

UNITARIAN CHURCH of LINCOLN
FINANCE HANDBOOK

MARCH 2020

TABLE OF CONTENTS

Introduction	1		
Financial System		Audit and Review	
Basis of Accounting	2	Purpose	7
Fiscal Year	2	Process	7
Funds	2	Reporting	7
Financial Statements	2	Job Profiles	
Annual Budgets	2	Treasurer	8
Internal Control System	2	Vice Treasurer	8
Financial Software	2	Finance Team	9
Financial Principles		Lincoln Unitarian Foundation	
Parameters	3	Committee Chair	9
Equity	3	Pledge Drive Representative	10
Budget	3	Expense Policy	
Revenues	3	Employee and Non-Employee	
Expenses	3	Expense Reimbursement	11
Assets	3	Professional Expenses	11
Liabilities	3	Church Credit Cards	11
Financial Institutions		Payroll	11
Bank Accounts	4	Expenses	11
Authorized Check Signers	4	Business Policy	
Endowment Account	4	Insurance	12
Budget		Regulatory Requirements	12
Format	5	Service Contracts	12
Timeline	5	Selection of Vendors	12
Authority	5	Appendices	
Designated Funds	5	A Mission Statement	
Accounting		B Financial Organization &	
Revenues	6	Leadership	
Expenses	6	C Board LUF Resolution	
Journal Entries	6	D Proposed Organizational	
Internal Cash Transfers	6	Model	
Bank Reconciliations	6	E Expenditures Authorization	
Record Retention	6	F Cash Management	
		Guidelines	
		G Usher Form	
		H Sample Deposit Slip	

I Bylaws

INTRODUCTION

Unitarian Church of Lincoln (UCL) operates as a religious organization with 501(c) 3 non-profit charitable status. UCL is dependent on charitable member giving and therefore must act responsibly, morally, and ethically in all financial transactions of the church. Effective stewardship of church resources is the key to the ongoing concern and operation of UCL.

(Refer to bylaws §13.7.)

The Board of Trustees recognizes that checks and balances consistent with Generally Accepted Accounting Principles (GAAP) require that day-to-day financial management of church activities be entrusted to the Administrative Director, Treasurer, Vice-Treasurer, Finance Team, and Lincoln Unitarian Foundation Committee.

The financial direction and guidance is provided by the Finance Team. The Finance Team is lead by the Treasurer. Additional members include the Vice-Treasurer, the Lincoln Unitarian Foundation Committee Chair, Pledge Drive Representative, and any additional members who have a role in the church finances. Past members have included the Capital Campaign Leader and the Special Vice Treasurer for Member Loans. The Finance Team is responsible for all finance matters at UCL. The team develops policies governing the collection of revenues, disbursement of expenses, protection of assets, custodianship of records, and all other issues relating to UCL finance. The Finance Team reviews the policies in this document on an as needed basis.

The Board of Trustee has entrusted oversight of finance matters to the Bookkeeper (currently a segment of the role of the Administrative Director). Although the Bookkeeper may exercise minor discretion in administration of these policies, every effort is made to observe consistent application.

In the event an item is not addressed by this document, the Finance Team will consult with the Executive Team prior to final decision. If there is uncertainty or disagreement between the Finance Team and the Executive Team, the item will be discussed with the Board of Trustees. Once a decision is final, this document will be revised accordingly to reflect the impact of the decision and all revisions will be documented for the annual review.

Keeping in mind the primary purpose of UCL is to advance our mission and partner with the community, all financial activity is expected to be consistent with the vision and mission of UCL. Please refer to the [Mission Statement \(Appendix A\)](#) for details.

FINANCIAL SYSTEM

Basis of Accounting: UCL operates a full cash basis fund accounting system. Revenues are recorded when received; expenditures are recorded when disbursed.

Fiscal Year: UCL fiscal year end is December 31.

Funds: UCL maintains a checking account, a savings account, and an investment account. (All day to day activity and operations of the entity are conducted through the checking account. The savings account holds a portion of the restricted funds.

Financial Statements: UCL prepares monthly financial statements for financial position, activities, and dedicated accounts.

Annual Budgets: UCL adopts annual budgets for revenues and expenditures for all non-dedicated accounts.

Internal Control System: UCL makes every economical effort to assure separation of duties between initiation and authorization of transactions, as well as physical control of assets and record-keeping, in order to prevent potential sources of misappropriation of assets. The extent of internal control procedures is subject to limited availability of personnel.

Financial Software: UCL utilizes QuickBooks. Financial contributions (pledges and donations) are tracked through Automated Church Systems (ACS) - Realm.

