



St. Paul's Episcopal Church

Maumee, Ohio

Financial Policies and Procedures

Approved by Vestry November 16, 2021

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Introduction

The first version of Financial Policies and Procedures was promulgated by St. Paul's in November 2007 by Kenneth Robinson, Parish Treasurer, with the support of the Finance Committee and the consent and approval of the Vestry.

Purpose

This document puts in one place a comprehensive view of the financial policies and procedures used most frequently at St. Paul's Episcopal Church. It is intended to provide clear guidance to vestry members and ministry leaders on the procedures that safeguard appropriate use of church funds and provide for prompt payment of debts incurred by the church as an entity or those of individuals who seek reimbursement for expenses incurred on behalf of the church.

The Treasurer's Handbook is the official repository of all Vestry approved policies and is available for reference in the Finance Office. The Treasurer's Handbook also contains the most recent versions of several important documents that guide the administration of this ministry. In addition to this manual, the Treasurer's Handbook includes:

- The Constitution and Canons of the Protestant Episcopal Church in the United States of America
- The Constitution and Canons of the Diocese of Ohio
- The adopted Business Practices referred to in the Canons of the Diocese of Ohio as amended by actions of Diocesan Council
- The Manual of Business Methods in Church Affairs, published by the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA
- The Code of Regulations of St. Paul's Episcopal Church, Maumee, Ohio
- Current position description of the Parish Treasurer
- Copies of Volumes I – III of Vestry Papers, published by the Episcopal Church Foundation
- Tax Guide for Churches and Religious Organizations, published by the U.S. Department of the Treasury, Internal Revenue Service, Publication 1828, Revised September 2006

Who is involved with St. Paul's financial policies and procedures?

There are several interrelated bodies involved with St. Paul's financial policies and procedures:

The Finance Committee meets not less than quarterly (more frequently as necessary), focusing on strategic financial issues, and makes recommendations to the vestry for approval. The Finance Committee has representation from throughout the parish including the Treasurer (who functions as chair), the wardens and clergy (ex officio), and other members recommended by the Treasurer in consultation with the vestry and rector. The Finance Committee is open to, and actively seeks, additional members from the parish.

The vestry is responsible for approval of the financial policies and procedures, following a recommendation from the Finance Committee. Vestry members are also responsible for monitoring the funds for their individual liaison areas, according to the policies and procedures outlined in this document, again following a recommendation from the Finance Committee. Their role is one of governance and their focus is strategic, rather than operational. The parish employs a professional staff who functions within vestry approved policies and business practices and solicits guidance and input from the Treasurer and Finance Committee as needed.

The Program (Committee) Chairs and Vestry Liaisons

St. Paul's has a system of program committees to execute the mission and ministry operations of the church. With these committees in place, the committee chairpersons have the responsibility for initiating input to the budget process for their respective committees, along with using the funds for their committees as authorized by the vestry. The vestry liaisons aligned with each committee are encouraged to monitor the activities and expenses of their committees, and assisting the program chairs when a change is required from the originally approved budget. The vestry liaison works in consultation with the Rector, Wardens, Treasurer, and Finance Committee in exercising this role.

Other Key Financial Players - (approved by Vestry on December 17, 2019)

At the beginning of the financial process are the Tellers or Counters, who count the contributions each week, prepare the contributions records for the bookkeeper, and prepare the deposit slips for the bank. At this point the Counters or the Bookkeeper will take the deposits to the bank. On return, the bank deposit receipts and deposit slips are attached to the back-up records and prepared by the bookkeeper for entry. The deposit packet is reviewed and signed by the treasurer weekly. Next comes the Bookkeeper who posts the contributions, by person (contribution unit) on a weekly basis, and who provides the quarterly contributions statements.

Operating Budget Expenses

St. Paul's annual operating budget establishes the framework for the programs that the church will undertake during the program year. Each vestry member is responsible for reviewing and presenting budget recommendations initially developed by the program committee chairs for the programs and activities in their ministry areas. The wardens provide staff compensation inputs based on recommendations from the Personnel Committee, Rector and, in the case of clergy, annual guidance for Clergy Minimum Compensation Standards passed annually at November's Diocesan Convention. Budget inputs for the coming calendar year are due to the Budget Committee as follows: preliminary inputs in August for significant changes that could affect the Stewardship campaign, with final inputs by October. The Vestry reviews draft budget alternatives for the coming year at the November vestry meeting and at the December vestry meeting finalizes the budget to present to the congregation at the annual parish meeting. When the vestry finalizes the operating budget, it may include the transfer of special non-operating funds to the operating budget for some capital and/or one-time expenses. Before seeking a transfer of funds from alternate sources or requesting vestry approval for a separate fund raising event, the committees or program areas needing the infusion of funds should first seek to meet their needs to by reallocating funds from the operating budget.

Once the budget is approved by the vestry, persons with budgetary authority may use funds as approved for the fiscal year without formal vestry authorization. Because St. Paul's operating budget is dependent on contributions from parishioners, cash flow varies throughout the year. The vestry requires that budgeted discretionary expenses over a certain amount receive vestry approval before being spent, even items that may be budgeted, per vestry-approved currently in effect. A motion passed by the vestry, recorded in the vestry minutes and communicated to program chairs, would evidence this requirement.

Once the budget is approved, committee chairs may reallocate up to \$500 of the budgeted funds within their ministry area to meet unplanned needs without requiring specific vestry approval. However, we request that vestry members whose committees have made such reallocation of funds internal to their ministry areas so advise the vestry. Such reallocations must be made in consultation with the Treasurer.

Unplanned Needs

Occasionally through the year, unseen and special expenses may warrant that St. Paul's special or endowed funds be used to cover an expense. When these opportunities or needs arise, the staff member or volunteer with oversight of that ministry must inform the Treasurer who shall, with the consent of the Finance Committee, bring a written motion to the vestry for approval before incurring any expense.

