

## MISSION AND PURPOSE OF THE FINANCE COMMITTEE

The mission and purpose of the Finance Committee is to serve as stewards of the financial resources of the parish. While the Vestry has ultimate responsibility as stewards of *all* the resources of the parish, the Finance Committee can share this responsibility, and that of the treasurer, by bringing its knowledge and experience to bear on parish financial matters.

- The Finance Committee should be a Committee of advice to the Vestry. The Vestry should approve its members.

Some of the responsibilities of the Finance Committee are:

- Provide the Treasurer with a group of thoughtful, committed members of the parish with whom the treasurer can discuss ideas and parish financial matters.
- Assist the Treasurer in the development of a job description for the Treasurer and that of an Assistant Treasurer. Having an Assistant Treasurer not only provides someone to assist the Treasurer, it allows for better dual control, and it provides for a logical successor to the Treasurer. Some parishes have two Assistant Treasurers, one with responsibilities for receipts and one with responsibility for expenses and accounts payable. [It is my personal belief that no parish treasurer should have to hold the position for an undue length of time.]
- Review and/or develop Internal Controls. Annually review existing Internal Controls to ensure they are being followed and to ascertain if there are opportunities for improvement and/or modification. For the protection of both the Treasurer and the Parish, accepted internal control procedures should be in place. [This starts with the way in which the Sunday Offering is counted – two unrelated persons should be present throughout the process.] A full section of the *Manual of Business Methods in Church Affairs* is devoted to Internal Controls. An excellent checklist is contained that should be reviewed annually as part of the parish audit.
- Assist in the development of the annual parish budget.
- Recruit the members of the parish audit committee and review the results of the audit. It should be made clear that it is the responsibility of the Vestry to appoint the members of the Audit Committee. The report of the Audit Committee should also be made directly and personally to the full Vestry. A copy of the Audit Committee Report should be made a part of the Vestry Minutes.
- Assist with the development of financial record-keeping systems and methods. Computer software should be reviewed to ensure that the reports meet the needs of the vestry and the parish. The reports provided to the Vestry and others should be “user-friendly.”
- The committee should review all parish endowment and trust funds on a quarterly basis. Communications from the Diocesan Trustees (and other portfolio managers, if any) should be reviewed. Note that other portfolio managers, other than the Diocesan Trustees or federal or state banks, must be approved in writing by Diocesan Council.
- An endowment fund policy should be adopted and approved by the Vestry. Such a document should state the ways in which endowment funds will be invested and the manner in which the income from those funds will be used. The existence of an endowment policy that is communicated

to the parish will tend to encourage future bequests and planned gifts to the parish endowment fund since donors will know the parish intends to be good stewards of the funds left to it.

- Working with the Stewardship Committee, develop communications to the parish to accompany the quarterly pledge statements that will educate members of the parish about how their offerings support ministry and mission that makes a significant difference in the lives of both members of the parish and those outside the parish.
- If the parish does not have an expense reimbursement policy, one should be established. Under IRS regulations, the payment of expense allowances, whether an auto allowance or an expense allowance, is taxable income to the recipient and must be reported on a *Form 1099–Misc Income*. This can be avoided by developing an Accountable Expense Reimbursement Policy. Under such a policy, the rector reports expenses to the church and receives reimbursement. Reimbursements paid under such a plan are not taxable and need not be reported to the IRS. Proper documentation concerning the business purpose of the expenses should be provided and maintained by the parish. Such a plan is discussed fully in the *Church and Clergy Tax Guide* published annually by Christian Ministry Resources. The tax guide gives the language the Vestry should use to adopt such a plan that complies with IRS regulations.
- An inventory (with photographs or a video) of all church-owned furniture and fixtures should be maintained. Insofar as possible, the inventory should list the date of acquisition and value. Vestments and altar items should be included. A copy should be maintained off site.
- Develop a records retention policy. The *Manual of Business Methods in Church Affairs* contains a section on records retention with a list showing how long each type of parish record should be maintained.
- Consider developing a plan whereby all vital church records would be microfilmed with a copy maintained off-site. Such parish records include vestry minutes, financial records, records of baptisms, confirmations, marriages, and funerals.
- Establish a policy of computer backup files so that copies of all current computer files are maintained off-site.
- Maintain copies of the *Manual of Business Methods in Church Affairs* published by the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA and available from Episcopal Parish Services [800-93-5544] and of *Church and Clergy Tax Guide* published annually by Christian Ministry Resources to ensure that the Treasurer and the Finance Committee have adequate information to support their work.

