

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

Manual of Financial Policies & Procedures

DISBURSEMENTS

(Money going out from the church)

Disbursement Internal Controls

- **Separation of Duties:** The person authorizing payment, the person preparing the checks for payment and the individuals signing the checks must be different individuals.
- **Original Documentation:** Payments are made against original invoices and documents only.
- **Document Filing:** All source documents, and printed copies of documents received electronically, are filed in the church office with a record of payment in the Active Files. Documents that need to be kept long-term (i.e., Gift Designation Forms, Columbarium Contracts, etc.) are placed in the Permanent Files.
- **Printed Checks:** The bookkeeper and check signers match the payment request form with the invoice to confirm that all requested documentation is provided for the check being issued.
- **No Blank Checks:** Signing blank checks is prohibited.

Disbursement Authorization

- **Budgeted Disbursements:** All disbursements of parish funds are authorized as stated in the church budget and approved by the Vestry at a business meeting. From time to time, the Rector (or, in the Rector's absence, the Senior Warden) and the Treasurer will prepare a Disbursement Authority Chart that indicates which specific individuals have disbursement authority over which areas in the parish budget. In the absence of a Disbursement Authority Chart, all disbursement authority rests with the Rector (or, in Rector's absence, the Senior Warden) and Treasurer.
- **Emergency Disbursements:** Approval of over-budget or emergency expenditures that cannot wait for a scheduled or called business meeting is the responsibility of the Rector (or, in Rector's absence, the Senior Warden), consulting with the Administration Team of the Vestry if necessary. Once an emergency expenditure is authorized, the Rector (or Senior Warden) must notify the Administration Team for concurrence, and submit details of the expenditure to the Vestry for ratification.

Disbursements from the Annual Operating Budget

Recurring Operational Disbursements

- **Disbursements Within Budget:** Payment of expenses in the following categories within the amount in the annual budget adopted by the Vestry need no further authorization:
 - Personnel compensation, benefits and continuing education;
 - Debt/loan retirement;
 - Operational items (rent, utilities, insurance, and regular computer software charges);
 - Dues for organizations outside the church;

The Treasurer or Rector signs off on bills of this nature, verifying that they are expenses of the kind covered by the budget and that there are sufficient funds available to pay them within the overall budget category (e.g., Worship, Parish Life, etc.). If so, the Treasurer or Rector writes "ok to pay" on the bill and initials next to the amount and forwards the approved bill to the bookkeeper to issue payment.

- **Disbursements Over Budget:** Within a budget category, funds can be allocated to different line items as long it does not exceed the total budgeted for that category. If a potential expense exceeds the amount in the Vestry approved budget category, the Treasurer or Rector should ask the Finance Committee to review and recommend specific budget adjustments to keep the budget in balance and

seek Vestry approval of the change. If this action causes a payment to be late, see Emergency Disbursements above.

Ministries, Mission and Non-Recurring Disbursements

- **Disbursements Within Budget:** Committee Chairs and Ministry Leaders are authorized to purchase materials and services within Vestry approved budget limits for their ministry areas. (See Disbursement Authority Chart.) The requester fills out a check request or reimbursement request form, confirms the amount requested is within the spending authorization limit, provides appropriate documentation of the expense and signs the request form. Requests for reimbursement must be made within 60 days of the purchase date. The Treasurer or Rector reviews the request form to confirm Vestry authorization, the amount is within authorization limits, that the request is made by the appropriate person, and certifies that all requirements are met before approving the request and forwarding the request to the bookkeeping service for payment.
- **Disbursements Over Budget:** If a planned expenditure exceeds the amount approved by the Vestry in the annual budget, the responsible Committee Chair or Ministry Leader must present the proposed expenditure to the responsible Vestry Team. If the Vestry Team agrees that the expense is reasonable, they shall submit the proposed expense to the full Vestry for approval, with a recommendation regarding the source of funds to cover the over-budget cost. Vestry approval becomes the authorization to fund the overage.

Alternatively, the Committee Chair or Ministry Leader, with Rector approval, may fundraise separately for over-budget or nonbudgeted expenses before making the purchases or financial commitments. Funds raised will go into a designated account for that particular ministry.

- **Outreach Grant Disbursements:** The Outreach Committee recommends recipients for the funds allocated in the operating budget for outreach grants. The Vestry approves the recipients and amounts recommended by the Outreach Committee. The Outreach Chairperson then completes and signs a Check Request Form(s) listing the names of the grant recipients with addresses and amounts and submits the form(s) to the Rector or Treasurer for approval. Standard check signing and disbursement procedures are followed from here.

Disbursements from the Aptos Community Youth Program Budget (From the ACYP Bank Account)

- **Disbursements Within Budget:** Payment of expenses in the categories listed and within the amount in the annual budget approved by the Vestry need no further authorization:
 - Operational items (supplies, materials, artists, programs, fees, etc.);
 - Other expenses under \$250.00;
 - Expenses over \$250 require Rector approval.