We first look to meet these unforeseen needs by reallocating funds from the operating budget. If we cannot make the necessary changes within the operating budget, we then look to Endowed or Special Funds. The vestry must vote on the use of all undesignated special funds and all expenses out of designated special funds, with the advice of the Finance Committee. Individuals should notify the Treasurer, Rector, and Wardens as soon as they are aware of any need that may require vestry action. When the vestry approves the use of undesignated special funds, the Treasurer may, at his/her discretion, choose to take expenses out of one or another undesignated fund as they deem appropriate.

Vestry Members' Budget Responsibilities

Each ministry area has a budget. That budget is a result of extensive work. The initial budget recommendations may be prepared by the committee chairs or program leads, in coordination the rector, and treasurer. Budget inputs for the coming calendar year are due to the Treasurer as per the timeline listed in the "Operating Budget Expenses" section (page 2). We use the initial rough draft budget to guide the goals of our stewardship campaign. The budget is refined based on those results and voted on in December or January. We try to make policy decisions regarding the budget in June as we review and evaluate the just-completed program year. Therefore, we ask that each committee chair work within the current budget for that budget year, and plan major new expenses for subsequent budget years (January to December). This is a rule of thumb, and, of course, we will spend what we need to spend if an extraordinary opportunity or emergency arises.

The Vestry requires multiple bids when they are committing expenditures over \$1,500 to ensure the reasonableness of the selected vendor quotes. Three bids are preferred, when practicable given the size of the job. Some contracts such as insurance for valid reasons will more often than not be places without opening the process to bids. There are other ways to control costs in contracting that may be better than competitive bidding. Purchasing decisions are based on price, quality and service and competitive bidding only goes to price. The committee chair or staff person is not required to take the low bid, not to judge the best of the bids for overall value to St. Paul's.

Policy and Procedures

Budget Creation and Approval

It is the policy of St. Paul's Episcopal Church to maintain an annual budget and to hold the staff and ministry leaders accountable to performance against budget. The parish's professional staff will initially compile the budget. It is the responsibility of the treasurer and Finance Committee to review the budget before the treasurer presents it to the Vestry. The treasurer's budget presentation to vestry must not be less than thirty days ahead of the parish's annual meeting.

The vestry approves a budget for forwarding to the congregation of St. Paul's Church. Per St. Paul's Episcopal Church's Code of Regulations, final approval of the parish's annual budget rests with the congregation. The Vestry is authorized to act in between parish meetings to amend and revise the budget at their discretion provided such changes are reflected in its annual report to the congregation.

Occupancy and Allocation Expenses

In order to reflect the most accurate presentation possible of the ministry expenses incurred by the parish and to reduce to the fullest allowable extent the operating expenses of the organization on the Parochial Report, it is the policy of St. Paul's Episcopal Church to charge back occupancy and appropriate administrative expenses to the various ministry areas of the parish. Further, churches, like any non-profit organization, may be subject to a requirement to pay Unrelated Business Income Taxes (UBIT). Net income on a trade or business (e.g., Elizabeth Wayne Preschool or Paul's Peers Respite Program) that is not substantially related to the parish's mission as documented in its articles of incorporation and its exempt purpose may be liable for UBIT. Because UBIT relates to NET income, allocation of occupancy and program expenses to functional areas and the resulting distribution of actual expense to these ministries is an important safeguard of our tax-exempt status inasmuch as it reduces these ministries' net income. It does not reflect an expectation that these two programs cover 100% of both direct and allocated expenses. Rather, it is a way to demonstrate more clearly the parish's support of these programs on our financial statements.

For the purpose of this policy, the related functions include:

- Elizabeth Wayne Preschool
- Under One Roof Food Pantry
- Alcoholics Anonymous
- Other outreach ministries

Occupancy expenses are defined as church utilities, church buildings and grounds costs (including the wages, insurance and pension costs of the staff dedicated to buildings and grounds), telephone and internet charges, and insurance.

The division of occupancy expenses will be based on budget estimates for planning purposes and will be allocated finally at the end of each month. The allocation of expenses will be broken down as follows based on the current insurance appraisal which details square footage by area:

- Percentage of square footage of building space used for Elizabeth Wayne Preschool and other ministries.

The rector shall submit an annual proposal in the form of a vestry resolution delineating the allocation of expenses to outreach ministries. The resolution shall be used in the formula for diocesan assessment.

Procedures for Approval of Expenses

Accounts payable at St. Paul's generally come in two forms: bills received through the mail and presentation of requests by members, clergy, and staff to repay them for expenses they paid on behalf of the church.

The Treasurer is authorized to approve check requests and submit the request and supporting documentation to the Bookkeeper for payment of bills received that are for recurring budgeted expenses, such as the utility and phone bills. In the absence of the Treasurer, one of the wardens may also approve and submit these recurring expenses to the Bookkeeper for payment. In extraordinary circumstance, vestry members, committee chairs, or program leads with oversight for these areas may request a report from the Treasurer detailing expenses by budget line item or can use budget reports they receive every month to monitor whether these expenses are running over or under budget. Using the monthly income / expense statements is the preferred method to manage performance against budget and maximizes the limited time our bookkeeper is available to us.

The bookkeeper will put bills that are of a one-time or special nature in the Treasurer's box in the Finance office for approval and payment by the Bookkeeper. The Treasurer or wardens must review the bill and, if appropriate, approve the expense by signing and dating the request, and place it in the Bookkeeper's mailbox in the Finance Office. If the bookkeeper or program lead is presented with a bill for an item not authorized they must immediately report that to the Treasurer and Senior Warden. In cases where a person has obligated St. Paul's funds without proper authorization, they may be held personally liable for those expenses.

The vestry authorizes the bookkeeper to approve and submit check requests on behalf of program leads for emergency, one-time or special expenses if necessary, to prevent delinquent payment by the church providing the expense has been budgeted or approved by the vestry and documented in vestry minutes. In this instance, the bookkeeper must receive approval via e-mail or over the telephone from the Treasurer or one of the wardens.

Check requests must contain a receipt, invoice, bill, or other official documentation of the expense. St. Paul's requires that all people who incur expenses on behalf of the church submit requests for repayment within ninety (60) days of the date that the expense is incurred. Members must make a good faith effort in December to gather and submit all bills for approval and payment in the calendar year incurred.