FINANCIAL PRINCIPLES

Parameters: UCL has established parameters to guide financial decision-making and activity. These parameters are designed to promote effective stewardship of church resources and are based on a long-term approach to church viability and existence. Refer to Appendix B entitled “Financial Organization and Leadership”.

Equity: Cash Flow Reserves and Major Repair & Replace Reserves are held on the Balance Sheet under the Board Resource line.

Budget: UCL strives for a balanced budget. There may be occasions when a balanced budget is not achievable. The Treasurer oversees the income and expenses throughout the year. When excess expenses are anticipated, the Treasurer will communicate with the authorized individual responsible for the line item. In some cases, the Treasurer or Board of Trustees will authorize overspending of a line item. There must be adequate equity available to fund the deficit. When there are excess revenues after year end closing, these monies are surplus and disbursed to accounts as indicated by policy. Please refer to Appendix C.

Revenues: Revenue estimates are trend based on the last three years of collections where applicable. Annual revenues are analyzed for unusual or extraordinary activity.

Expenses: Expense budgets are based on a combination of historical data, known changes in contracted expenses, anticipated increases / decreases in program area activity, and inflationary estimates.

Assets: UCL records cash and cash equivalent balances in the financial statements. However, the church is developing a record of personal and real property for insurance purposes. The Property line reflects the updated post-renovation insured value.

Liabilities: UCL generally does not record liabilities in the financial statements except for withholdings related to payroll and benefits and capital campaign member loans payable.

FINANCIAL INSTITUTIONS

Bank Accounts:

UCL maintains bank accounts at Union Bank and Trust.

UBT Checking account for general fund

UBT Savings account for restricted funds

One CD's held at USBank.

All checks are written from the checking account

Funds are electronically transferred from the investment account to the checking account to offset expenses as needed, such as Sorensen reimbursement, etc.

Transfers are made only by a Treasurer or LUF Financial Secretary.

Funds are electronically transferred from the checking account to pay regular monthly expenses such as utilities. Electronic bill paying is done only by a Treasurer. The records of the electronic bill paying are printed off and given to the Bookkeeper to enter into Quickbooks, with a copy stapled to the invoice in lieu of a check stub as record of payment.

UCL receives a monthly statement of account for each financial account and these accounts are reconciled monthly.

Authorized Check Signers:

Authorized check signers are approved by the Board of Trustees. There are four check signers - the Treasurer, Vice Treasurer and two back up signers (generally former Treasurers.)

Additionally, the bylaws authorize the President of the Board of Trustees to sign checks (§13.3)

Endowment Account: UCL maintains investment accounts. The accounts were established with long term growth goals to build equity. The funds are administered by the Lincoln Unitarian Foundation (LUF) Committee. Funds deposited by UCL intended for restricted use are held in these accounts. Funds for expenses incurred by UCL that are covered by restricted funds are transferred from LUF by the LUF Committee Financial Secretary. UCL receives a quarterly statement of account on the restricted funds from the LUF Committee Financial Secretary. (Appendix C - Board-LUF Resolution)

BUDGET

Format: UCL uses a program-based expenditure budget format. The budget is categorized by each operating program. (Appendix D - Organizational Model)

Timeline: Budget preparation and approval will be based on the following schedule.

August - Finance Team reviews current year activity, discusses any noted concerns, and establishes general budget priorities and parameters for next year budget.

September - Staff and User Groups submit next year budget requests to Finance Team for discussion and adjustment; Finance Team reviews submitted budget requests and makes recommendations for preliminary budget.

October - Personnel Committee makes recommendation for personnel compensation package for next year budget; Finance Team incorporates personnel compensation recommendations into preliminary budget and submits preliminary budget

November - Finance Team presents final budget recommendations to Board of Trustees; Board of Trustees discusses and approves final budget recommendation.

December-Final budget is submitted to congregation for approval at the Winter Congregational Meeting.

January - The Board of Trustees finalizes the budget using annual pledges as of December 31.

Within Year - Finance Team may recommend changes to the annual budget in the event there are significant variances in revenue or expense budget items; Board of Trustees approves changes to the budget. Board of Trustees has the authority to authorize unbudgeted expenditures up to 5% of the total budget.

Authority: Budget authority is delegated specifically by program to staff or user groups responsible for administering each program. (Appendix E - Expenditures Authorization) Although flexibility is granted to each program administrator, the budget cannot be expended on any item specifically denied in the budget process or any item not in correlation with program or practice purposes. Program administrators will be asked to justify budget deficiencies when they occur.

Designated Funds: UCL operates several designated fund accounts on the Balance Sheet used to fund specific activities. These designated funds are not subject to the budgetary process. Designated Funds may be added or deleted based on need. Authority to access the funds in these accounts is limited specifically to those who have Budget Authority or are delegated by the Finance Team.