The Treasurer or Rector signs off on bills of this nature, verifying that they are expenses of the kind covered by the budget, that there are sufficient funds available to pay them within the overall budget category, and that they have been appropriately authorized. The Rector or Treasurer writes "ok to pay" on the bill and initials next to the amount to be paid. The expense is reviewed and approved by the Rector and routed to the Treasurer and bookkeeper for payment.

- **Disbursements for Non-Budgeted Matters:** If a necessary expense is not in the Vestry-approved budget, the ACYP Director must alert the Rector or Treasurer, who will ask the Finance Committee to review and recommend a funding source for the expense and seek Vestry approval. The Treasurer will submit a check or payment request for the expense to the bookkeeper and include documentation of the Vestry's approval.
- **Disbursements to Reimburse Parish Account for Advances to the ACYP:** Quarterly, the Treasurer and Bookkeeper prepare a statement of expenses that have been paid out of the Parish's checking

account that need to be paid back by ACYP funds, including: the Director's wages and employer taxes, a portion of the Rector and Bookkeeper's compensation representing time spent on ACYP matters, a share of workers' compensation and liability insurance premiums as determined by the insurers. The Treasurer and Bookkeeper then run this statement by the Finance Committee and the ACYP Director for review, and in the absence of an objection within two or three days, members of the Finance Committee initiate and approve the appropriate inter-account transfers.

Disbursements from the Helpful Shop Budget

(From the Helpful Shop Bank Account)

- **Disbursements Within Budget:** Payment of expenses in the categories listed and within the amount in the annual budget adopted by the Vestry need no further authorization:
 - Personnel salaries, including related items associated with salaries;
 - Cash purchases for items to be sold at the shop;
 - Operational items (e.g. rent, utilities, insurance, taxes, banking fees, and regular computer and software charges);
 - Other expenses over \$250.00 as approved by the Rector or Treasurer;

The Treasurer or Rector signs off on bills of this nature, verifying that they are expenses of the kind covered by the budget, that there are sufficient funds available to pay them within the overall budget category, and that they have been appropriately authorized. The Treasurer or Rector writes "ok to pay" on the bill and initials next to the amount to be paid. The approved bill is routed to the Treasurer and on to the bookkeeper to issue payment.

- **Disbursements for Non-Budgeted Matters:** If a necessary expense is not in the Vestry-approved budget, the Helpful Shop Manager must alert the Rector or Treasurer, who will ask the Finance Committee to review and recommend a funding source for the expense and seek Vestry approval. The Treasurer will submit a check or payment request for the expense to the bookkeeper and include documentation of the Vestry's approval.
- **Disbursements to Reimburse Parish Account for Advances to the Helpful Shop and Pay Tithe to the Parish:** Quarterly, the Treasurer and Bookkeeper prepare a statement of expenses that have been paid out of the Parish's checking account that need to be paid back by Helpful Shop funds, including: the Shop Manager's wages and employer taxes, a portion of the Rector and Bookkeeper's compensation representing time spent on Helpful Shop matters, a share of workers' compensation and liability insurance premiums as determined by the insurers, and a tithe (10%) of gross sales for the quarter, net of sales taxes and bank fees. The Treasurer and Bookkeeper then run this statement by the Finance Committee and the Shop Manager for review, and in the absence of an objection within two or three days, members of the Finance Committee initiate and approve the appropriate inter-account transfers.
- **Helpful Shop Grant Disbursements:** Helpful Shop Grant recipients are recommended by a Grants Committee appointed annually by the Vestry. The Vestry approves the recipients and amounts recommended by the Grants Committee. The Helpful Shop Manager then completes and signs a Check Request Form(s) listing the names of the grant recipients with addresses and amounts and submits the form(s) to the Rector and Treasurer for approval. The standard check signing and disbursement procedures are followed from here.

Disbursements from Reserve Accounts

Disbursements from Donor Restricted Funds

Expenses paid from donor restricted funds must be in accordance with the stated purpose for which the funds were given by the donor. A Committee Chair or Ministry Leader may request disbursement from reserve accounts set aside for their ministry area and approval must be given by the Rector or Treasurer.

Disbursements from Vestry Designated Funds

Expenses paid from Vestry designated funds require a vote of the Vestry.

Disbursements from Capital Funds

Disbursement of Capital Funds require a vote of the Vestry. Permissible uses of the Capital Fund are:

- **Construction:** Complete the construction of the Parish Campus (excluding a columbarium, which is to be funded by subscription);
- **Rector Housing:** Acquire a rectory or establish an endowment or similar fund for rector housing;
- **Fixtures:** Acquire furniture, fixtures, or equipment with an expected useful life of at least seven years; and
- **Maintenance:** Maintain capital assets to the extent maintenance reserves are not sufficient.

Disbursement Request Forms

Check request forms and reimbursement request forms are posted on St. John's website and may be accessed at <http://www.st-john-aptos.org/financials.html> by anyone needing to request a payment or reimbursement.

Printed Forms: Route the printed form to the person who needs to approve the request (if anyone). The form with the approval signature is place in the Treasurer's box, who then routes it to the Bookkeeper.