Blank check requisition forms are located in the Finance Office labeled "expense vouchers." Current budget reports are available from the Rector, vestry officers, or the bookkeeper for use by those who approve requests.

Use of Tax Exemption Documentation Required

Whenever possible, purchases on behalf of St. Paul's should be made through vendors with whom we have established an account and provided tax-exemption documentation. Those who use other vendors are responsible for providing the vendor with an Ohio Sales Tax Exemption Certificate prior to incurring the expense. Blank forms are available from the bookkeeper or church secretary. St. Paul's policy is not to reimburse state sales tax incurred by failure to use a sales tax exemption form for purchases over \$100. The bookkeeper and treasurer are available to assist in completing this form though it really is self-explanatory.

Check Request and Reimbursement Process

1. Committee chair or program lead determines a need for an expenditure.
2. Committee chair or program lead verifies that there is enough money in their budget to make the expenditure.
3. Committee chairpersons or program leads secure multiple bids (three preferred) when they are committing expenditures over \$1,500 to ensure the reasonableness of the selected vendor quotes. The committee chair or program lead is not required to take the low bid – but to judge the best of multiple bids when they are committing expenditures over \$1,500 to ensure the reasonableness of the selected vendor quotes. Three bids are preferred, when practicable given the size of the job.
4. Committee chair or program lead authorizes the expenditure subject to his/her spending authority.
5. Program lead puts in check request for expense to their supervisor. Check requests must contain a receipt, invoice, bill, or other official documentation of the expense. St. Paul's requires that all people who incur expenses on behalf of the church submit requests for repayment within ninety (90) days of the date that the expense is incurred. Members must make a good faith effort in December to gather and submit all bills for approval and payment in the calendar year incurred. Blank check requisition forms are available from the bookkeeper or parish secretary. There also is a current budget report in the expense voucher mailbox for use of those who approve requests.
6. The treasurer or warden reviews the check request and if appropriate, confirms receipt of the product or services involved, and approves the request by signing and dating it. The request is then placed in the Bookkeeper's mailbox in the Volunteer office.
7. The Bookkeeper writes checks once weekly for signature by the people authorized to sign checks on behalf of St. Paul's. Two authorized signatures and appropriate paperwork documenting the expense are always required before the check is validated and mailed. The person mailing or distributing the checks ensures two unrelated and authorized persons signed the checks.

Checks

As a general rule, the Bookkeeper writes checks once weekly for signature by the people authorized to sign checks on behalf of St. Paul's. Two authorized signatures and appropriate paperwork documenting the expense are always required before the check is validated and mailed. The vestry officially designates check signers at the first monthly meeting following the election of new vestry members. Normally, the people authorized to sign checks on behalf of St. Paul's Church are the Treasurer, Senior Warden, Junior Warden, Assistant Treasurer (if appointed), and Clerk. Any two unrelated individuals of these six may sign checks. The Treasurer or Clerk will submit the appropriate paperwork that indicates who may sign church checks to the church's bank as soon as possible after the vestry designates these people each year. The bookkeeper ensures two unrelated and authorized persons sign all checks.

The Bookkeeper will notify the Treasurer when checks remain outstanding two bank statement cycles after being written and will contact the individual or organization to whom the check was written to determine disposition of the check.

Check Controls

The check control log, titled Check Tracking Sheet, must be used to track the following information:

- Date printed on the checks
- Number of checks printed
- First check number used and last check number used
- Notations of any multiple stub checks that are voided by the system
- Other spoiled checks during the run

To prevent multiple payments for invoices, a payment confirmation shall be made on the invoice upon the check obtaining two authorized signatures. The second authorized check signer will stamp the invoice as paid and record the check number.

Manual writing of checks is not acceptable. No one may sign a hand-written check unless there is sufficient explanation in writing from the Treasurer.

No check may be issued to cash for any reason.

In the event the beginning check number was not the same as the actual check number on which payment was issued, the printed checks should be voided and re-issued correctly so that the check number assigned by the system agrees with the pre-printed check number.

Posting of checks should be limited to recording to the month they are dated and not the prior month. If this happens in error, the checks posted in error should be voided in the month charged and reentered in the correct month. The bookkeeper must take care in the beginning of a new month to override the default month to post correctly if the preceding month has not been closed.

Authorized Check Signers

It is the policy of St. Paul's Episcopal Church to require the signature of any two of the following parish officials on checks from its operating accounts:

- Senior Warden
- Junior Warden
- Treasurer
- Clerk of Vestry

The Vestry may, upon recommendation of the Treasurer and at its sole discretion, name not more than two assistant treasurers to be authorized signers subject to annual reappointment by the Treasurer and confirmation by the Vestry. No such appointment shall extend more than thirty (30) days beyond an Annual Meeting held in accordance with the Parish's by-laws. Such appointments can be rescinded at any time with appropriate Vestry action and notification to the parish's financial institutions.

A person may not sign a check of which the signer is also the payee.

The Vestry will pass a resolution that names current check signers annually and whenever a change occurs among the office holders listed above.

Manual Check Prohibition

With the exception of checks written by the rector from his/her Almoner's or Discretionary Fund, it is the policy of St. Paul's Episcopal Church to prohibit any authorized check signer from approving or signing checks demonstrably written out of the ACS software system by hand. No hand written checks are appropriate at any time save for the exception noted above.

Non-Sufficient Funds check management - Elizabeth Wayne Preschool

It is the policy of St. Paul's Episcopal Church that the Elizabeth Wayne Preschool charge a NSF fee for any check that does not clear a customer's bank commensurate with the fees incurred to St. Paul's. The fee recovers expenses borne by the parish in reconciling our accounts and securing payments due for preschool fees. Payment of the tuition fees owed and NSF fee is due immediately via cash or money order. Any customer who presents four NSF checks in a year will be required to convert to cash-only status.

The Preschool Director will make this known to each family and will incorporate it into its parent handbook. The Preschool Director may use discretion to waive any NSF fees and such expenses are charged to the preschool.

Voided Checks

It is the policy of St. Paul's Episcopal Church to maintain a Voided Checks Log and document every check that has been voided, regardless of reason.

If voided checks are physically available, they will be stamped or marked VOID and filed in the parish's voided checks file, and the signature line will be torn off.