ACCOUNTING

Revenues: Revenues are received both manually and electronically.

Revenues received manually are collected at the church or through the mail.

Once collected, these revenues are counted, deposited, and recorded.

The church is notified of electronic revenues, and makes the appropriate entries in QuickBooks to record their receipt.

All revenues must be supported by proper source documentation maintained on file.

(Appendix F - Cash Management Guidelines)

Expenses: Expenses are disbursed manually and electronically.

Expenses disbursed manually require preparation of a physical check. Checks under \$5,000 require one authorized signature; checks of \$5,000 or more require two authorized signatures. (By-Laws §13.3)

Expenses disbursed electronically are automatically deducted from the UBT checking account. All electronic payments are made by a Treasurer.

All expenses must be supported by proper source documentation maintained on file. Please refer to Appendix F for details.

Journal Entries: Journal entries are required for several purposes.

Correcting entries are necessary to correct improperly recorded transactions (incorrect account code, incorrect amount, incorrect vendor, etc).

Reconciling entries are necessary to record period end transactions initiated by an external source (interest earnings, account fees, etc).

Adjusting entries are necessary to record internal activity within accounts and funds (balance transfers from one bank account to another, transfer from one dedicated account to another, etc).

Automatic entries are created independently by the accounting system to record specific transactions (mainly to void checks).

Internal Cash Transfers: The Treasurers are authorized to transfer cash balances between UCL bank accounts and funds as needed to account for budgeted financial activity.

Bank Reconciliations: The Bookkeeper prepares month end bank reconciliations for checking and savings accounts. Based on minimal activity, other financial reconciliation is prepared quarterly.

Record Retention: UCL maintains financial activity records in both electronic and paper form as required by government regulations.

AUDIT AND REVIEW

Purpose: To insure no malfeasance, insure the congregation has confidence that the books are in order, and to catch and correct errors, UCL bylaws call for an audit of the financial records every three years or when requested by the Board of Trustees (§13.5). These bylaws were written prior to the financial institution crises of 2001. The congregation approved the bylaws requirement be met with an external review by a competent accounting firm as long as that is within the normal guidelines for a church of our size.

Process: Treasurers monitor financials on an ongoing basis. Treasurer's reports are prepared monthly and presented to the Board of Trustees. Financial transactions are reviewed on a sample basis. All financial statement balances are reconciled to financial institution documentation.

Reporting: The results of the financial review are reported to the Board of Trustees and to the congregation at the next Congregational Meeting.

JOB PROFILES

Treasurer

The Treasurer is appointed by the Board of Trustees in consultation with the Nominating Committee to a term of 2 years. Typically, at the end of the Treasurer's term, the Vice Treasurer will be appointed to the Treasurer's position by the Board of Trustees. If the Treasurer is unable to complete the 2 year term, the Vice Treasurer will be appointed by the Board of Trustees. If the Vice Treasurer is unable to succeed the treasurer, a Treasurer will be appointed by the Board of Trustees in consultation with the Nominating Committee to a term of 2 years.

Responsibilities:

Work with the Bookkeeper to ensure procedures and checks and balances are employed that are sufficient to minimize error, provide for consistent implementation of GAAP and facilitate sufficient, timely, and accurate member communication regarding the financial position of the church.

Serve as Chair of the Finance Team.

Report to the Board of Trustees regarding the financial position of the church at regular board meetings.

Report on progress toward fundraising and creating a culture of sustaining stewardship consistent with the church's vision, mission, and principles.

Report the status of the church's financial standing at the Spring and Winter Congregational Meeting.

Engage regularly in intentionally with the membership to ascertain thoughts and concerns regarding the financial position of the church in order to keep the Board of Trustees, Bookkeeper, Finance Team and Lincoln Unitarian Foundation Committee apprised.

Submit the church budget in consultation with the Program Council to the Board of Trustees for consideration and approval.

Serve as an ex-officio member of the Lincoln Unitarian Foundation Committee and as Board of Trustees liaison to the Lincoln Unitarian Foundation Committee.

Performs supporting tasks as needed, including signing checks as necessary, performing electronic funds transfers, performing stock transfers, and monitoring monthly financial statements with particular attention to deviation from the budget.

Vice Treasurer

The Vice Treasurer is appointed by the Board of Trustees in consultation with the Treasurer to a term of 2 years. The Board and/or Treasurer may solicit assistance in identifying a Vice Treasurer from the Nomination Committee.

Responsibilities

Work in conjunction with the Treasurer in preparation to serve as Treasurer upon expiration of the Treasurer's term or in the event that the Treasurer is unavailable.

Work closely with the Treasurer, Bookkeeper and Administrative Director to document and amend procedures related to bookkeeping and financial reporting as needed.