## **Full Financial Disclosure to the Members of the Congregation**

As Treasurer, you are the steward of the financial resources of the congregation. Many members of the congregation may not be too interested in financial matters. Other may be very interested. In any case, full disclosure is the best policy. Giving the congregation more information than they want is better than giving them less. Giving them less may prompt some to wonder if you are hiding something from them.

### **Monthly: Keeping the Parishioners Informed about “How We Are Doing”**

Suggestion: Post the Vestry Minutes and the Monthly Treasurer’s Report on the bulletin board where people can see them, if they wish

### **Annually: What kind of reports should we give them at the Annual Meeting?**

#### Suggestions:

- Annual Financial Report of Revenues and Expenses showing the prior year budget and actual and the budget for the new year
- Balance Sheet showing all the assets, especially financial assets of the parish
- List all the accounts of the parish with year-end account balances at both the beginning of the year and end of the year
- Operating Account, Endowment Funds, and Special Accounts such as the Altar Guild Fund, ECW Fund, Flower Fund, Youth Group Fund, Rector’s Discretionary Fund. All of these funds are funds of the parish, should be audited as part of the annual parish audit, and a report made on them at the annual meeting.
- If the parish has had a capital campaign, a report on those funds should be made each year until the funds have been fully used for the purposes of the capital campaign.
- A Listing of All Endowment Funds showing the name and purpose of each fund including whether the fund is restricted (by the donor) or designated (by the Vestry), stating who manages the funds (i.e., the Trustees), stating market value at the beginning of the year and end of the year and perhaps the original book (cost) value. Sometimes a brief history of a fund, if it known, stating when the fund was established and who the donor was will inspire others to remember the church in their wills.
- Detailed Pledge Report: A report showing the following information:
  - Number of pledges for the new year
  - The total dollar amount pledged for the new year
  - Both the median pledge and the average pledge amount
  - Detail showing how many pledges in different ranges
  - Tell the number of new pledges this year, the number of pledges that increased, the number that stayed the same, the number that decreased, the number that were not recommitted, the number of non-pledging households.

**Sample Report on the Financial Commitments of  
The Members of the Congregation**

<b>I.</b>	<b>Total Amount Pledged</b>	<b>This Year</b> \$249,200	<b>Last Year</b> \$243,675
<b>II.</b>	<b>Pledging Households</b>	222	216
<b>III.</b>	<b>Pledge Amount</b>	<b>This Year</b>	<b>Last Year</b>
	\$15,001+	1	1
	\$10,000 - \$15,000	2	2
	\$7,500 - \$9,999	0	0
	\$5,000 - \$7,499	3	3
	\$2,500 - \$4,999	12	11
	\$2,000 - \$2,499	13	11
	\$1,500 - \$1,999	26	25
	\$1,000 - \$1,499	31	29
	\$750 - \$999	18	17
	\$500 - \$759	36	34
	\$250 - \$499	41	44
	\$100 - \$249	27	26
	\$1 - \$99	12	13
	Non-pledging Households	42	45
	Average Pledge (Numeric average)	\$1,123	\$1,128
	Median Pledge (half above, half below)	\$494	\$481

The top 7 pledging households (3%) pledged \$60,000 (25% of the total)

The top 27 pledging households (12%) pledged \$108,000 (44% of the total)

The largest category of pledging households (41 households) pledged between \$250 and \$499

The largest category of all households (42 households) consists of non-pledging households

Average pledge (top 50% of total dollars pledged): \$3,315 from 37 pledging households

Average pledge (bottom 50% of total dollars pledged): \$545