If voided checks are not physically available, the parish's copy of the bank's stop-payment order will be filed in a stop-payment order file.

Bank Statements and Reconciliations

It is the policy of St. Paul's Episcopal Church to address bank statements to the parish treasurer. The treasurer or assistant treasurer will do an initial review of checks that cleared during the prior month paying particular attention to any suspect transactions by volume, payee, or amount.

Within 48 hours of review, the treasurer or assistant treasurer will forward the bank statement to the parish bookkeeper who is responsible for bank reconciliations. This individual must not be a check signer. The bookkeeper will resolve any questions posed by the treasurer and will prepare the bank reconciliation within 48 hours of receipt.

The bank reconciliation will be distributed with the internal financial statements to the Finance Committee and will include documentation of any voided checks. The reconciliation will not generally be forwarded to Vestry though it remains available upon request.

Petty Cash: Beginning October 15, 2019, there is no longer petty cash kept at St. Paul's.

Credit Card Policy

In order to efficiently conduct church business and to make the personal reimbursement process more efficient, the Vestry acknowledges the need for certain parish employees and/or parishioners to use a church credit card for certain, business-related purchases. Vestry authorizes the rector to assign and approve credit cards to members of the staff who conduct business on behalf of the parish. The treasurer will confirm the assignment with the bank and request the credit card to be issued. The assignment will then be reported to vestry.

All such purchases will be documented and reconciled with a receipt within fourteen (14) days of the purchase. In the event that a receipt is lost or unavailable, the Rector and/or Vestry may accept other verification of the purchase within his/her/its discretion. In any event, more than two (2) undocumented purchases in any twelve (12) month period will require the Rector and/or Vestry to investigate that person's credit card usage and issue a report on that person's fitness for future credit card usage. Such report will be maintained in the parish's financial records and the employee's personnel file.

The Vestry further acknowledges that maintaining the parish's creditworthiness is important. To that end, while the parish will pay the credit card balance due on each statement, any unauthorized or undocumented purchases will become the personal responsibility of the purchaser and, in the discretion of the Rector and/or the Vestry, that person may lose the privilege of access to a parish credit card.

Each person entrusted with a parish credit card shall execute the accompanying Parish Credit Card Policy (Appendix 2). The parish will maintain the executed credit card policy document in its financial records and the employee's personnel file.

Payroll Review and Processing

It is the policy of St. Paul's Episcopal Church that two different individuals will be involved in payroll processing. The parish bookkeeper will compute the payroll and enter in appropriate deductions for employee-paid insurance contributions, employee pension contributions, and other such deductions (e.g., deductions to fulfill pledges to the parish) as well as distinctions for regular work hours and leave time that are part of the employee's wages.

The Rector, as the senior staff leader of the parish, will review the payroll detail report prior to submitting to the parish's payroll processing vendor. Both the bookkeeper and rector will sign the detail attesting their review.

Independent Contractors

It is the policy of St. Paul's Episcopal Church to evaluate criteria established by the IRS when assigning individual employee or independent contractor status. Individuals qualifying as independent contractors will sign an independent contractor agreement (Appendix 3) and will be issued IRS Form 1099 if compensation is \$600 or more.

This review and contract must be executed before any individual is compensated by the parish.

Further, St. Paul's Church will maintain a file on each contractor and to whom it has issued a Form 1099. The file will include, but will not be limited to, a completed Revenue Ruling 87-41 and written justification for the classification.

A log for Vendor Federal Identification Numbers (individual social security numbers) will be maintained by the parish bookkeeper on all individuals assigned independent contractor status. Further, St. Paul's Church will file all required 1099-MISC, Miscellaneous Income, to report any payments made in excess of \$600 to an independent contractor in a given tax year. Copies of 1099-MISC must be furnished to each payee who received \$600 or more by January 31. Copy A of 1099-MISC must be filed with the IRS by February 28.

Independent contractors must submit a W9, proof of liability insurance, and a signed Independent Contractor Agreement (Appendix 3) prior to work performed.

Fund Accounting

Accounting Records: Fund Accounting—To accurately complete the parochial report and to maintain the proper classification of special restricted funds, all parishes must maintain fund accounting records. Fund accounting maintains separate detail and balances for donor restricted funds, other endowment funds, operating funds and property funds.

--Business Practices for Parishes (Adopted by Diocesan Council, 9/15/05)

- The stewardship of all St. Paul's Church revenues and disbursements relating to ministries of the parish shall be accounted for in a central, integrated fund accounting system.
- A financial activity falls under this policy when it is in pursuit of a ministry of St. Paul's Church, appropriately using St. Paul's Church's Federal Identification Number and State of Ohio exemption from sales tax on purchases.
- Any fund which falls outside of the normal Annual General Operating Budget of the parish shall be segregated from the General Operating Fund, and carried on the accounting system of the parish as a Restricted Fund.
- The Treasurer and Finance Committee shall establish and maintain an index listing each Restricted Fund, and documenting for each:
 - The purpose of the account.
 - Who (according to office) has authority to authorize expenditures within the documented purposes of the fund. (This is not the donor; s/he states the purpose or designation of the gift but does not retain authority to approve or reject expenditures.)
 - How a person is selected for that office when the office is not one ordinarily defined by parish structure.
 - How the purpose of the account may be altered.
- The Treasurer, working with appropriate endowment advisory committees, shall hold funds in such separate financial institutions and accounts as the Finance Committee shall deem appropriate in accordance with any governing trust documents. In selecting the financial institutions and accounts, the Treasurer and advisory committees shall seek to simplify record-keeping, minimize charges paid to financial institutions, and maximize earnings on idle funds.
- The Treasurer and Finance Committee shall devise and administer an equitable way to distribute earnings on idle funds among the various Funds.

