise and update.

#### **Policy for Sub-group Funds/Management:**

Do we need policies for creating new Funds/Accounts? This area should be reviewed and documented by Stewardship Commission.

#### **Policy for Special Fund-Raising in the Church:**

Approval/Management/Accounting/Reporting. This area should be reviewed and documented by Stewardship Commission.

#### **Policy for Fund Forwarding to Mennonite Church USA Agencies and Institutions:**

(What if I give \$5,000 to my church designated for Mennonite Mission Network so that a development officer from there won't harass me ☺?). This area should be reviewed and documented by Stewardship Commission.

## Receiving Bequests and Other Planned Gifts

Gifts, whether made directly or by bequest, may come in the form of cash, securities or real property (e.g. real estate, artwork, etc.). When a gift of other than cash is received it will be converted to cash at its present fair market value as soon as is practicable. X primarily uses the services of Mennonite Foundation (MF) for asset conversion and investing the cash in endowment trusts so designated by the donor.

Gifts may be unrestricted or designated for a specific purpose. To ensure that all gifts are effectively used, no gift will be accepted which is unduly restrictive or designated for a purpose outside the scope of X Mennonite Church's Mission Statement. All designated gifts shall include a clause granting to the Church Council the privilege of changing the use of the gift in the event the designated purpose has already been achieved or is not a viable ministry of the congregation or no longer fits the scope of X's mission.

This is language we are using at X: Estate gifts which a donor has restricted will be used in accordance with such restrictions to the extent possible. If it is not possible to follow the restrictions of the donor, the Finance and Audit Committee of the Board of Directors will determine in its discretion an appropriate use for the gift (including use in the general endowment), taking into account the donor's ascertainable intent, subject to approval by the Board of Directors.

All gifts which are accepted will be gratefully received and acknowledged by the Stewardship Commission with the assistance of the church secretary. The name of the individual or family making the gift, or in whose name the gift was made, will be recorded and kept as part of the official church records. If the donor requests anonymity, that request will be honored.

## Managing Trusts, Bequests And Other Planned Gifts

**Investment Management:** Stewardship Commission will work with MF in obtaining guidance, management and investment of all assets received which are to be held for more than one year. To ensure that investments earn a fair rate of return, that all legal and tax considerations are handled properly, and that we follow investment guidelines consistent with the principles of justice and social responsibility, X will follow investment allocation guidelines recommended by Mennonite Foundation and their payout guidelines for all invested funds. Any interest earned on funds awaiting use is to accumulate and be distributed with the principle in accordance with these guidelines.

**Fund Distribution:** Current MF guidelines are: Payouts from the endowments and trusts equal 4.5% of the arithmetic mean (average) of the market value of the fund for the previous five fiscal years.

**Reporting:** A report of the receipts, earnings, Trust and Fund balances, disbursements and other pertinent information regarding bequests and other planned gifts received by X will be made quarterly to the Church Council and annually to the Congregational Business Meeting by the Stewardship Commission.

## Disbursing Bequests and Other Planned Gifts

- **Designated Gifts.** If a gift is received which designates a purpose for which the amounts are to be used, the dollars will be disbursed in accordance with such designation as soon as is practicable.
- **Undesignated Gifts.** Gifts received as undesignated, or designated gifts where the specified purpose has already been achieved or is not viable, will be disbursed in light of our Mission Statement as follows:
  1. The first \$5,000 will be transferred to the operating fund of the congregation in the year of receipt. If the gift is under \$5,000, the entire amount is so transferred.
  2. The remaining funds will be added to the Missions Trust (50%), the Building Trust (25%) and the Capital Improvement Trust (25%) per the percentage splits defined below for the X Endowment Trust.
  3. Any change to the above distribution shall require approval at a regular Congregational Business Meeting.