

Episcopal Church of St. John the Baptist, Aptos, California

Manual of Financial Policies & Procedures

1. INTRODUCTION and STATEMENT OF PURPOSE

Our parish is required to comply with the laws of the U.S.A. (including the IRS Tax Code), the state of California, the canons of the Episcopal Church, and the canons of the Episcopal Diocese of El Camino Real. To perform the day-to-day and ongoing financial functions of the parish, however, it is important that St. John's have a comprehensive set of financial policies and procedures. Some of these guidelines are derived from Title I, Canon 7 of the Constitution and Canons for the Governance of the Episcopal Church in the U.S.A. The Manual of Business Methods in Church Affairs (MBM) of The Episcopal Church contains a number of recommendations and deserves careful consideration as well. The following set of financial policies and procedures provides rules and methods for dealing with the many parish financial issues that are not addressed in other manuals, canons or laws.

"Episcopal Church of St. John the Baptist, Aptos, California" is a California non-profit religious corporation. The church is registered as such with the California Secretary of State. As a corporation organized and operated exclusively for religious purposes, St. John's has tax-exempt status under section 501(c)(3) of the Internal Revenue Code. Our church also has tax-exempt status pursuant to the rules of the California Franchise Tax Board.

Study by Those with Financial Responsibilities

At the beginning of each calendar year the rector will review the financial policies expressed here with the vestry and other appropriate church staff and officers. A master hard copy is to remain in the church office. If there is a change in personnel, the new staff member shall be required to read the manual. An electronic copy shall be distributed to vestry members.

We hope that having these financial policies in place will prevent problems from arising. Remember, however, that this manual of financial policies and procedures is a work in progress and will require amendments or updating from time to time. The policies expressed are what we would like to occur in the various circumstances and operations that are covered in these pages.

Important elements of St. John's financial policy guidelines are:

- **Responsibilities & Duties of Staff and Vestry Members** – The separation of duties among church officers, staff members, and the vestry provides part of the oversight essential to ensure the integrity of the parish accounting and budget process. Church officers include the rector, the wardens, the treasurer, and the clerk of vestry.
- **Financial Reviews** – A yearly financial review is performed by a representative of the diocesan finance committee.
- **Financial Reporting and Statements** - This section defines what financial reports and/or statements need to be created and how often.
- **Fixed Asset Management and Disposal** - This section includes the recording, capitalization, and disposal of all fixed assets.
- **Internal Controls** – Internal controls are the mechanisms, rules, and procedures implemented by the parish to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. St. John's has internal controls in place for all aspects of financial management, including check-writing, check signing, funds and offering counting, bank reconciliations, account reimbursements, credit card usage, and related oversight procedures, the details of which are included where those matters are discussed in this document.

2. DIVISION OF FINANCIAL DUTIES AT ST. JOHN'S

Vestry

- Steward of all the financial resources of the parish.
- Oversees the care for all property of the parish. At St. John's, the day-to-day aspects of this oversight are carried out by the Vestry Administration Team, with the support of the Finance Committee.
- Oversees the investment of the funds of the parish.
- Reviews monthly financial reports.
- Establishes the annual budget for the parish.
- Establishes financial policies for the parish.
- Appoints individuals to serve on the Finance Committee
- Authorizes individuals to serve as check signers on St. John's bank accounts.
- Delegates financial duties only as specified in the by-laws

Treasurer

- Oversees financial controls, financial reporting, and money management of the parish.
- Has the combination to the financial safe and opens it for the counters when necessary.
- Serves as the primary point of contact in working with the parish's bookkeeper.
- Delivers check requests and bills received in the mail to bookkeeping office weekly.
- Oversees the deposit of cash and checks and check signing procedures.
- Verifies that the bank statements are being reconciled.
- Oversees reconciliation of financial statements.
- With the rector, verifies that internal controls are being observed.
- Presents financial reports to the parish at Annual Meetings and to the vestry at their regular meetings.
- Reports budget issues to the vestry.
- Prepares a draft budget annually, with the Finance Committee, based on direction from the vestry.
- Chairs the Finance Committee.
- Ensures that transfers of funds from ministries with separate sources of income to the operating fund for reimbursement of expenses like payroll and insurance are done on a regular basis.
- With the Finance Committee, compares actual expenses to budget each month.
- Serves on the Endowment Committee.
- Periodically interacts with vendors on behalf of the parish.
- With the bookkeeper, prepares the financial portion of the parish's annual Parochial Report for The Episcopal Church.
- Prepares the financial portion of the Annual Report to the Parish.
- In performing these duties, the Treasurer is assisted by the Assistant Treasurer. Division of duties shall be decided between the two individuals serving in those roles.

Rector

- Verifies that financial policies, including internal controls, are implemented.
- Ensures that more than one person has knowledge of the financial status of the church, passwords, and keys to records. Those assigned this duty are the Wardens, Treasurer, and the Rector.
- Oversees maintenance of financial records, including those of endowment monies.
- Serves on the Finance Committee and the Administration Team of the vestry.
- Ensures that when there is a change in staffing related to finance, the computer and banking passwords, as well as locks and keys for the office where financial records are kept are changed.
- Has other such responsibilities as specified in the parish bylaws and diocesan & denominational canons.
- Ensures preparation and submission of the annual Parochial Report is done in compliance with denominational and diocesan deadlines.

Approved by the vestry on 7/20/2021.

Bookkeeper

- Maintains the parish financial records.
- Enters all financial transactions.
- Prepares checks.
- Prepares monthly financial statements for the Treasurer: Statement of Financial Position, Statement of Activity, Budget vs. Actual, Statement of Cash Flow, [Statement of Funds Flow], Helpful Shop Budget vs. Actual, Aptos Community Youth Program Budget vs. Actual.
- Backs up financial computer data that is not stored in the cloud monthly.
- Reconciles endowment investment account statements and forwards to the Endowment Committee, Finance Committee and Treasurer.
- Processes biweekly payroll.
- With the treasurer, prepares the financial portion of the parish's annual Parochial Report for The Episcopal Church.
- Performs other duties as required.

Office Manager

- Files financial records and maintains financial archives.
- Distributes signed checks to payees.
- Has the combination to the financial safe and opens it for the counters when necessary.
- Makes purchases for the church on the Office & Administration church credit card.
- Other parish staff who make purchases for the church on church credit cards are the Sexton, the Helpful Shop Manager, and the Aptos Community Youth Program Director.

Counters

- Count funds received, prepare deposit and deliver to bank on a regularly scheduled basis.
- Prepare deposit documentation for the bookkeeper.

Check Signers

- Sign checks prepared by the bookkeeper after verifying that appropriate documentation is attached. Two signatures (from two unrelated people) are required on each check.

Finance Committee

- Meets monthly.
- Advises and supports the rector, treasurer and bookkeeper in the day-to-day financial operations of the parish.
- Reviews budget compared to actual financial activity monthly.
- Investigates and discusses financial issues facing the parish and prepares recommendations for the vestry.
- Solicits & considers vestry, stewardship and other input as needed in order to prepare a draft budget.
- Prepares a draft budget annually for vestry approval.
- Monitors account and investment activity and verifies that reconciliations are being performed.
- Studies the annual Financial Review and implements recommendations resulting from it as directed by the vestry.

Stewardship Committee

- Educates the parish in the year-round practice of stewardship of **all** our resources – not just financial resources.
- Leads the annual pledge drive and provides pledge figures to the vestry and Finance Committee for preparation of the annual budget.
- Ensures that quarterly and year-end statements of giving are provided for individual members and provides a cover letter to go with the statements indicating the types of things the parish's giving supported during that time period.

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