Fund Disbursements and Authorizations

- All disbursements other than payroll shall be made only upon presentation of a disbursement voucher, accompanied by receipts or invoices where appropriate. The requester and program lead or supervisor must sign the disbursement voucher.
- No blank checks are to be signed for any reason.
- Purchase requisitions over \$500 must be approved in advance by the Treasurer or a Warden. Purchases over \$1,500 generally require the submission of multiple bids, preferably three. The low bid need not necessarily be taken. If soliciting bids is unreasonable, a brief explanation should be given with the purchase requisition.
- Unbudgeted expenses in excess of \$500 require advance vestry approval. In an emergency, the executive committee is authorized to act on the vestry's behalf.
- No individual is permitted to approve his or her own expenses.
- Purchases made from the Rector's Discretionary Fund are not subject to the approval process but will be audited annually.

Rector's Report to the Vestry on the Seven Endowments - May 21, 2019

The Operating Endowment – Section 1

Vestry Document: The trust agreement is dated 6/7/1982 and is signed by vestry and Mid-Am as Trustees. Mid Am bank merged with Sky Financial and is now Huntington Bank.

Purpose: The primary purpose of the fund is to operate and maintain the building, grounds and physical facilities. A second priority is to enable vestry to meet its normal operating budget requirements.

Procedure: There is no advisory committee for this fund.

History: The vestry has been using the Operating Endowment to satisfy the budget deficit for many years. Also, a donor has been gifting \$100,000 annually from his IRA. Vestry opted to deposit his annual gift into the Operating Endowment rather than accept it as a pledge payment into the checking account. While the donation is typically ordered in the last week of the year, it sometimes arrives in the first week of January. This means the yearly gifts may or may not correspond to the annual calendar. The Operating Endowment was used in 2017 and 2018 to make payments for construction costs associated with the 2015 capital campaign. These payments were intended as loans until the capital campaign receivables came in. As of May 2019, the loan balance against the Operating Endowment was \$106,195 with \$56,620 in receivables. In 2019 vestry used the operating endowment to purchase a new vehicle for the rector's use.

Rector's Report to the Vestry on the Seven Endowments - May 21, 2019

The Preservation Endowment – Section 2

Vestry Document: The vestry document from 1972 is unsigned, undated, and unexecuted.

Committee: The trustees are vestry.
Three permanent members: Dave Hazard; Dan Graham; Todd Deye
The Jr. & Sr. Wardens
The advisory committee appoints its own successors, if within six months of a vacancy.
The vestry appoints successors after six months of a vacancy. The vestry has the authority to remove members from the advisory committee.

Purpose: This fund is used “for the purposes of maintaining, repairing, preserving, and improving the building and property belong to St. Paul’s.” The history of the fund, according to the advisory committee members has been exclusively for preservation. Preservation is to be distinguished from maintenance in that the vestry is responsible for budgeting monies for regular and expected maintenance of the property. Preservation is used for large repairs that the vestry cannot afford from the operating budget but must spend to preserve the value and integrity of the property. For example, interior painting and refinishing the gym floor is maintenance and should be budgeted by vestry. Extensive roof repairs are preservation. Capital improvements, such as air-conditioning are not considered preservation. Note: there will always be a gray area of interpretation between maintenance and preservation.

Procedure: The Vestry Document (a.k.a. trust agreement) requires a minimum balance of \$150,000 be kept in principal. The advisory committee is generally opposed to spending principal. However, the new roof in 2003 consumed \$180,000 in accrued interest and principal. Expenses from the 2015 capital building project Planting for Tomorrow was \$75,000.

Vestry instructs the Building & Grounds Committee to maintain the property and make necessary repairs. Items that need attention but exhaust the maintenance budget are taken to the Preservation Advisory Committee by the Buildings & Groups Committee. The Preservation Committee authorizes disbursement. Written approval is forwarded to the treasurer. There is one exception to the preservation vs. maintenance rule. The advisory committee has authorized regular maintenance of the Muller Pipe Organ to be incurred by the Preservation Fund indefinitely.

Rector's Report to the Vestry on the Seven Endowments - May 21, 2019

The Development Endowment – Section 3

Vestry Document: The fund was established by vestry on April 1, 1952 as the Welfare Fund.

Committee: The trustees are vestry.
Permanent members: Bill Heywood; Cynthia Beekley, and one vacant seat
The advisory committee appoints its own successors, if within six months of a vacancy.
The vestry appoints successors after six months of a vacancy. The vestry may not remove members from the committee.

Purpose: The fund may be used for “general purposes of the church, including the payment of pensions” for clergy and staff.

Procedure: Expenditures must be approved both by vestry and the Development Fund Advisory Committee.

History: This fund is formerly known as the Welfare Fund. It was originally set up as a pension account for the clergy (Malcom Ward) and staff. It was used to purchase annuities for retiring employees. Its direction changed when the diocese began participating in a national pension plan for the church. The last annuity purchased with fund assets was for Howard Graham. Pension assessments for the rector continue to be drafted from this fund indefinitely. Staff pension assessments are not currently drafted from this fund. Due to consistent withdrawals and a lack of deposits, the market value continues to dwindle.

In 1987, the advisory committee recommended to the vestry that the trust agreement be amended. The amendment changed the name to “The Development Fund” and defined the acquisition of real property in the vicinity of the church as a priority of the fund. There is no evidence or collective memory that the vestry adopted the amendment. At one time, the Development Fund owned the deeds to the two vacant lots on Dudley Street. The deeds have since been transferred to St. Paul's Church and a parking lot built upon the properties. The Fund also owned a third lot on Dudley St. that the vestry later sold.

Rector's Report to the Vestry on the Seven Endowments - May 21, 2019

The Memorial Endowment – Section 4

Vestry Document: The “Declaration of Trust” apparently from 1966 is unsigned, undated, and unexecuted. There is also a resolution which would have amended the Declaration of Trust in certain ways. There is no evidence the resolution was ever adopted by vestry.

Committee: The trustees are vestry.
Permanent members: Bruce Yeager; Anne Bashore; Jr. Warden

Purpose: The assets are to be used “exclusively for the religious and charitable purposes of St. Paul’s.” The resolution stated the assets were to be used “to provide scholarships and financial assistance to deserving individuals attending theological seminaries, to aid those individuals facing medical or other emergency situations which severely strain or threaten to exhaust the individual’s financial resources, to assist those who genuinely need funds to attend non-seminary educational institutions and to finance capital improvements.” Because of the confidential nature of many people’s needs, the rector is often highly involved in the use of this fund. Currently, the rector receives a quarterly disbursement (\$1,100) for the Rector’s Discretionary Fund. The disbursements continue indefinitely.