Serve as Chair of the Finance Team in the absence of the Treasurer.

Finance Team

Membership of the Finance Team consists of financial leaders and members appointed by the Board of Trustees. The Finance Team convenes four to six times a year as needed. The Finance Team is chaired by the Treasurer. Additional members include the Vice Treasurer, Lincoln Unitarian Foundation Committee Chair, Pledge Drive Representative and additional appointed members as is prudent. Ex-officio members include the Minister, Administrative Director and Bookkeeper.

Responsibilities:

Explore and draft recommendations for the Board of Trustees regarding annual operating needs, annual and long-term capital costs associated with equipment and with repair and replacement costs, capital campaigns for building improvements, and strategies on ways members are invited into stewardship.

Contribute to and be aware of the formation of the annual budget, providing guidance and advice as needed.

Make recommendations and address deviations regarding GAAP that affect accuracy and good will towards church mission and principle.

Monitor the Pledge Drive and fundraising that contribute income to the operating budget and other funds of the church.

Coordinate a financial review of the church's financial records consistent with church by-laws on a three-year cycle. This requires an internal review by an individual NOT on the Finance Team for two years, followed by an external review by a CPA firm identified through standard Request for Proposal processes.

Lincoln Unitarian Foundation Committee Chair

Responsibilities:

Chair the Lincoln Unitarian Foundation Committee and represents the committee at Finance Team and Board of Trustees meetings. Leads the Committee in funds management, new fund growth initiatives, and congregational awareness.

Pledge Drive Representative

Appointed each year by the Treasurer. May enlist assistance from others if needed to accomplish the Pledge Drive Celebration.

Responsibilities:

In consultation with the Treasure and Finance Team, develops and shepherds the activities of the annual Pledge Drive, including identifying targeted income needs, communication materials, identifying members for testimonials during pledge month, and making presentations during Town Hall Meetings. Plans Pledge Drive Celebration event. Develops pledge letters to initiate the drive and pledge confirmation letters to close the drive.

EXPENSE POLICY

Employee and Non-Employee Expense Reimbursement: Properly approved and documented expenses are reimbursed as follows.

- Mileage - reimbursed at the regular IRS rate (2018 = 53.5)
- Lodging is reimbursed at actual cost on a pre-approval basis
- Meals are reimbursed at actual cost at a reasonable level
- Other expenses are reimbursed at actual or previously agreed amounts providing expenses are pre-approved

Professional Expenses: UCL provides professional expenses for reimbursement of employee business expenses for select employees as part of their compensation package. In accordance with IRS regulations, such reimbursements are excluded from employee compensation.

- Expense must have a business connection
- Reimbursement must be requested within 60 days of expense
- Appropriate and acceptable receipt of payment must be included with request
- Allowable expenses include
 - Cost of fees and memberships directly associated with business purposes
 - Cost of meals associated with business purposes
 - Cost of goods and services associated with personal ministry activity
 - Other costs preapproved by UCL minister

Church Credit Cards: Select employees are issued church credit cards to be used for business purposes only. In the event the card is used for non-business purposes, the employee must reimburse the church accordingly. The full balance of the bill is paid monthly. A Treasurer will review the documentation provided to support expenses. A receipt or invoice is required for all expenses. In the event that documentation is not provided or available, the employee must provide a written explanation to be approved by a Treasurer.

Payroll: UCL issues payroll once a month to be paid on or before the last day of the month. Childcare providers are paid for all days worked up until the day payroll is run.

Payroll is done in-house through Quickbooks.

Salaried employees are paid 1/12th of their annual salary each payroll.

Hourly employees are paid at their hourly rate multiplied by hours worked.

Expenses: All other expenses are generally paid once a week on Fridays, when a signatory is in the office to sign checks or pay bills electronically. Exceptions may be made for emergency situations.

BUSINESS POLICY

Insurance: UCL maintains adequate property and liability coverage to assure church resources are properly protected. The Bookkeeper updates the insurance coverage on an as-needed basis when property is added to or deleted from inventory.

Regulatory Requirements: The Bookkeeper is responsible for assuring that UCL is in compliance with all governmental regulations including the following areas:

- Payroll Tax Withholdings (State and Federal)
- Quarterly Tax Returns (State and Federal)
- Annual Tax Filings (W-2's and 1099's)
- Workforce Safety Reporting

Service Contracts: UCL enters into service contracts for maintenance, inspection, and monitoring of facilities.

Selection of Vendors: The Bookkeeper oversees the selection of vendors to assure there is no conflict of interest with the church or church staff. Should conflict of interest be a concern, the Bookkeeper obtains specific approval from the Finance Team.