Procedure: Upon the determination of a personal need, the Memorial Endowment Committee offers a recommendation to the vestry. In certain situations, the recommendation is made with anonymity to protect the confidential nature of the need. The vestry elects to grant the request either in the form of a gift or loan.

History: The advisory committee, rector and previous vestries have been generally opposed to drafting loans from the fund. Recipients are seldom in a position to repay the debt and the ensuing guilt is frequently a handicap to spiritual health. In December of 1998 the vestry elected to write off all delinquent loans, a balance of \$26,241. From 2004-2006, the rector’s tuition, room and board for his Doctor of Ministry degree at Seabury Seminary was granted for a total of \$12,000.

Rector's Report to the Vestry on the Seven Endowments - May 21, 2019

Louise K. Schwier and Prudence H. Lamb Emergency Assistance Endowment – Section 5

Vestry Document: The “Letter of Understanding” was signed 12/13/2007 by the donor, Fred Schwier, and accepted by vestry on 12/22/2007.

Purpose: The purpose of this fund is to assist individuals and families in the Toledo metropolitan area in need as a result of personal and financial hardship.

Procedure: There is no advisory committee for this fund. This fund was established by vestry on December 22, 2007 from a gift of Fred Schwier. The rector has sole and complete authority over the disbursement of the Fund's assets. In addition to interest income, the rector may distribute up to 20% of the Fund's value in any given year.

The intent by the rector is to transfer adequate funds to the parish Emergency Fund. With the assistance of a committee, the rector may then use the Emergency Fund in order to assist the poor with daily living expenses, such as rent, utilities, and other emergencies. With the blessing of the vestry and the original donor, the scope of the ministry has expanded to also subsidize the food pantry, Angel Tree ministry, and youth mission trip.

History: In 2016, \$150,000 was used in the capital building project Planting for Tomorrow to remodel the garage into a store front for the Under One Roof Food Pantry.

Rector's Report to the Vestry on the Seven Endowments - May 21, 2019

Kenneth E Tigges and Mary Anne Tigges Building Fund – Section 6

Vestry Document: The vestry resolution creating the Kenneth E Tigges and Mary Anne Tigges Building Fund was adopted by vestry on May 21, 2019.

Purpose & Procedure: There is no advisory committee for this fund. The trustees are vestry. The bequest of Mary Anne Tigges states that the Fund “be used only for building improvements and preservation, and that only the Fund’s income and not the Fund’s principal or appreciation in the Fund’s principal be used for such purposes. The property comprising the fund may, for investment purposes, be merged with other investment assets, but shall always be designated as the assets of the Fund.”

This fund is being managed by Huntington in a portfolio having a bias toward income which, net of management fees, will be swept from the portfolio quarterly and transferred to a separate account the assets of which will be available for “building improvements and preservation” purposes as determined by vestry.

Note: The two Tigges funds cannot be merged due to the language of the trusts being slightly different.

History: On December 18, 2018, St. Paul’s received a bequest in the amount of \$500,000 from the Mary Anne Tigges Estate Settlement Trust. The money was invested with Huntington Bank into a new endowment.

Rector's Report to the Vestry on the Seven Endowments - May 21, 2019

Kenneth Tigges Fund – Section 7

Vestry Document: The vestry resolution creating the Kenneth E Tigges Fund was adopted by vestry on May 21, 2019.

Purpose & Procedure: There is no advisory committee for this fund. The trustees are vestry. The bequest of Kenneth Tigges states that the Fund is “subject to the express condition that said funds shall be treated as a perpetual endowment fund with income only being used for the maintenance, preservation, improvement and expansion of St. Paul’s church building and parish house.”

The permanently restricted principal is considered to be \$209,939.99 because this was the opening balance.

The fund is managed by Huntington in a balanced portfolio with a slight bias toward growth. All income net of management fees and all appreciation in principal above \$209,939.99 will be available.

Note: The two Tigges funds cannot be merged due to the language of the trusts being slightly different.

History: On or about May 1, 2019, Huntington Bank received from PNC Bank the bequest of Kenneth Tigges in the amount of \$209,939.99. This is considered the opening balance and the original principal.

Discretionary & Almoner's Funds

History

St. Paul's Church has always had at least one clergy "discretionary fund." One basis of such a fund is found in Canon law:

The Alms and Contributions, not otherwise designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Member of the Clergy in charge of the Congregation or with such Church officer as the Member of the Clergy in charge shall appoint to be applied to such pious and charitable uses as shall be thought fit by the Member of the Clergy. When a parish is without a Rector the Vestry shall appoint a responsible person to serve as Almoner.

—*Title III, Canon 14.2(f)*

In 2007, there were two Rector's Discretionary Funds, whose revenues included gifts, appropriations from the Memorial Endowment, special gifts of parishioners, and gifts given the clergy at the time of funerals. Because of the mixed sources of revenues, the Discretionary Fund has been used both as an "Almoner's Fund" in accordance with Canon III.14.2., and as a fund for expenditures made at the discretion of the Rector.

At its November 2007 meeting, the Vestry authorized a revised practice which created two separate funds, described below.

Almoner's Fund. This fund shall be applied by the Clergy in charge *to such pious and charitable uses as shall be thought fit by the Member of the Clergy*. Its revenue sources shall be gifts given in response to special appeals, gifts from endowed funds that are designated for this purpose and unsolicited gifts entrusted to the Clergy for Almoner's Fund purposes. Strict confidentiality shall be maintained as to the "pious and charitable uses" to which it is put. As of the October 2007 Vestry meeting, the Rector authorized a select group of individuals to assist him in the disbursement of these funds to help the poor in our community. The Rector retains responsibility and accountability for these disbursements and is in no way precluded from making disbursements him- or herself. Additionally, at this same time, a trust instrument was being negotiated with an anonymous parishioner that would infuse a large sum of funds to endow a fund of this type. All disbursements from this fund would be for non-operating purposes.

Rector's Discretionary Fund. This fund shall be applied by the Clergy in charge to such purposes as shall, in the opinion of the Member of the Clergy, advance the ministry of the parish. Its revenues shall be gifts entrusted to the Clergy in an unencumbered manner in addition to a quarterly disbursement of \$1,100 from the Memorial Endowment throughout the year. Because of the vestry's action to seed the Discretionary Fund with the Memorial Endowment, the Rector is not taking the proceeds of plate offerings at one Communion service each month. He is taking proceeds of funeral services and depositing these funds to this account.

Should the rector choose to disburse funds for an operating purpose, this expenditure would need to be categorized accordingly to comply with diocesan business practices to account properly for it in determining diocesan assessment obligations. While most disbursements from this fund would be to support operating needs that the Rector believes to be imperative for the success of advancing parish ministry (e.g., curriculum for Christian education), in the event that a significant disbursement or disbursements be made for (a) non-operating purpose(s), a journal entry can be made to shift the expense and the accompanying income to the Almoner's Fund.

Accounting Procedures. Both of these funds shall be kept on the books of the parish as “Designated Funds.” They shall in consequence bear St. Paul’s Church’s Tax Identification Number, and they shall be accessed only on authority of the Rector or, in the absence of a rector, the Priest-in-Charge, or, should there be no clergy, the senior warden through the ordinary accounting procedures of St. Paul’s Church.

Accountability. At the request of the Rector, beginning in the fourth quarter of 2007, the wardens and treasurer will actively audit these funds each quarter to ensure that their uses align with their stated purposes.

Internal Controls

St. Paul's financial "internal controls" are a system of "special purpose" processes and procedures designed and practiced for the primary purpose of preventing or deterring fraud. The internal controls fall into two categories, active and passive:

Active Controls

Signatures and Countersigning

- Each expenditure requires multiple signatures
- Original voucher
- Accounts payable entry signature
- Two signatures on the check
- All journal entries initialed by the Treasurer

Passwords

ACS (the accounting software St. Paul's uses) relies on passwords for access and determines what can be seen and what can be updated.

Segregation of Duties

- Segregation of Duties means that there are processes and procedures to require that duties must be divided among a number people so that no one person or group can obtain church cash by fraud.

The following are done by different individuals for segregation of duties. No one group handles more than one step:

- Cash receipt counting and deposit
- Counters count the money.
 - There must be at least two unrelated members present. (No one else should enter the Volunteer Room during the counting.)
- Entering contributions and reconciling to the deposit receipt
 - Receipts are posted to ACS by the bookkeeper.
- Invoice and voucher approval
 - Review by responsible vestry officer or rector
- Creation and entry of the payable expense and check preparation by the bookkeeper
 - All checks must have proper backup – invoice or voucher/documentation of justification for expenditure, and approved requisition
 - An invoice in the case of a routine bill like electricity
 - A voucher and accompanying receipt in the case of a check request without an invoice
- Check signing
 - Every check requires two signatures by non-related, vestry-approved persons
 - Payroll payments [electronic and checks] are signed/released by persons approved by the vestry

- Check mailing or distributing
 - The person mailing or distributing the checks does not have check signature authority
 - The person mailing or distributing the checks will review all checks for proper signature.
- Checking and Savings Account Reconciliations
 - The bookkeeper performs the reconciliation to document agreement between the bank statements and the computer system.
 - The Treasurer reviews and verifies agreement to the corresponding general ledger account(s).

Annual audit

- Called by the Vestry and coordinated by Treasurer.
- Conducted in accordance with diocesan canon regarding audits.
- Focused audit to test compliance with established accounting procedures and internal controls.
- Deliverable – Annual financial statement, identification of any significant deficiencies or material weaknesses.

Payroll audits

- Called by the Treasurer.
- Conducted in conjunction with the annual audit
- Review of accounting procedures and internal controls
- Confirm payroll information is accurate and up-to-date.
- Ensure that proper payments and employee contributions are being made.
- Establish ongoing compliance for accounting and record-keeping.
- Verify current employment status of employees.

Passive Controls

Audit trails

- Stored backup of receipts to match deposits and checks.

Journal Entry Audit

The bookkeeper will maintain a Journal Entry Log segregated by month to ensure adequate documentation for the auditor. All journal entries will have supporting documents attached; if there is no physical documentation then appropriate explanation and references will be documented with the journal entry.

Segregation of Duties

It is the policy of St. Paul's Episcopal Church to ensure an adequate segregation of responsibilities with regard to all aspects of the financial operations of the parish to include but not be limited to receipts, bank deposits, bank statement reconciliations, invoice and/or disbursement approval, check preparation, check signing, and expense reimbursement approvals.

Additionally, the parish will request the independent CPA firm it retains to study staffing and recommend improvements in the segregation of duties each year.

Financial Reporting

Annual CPA Audit Reports

Audit Reports

The Vestry of St. Paul's Episcopal Church affirms that it is subject to Title IV, Canon 2 of the Canons of the Diocese of Ohio. Further, Diocesan Business Practices states “[p]arishes which have an independent audit must report any change in CPA or CPA firm to the Treasurer’s office, along with an explanation for the change. The vestry of the parish must approve any change in CPA or CPA firm”

Contents of the Audit

The auditor is responsible for submitting an audit report to the Finance Committee and the Vestry. The Audit Report shall consist of:

1. The Audit Committee Certificate
2. The Statement of Assets & Liabilities Resulting From Cash Transactions or the Balance Sheet in the case of organizations using the accrual method of accounting;
3. The Statement of Cash Revenues, Expenses, including Payroll.
4. The Statement of Changes in Financial Position;
5. Completed Audit Program Checklist; and
6. The Committee Audit Findings on Policies and Procedures.

The Filing of the Audit

1. Prior to actual delivery of the audit report, a letter should be issued by the church to the auditor stating that all records have been available for audit and there are no church funds omitted.
2. Upon completion, a review of the audit report simultaneously with the church Treasurer, Rector, and Wardens shall be made by the audit committee.
3. Any criticisms and recommendations should be presented in the Committee Audit Findings on Policies and Procedures, not in the Audit Committee Certificate. These items will be discussed with the Treasurer and Finance Committee and within 30 days their written response will be attached to the audit report for presentation to the Vestry.
4. The audit report shall be submitted to the Vestry upon completion.
5. A copy of the audit report shall be forwarded no later than July 15 to the Ecclesiastical Authority. The minutes of the Vestry will officially record the receipt, acceptance, and subsequent filing of the audit report with the Ecclesiastical Authority in its minutes and by forwarding a resolution stating this action to the diocese along with the audit packet.

Monthly Financial Statements

It is the policy of St. Paul's Episcopal Church to prepare and distribute financial statements to the parish vestry and staff with budget approval authority each month. Additionally, committee chairs not members of vestry and ministry heads will also receive these reports. These statements are prepared by the parish bookkeeper, inspected by the treasurer, generally reviewed in advance by the Finance Committee, and received and approved by the Vestry at its monthly meeting. In months where Vestry does not customarily meet, financial statements will still be distributed and made available on-line in draft form in the Vestry section of the parish website. Draft statements may be distributed to staff after inspection by the treasurer.

Financial statements must include, at a minimum, a functional statement of income and expense that acknowledges the balances of any special funds or retained earnings that might otherwise be considered “cash on hand” by functional area. The Finance Committee is accountable to the Vestry for ensuring that this takes place.

Journal Entries

It is the policy of St. Paul’s Episcopal Church for journal entries to be approved by the treasurer or assistant treasurer before being posted into ACS, the parish’s financial software package.

APPENDIX 1: TREASURER POSITION DESCRIPTION

Treasurer Position Description

Qualifications and Gifts:

- Have a love of God and demonstrate a commitment to following the way of Christ;
- Have experience in the use of standard accounting procedures;
- Have an ability to establish and maintain appropriate safeguards and oversee persons assisting in financial transactions;
- Possess knowledge and understanding of insurance requirements, audit procedures, bonding and legal liabilities;
- Have an enthusiasm and vitality for this vocation;
- May or may not be an elected member of Vestry.

Time Commitment:

- Meetings of the Vestry and Finance Committee, approximately two evenings per month;
- Vestry retreat, if applicable;
- Weekly oversight of collection tabulations, confirm accuracy of deposits;
- Diocesan meetings, as necessary;
- Annual Meeting.

Responsibilities:

- Oversee the collection, counting, and deposit of all contributions from the congregation, ensuring that at least two unrelated persons are present at all times during collection and counting;
- Comply with all assigned tasks outlined in the by-laws of St. Paul's;
- Oversee the treasurers of all accounts maintained by related organizations (e.g., Women of St. Paul's) that are a part of the congregation, ensuring that they follow established accounting procedures and appropriate safeguards;
- Ensure that bills are paid in a timely fashion;
- Verify that subsidiary ledgers agree [Checking, Savings, Investments, and Endowments] with the corresponding accounts maintained in the computer system monthly;
- Ensure that adequate insurance is maintained on all real and tangible property;
- Determine that the books and accounts of the congregation are in accordance with standard accounting procedures and the requirements of the canons;
- Ensure that the congregation's financial operations are in accordance with national and diocesan canons, the congregation's code of regulations, and state and federal laws;
- Ensure that the congregation's deeds and other instruments of ownership are established and maintained in the manner prescribed by canon and civil law;
- Ensure that anyone serving as a custodian of any congregational or organizational funds over \$500 is bonded;
- Meet regularly with the rector, wardens and/or staff for planning and evaluation;
- Attend meetings of the Executive Committee as needed;
- Develop, chair, and be an active member of, the Finance Committee;

- Assist in the development of budgets;
- Be available for other committees that might need support in planning budgets or need other assistance in financial matters;
- Submit a yearly report to the vestry and congregation, and monthly financial statements as requested by the vestry, generally each month.

Accountability:

- The treasurer is elected by and accountable to the vestry. S/he may be removed by a majority vote of the vestry. The term of office for treasurer is for a three year period ending at the conclusion of the first vestry meeting following the Annual Meeting.

** Position description is adapted from The Vestry Resource Guide, Volume I: Servants Called to Leadership, printed by Cornerstone, a ministry of the Episcopal Church Foundation in 2005.

APPENDIX 2: ACKNOWLEDGEMENT OF PARISH CREDIT CARD POLICY

Acknowledgement of Parish Credit Card Policy

Name: _____

I understand and agree that:

- I bear ultimate and personal responsibility for the parish credit card;
- I will not use the parish credit card to withdraw cash;
- I will not use the parish credit card for personal expenses and will use it only for official business on behalf of the parish;
- If I misuse the card (i.e. use it otherwise than in accordance with the instructions given to me in this agreement or related policies) or otherwise fail to reconcile my expenditures within the prescribed procedures and timeframe, I agree to accept personal responsibility for such misuse and, further, that such misuse could result in forfeiture of credit card privileges.
- If the parish credit card is lost or stolen, I will report it immediately (no more than 24 hours) to the parish office.
- In the event I am no longer employed by the parish and/or am no longer a member in good standing of the parish, I will immediately return the parish credit card with a final reconciliation of all expenditures.

Signature of Cardholder

Date

Signature of Church Representative

Date

APPENDIX 3: INDEPENDENT CONTRACTOR AGREEMENT

Independent Contractor Agreement

Name: _____ Social Security or EIN #: _____

Address: _____ Home Telephone: _____

I understand that I qualify as an independent contractor.

As an independent contractor, I understand that I am responsible for payment of my own taxes, and employment-related taxes will not be withheld from any payments to me.

I understand that I am not entitled to any employee-related benefits, including, but not limited to, employer's share of FICA taxes, holiday payments, annual or sick leave payments, insurance benefits, unemployment benefits, worker's compensation benefits, and any other benefits of employment not noted.

I understand that by signing this agreement I also agree not to take any future action against St. Paul's Episcopal Church, its vestry or staff, or the Episcopal Diocese of Ohio with regard to its filing to provide employment benefits that my independent contractor status exempts me from receiving.

For St. Paul's Episcopal Church

Signature: _____

Name: _____

Date: _____

Signature: _____

Date: _____