Electronically Filled Forms: The form is an editable PDF. Once the information is typed into the form, if the requester needs someone other than the Rector or Treasurer to approve the request, they should email the completed form to that person. The approver then emails the form to the Office Manager (at admin@st-john-aptos.org) with "Please Print" in the subject line and "I approve the attached request for payment" in the body of the email. The Office Manager will then print the completed check request and the email showing the approval and place it in the Treasurer's box.



Check Payment Request Form

Please submit this form to the rector or treasurer, who will forward it to the bookkeeper.

Date: _____
Please issue a check for: _____ (amount) From: _____
Payable to: _____
Memo line: _____

SCCB Operating Checking
 With Funds Checking
 Helpful Shop Checking
 ACYP Checking

When check is ready, Place in church mailbox of _____
 Call _____ for pick up
 Mail to: _____

Description of item or service being requested & its purpose:

Budget Account (# and Name): _____

Requested by: _____

Approved by: _____

Please attach invoice or other documentation of the cost from the vendor or authorizing party.
Checks will not be issued without appropriate documentation.

Check Disbursement Procedures

The processing of all check disbursements is as follows:

- **Deliver Approved Check Requests:** The Treasurer or Rector delivers bills and check requests to the bookkeeping service office for processing and data entry.
- **Write Checks:** The Bookkeeper reviews the documentation attached to each check request, confirms that it is approved and agrees with the amount on the request. The bookkeeper then prepares the check and holds the check for pickup by a member of St. John's Finance Committee.
- **Pickup Checks:** Checks are picked up from the bookkeeping service and delivered to a designated mailbox at St. John's to be signed. Authorized signers are notified when the checks are ready to be signed.
- **Sign Checks:** Authorized signers review the documentation attached to each check and confirm that it is a legitimate charge before signing the check. Payments should not be made on statements or balance-due billings unless underlying invoices are included. Check signers should **never** sign any check without looking at the documentation provided with the check. If there is any question about the documentation, the check signer does not sign the check, but notifies the Treasurer of the problem or question by email and places the check in question in the Treasurer's mailbox.

- **Distribute Checks:** The Office Manager verifies that the checks each have two signatures and then distributes the signed checks to the appropriate mailboxes on site and put checks that need to be mailed in the mail. (Signed checks should never be returned to the bookkeeper for distribution or mailing.)

Cash Disbursement Procedures

- **ACYP Petty Cash:** The director of the ACYP has a petty cash fund available to cover minor ACYP expenditures in circumstances where credit cards are not accepted (i.e., purchasing food for ACYP students from a food truck or street vendor at an event). The ACYP Director must obtain a receipt or some form of physical documentation for all cash purchases.
- **Replenishing Petty Cash:** Whenever the fund is below \$50, the ACYP Director will fill out a check request form to replenish the fund. The check will be made out to the ACYP director, who will cash the check and put the cash into the petty cash fund.
- **Petty Cash Register:** The ACYP Director must keep a detailed accounting of the petty cash fund on a register showing the original balance and documenting each expense with a receipt or other written documentation. Additions to the fund from replenishment requests will also be noted on the register.
- **Internal Controls:** At least once per year, someone other than the ACYP Director will count the cash in the fund and verify that it matches the register kept by the ACYP Director.

Credit Card Purchase and Payment Procedures

- **Church Business Only:** Purchases on church credit cards are solely for church business and to assist the card holder in performing their duties as an employee of the church. Cards must only be used by the employee whose name appears on the card (cardholder). **Employees must never use the church-issued credit card for non-church business or loan their church credit card to anyone else to make a purchase for the church on their behalf.**
- **Authorized Categories:** All church credit cards issued are restricted to purchases in categories authorized by the Vestry in the annual operating budget of the parish.
- **Monthly Resolution:** Credit card statements are balanced every month. Receipts corresponding to the purchases on each credit card monthly statement must be turned in to the church's bookkeeper no later than 5 days after the statement closing date for reconciliation. Any purchases without receipts will be considered unauthorized purchases until the receipt or satisfactory documentation is produced and accepted.
- **Unauthorized Purchases:** Any unauthorized purchases on the card will be considered an advance on the employee's compensation and the employee will be subject to disciplinary action, including unpaid administrative leave.
- **Card Management:** Upon termination or resignation of an employee with a church card, the employee must surrender the card to the parish and the parish should immediately cancel the card. The former employee must produce all current receipts in accordance with the stated reconciliation policy.
- **Card Authorization:** The Vestry is responsible for authorizing which church employees receive church credit cards, and a current list of authorized cardholders will be maintained in a separate document, updated periodically by the Vestry as cardholders change.
- **Payment of Credit Cards:** The total balance of each card will be paid off each month so that the cards never earn interest. The Treasurer shall forward the approved credit card statements to the bookkeeper's office or the Assistant Treasurer each month for payment. If sent to the Bookkeeper,

the Bookkeeper will issue a check to the credit card company for the total balance on the card. Checks will go through the usual check signing and distribution process outlined above. If sent to the Assistant Treasurer, the Assistant Treasurer will authorize ACH payment over the telephone and provide documentation of payment.

Clergy Discretionary Fund Disbursements

Clergy discretionary funds are funds owned by the parish and are distributed at the sole discretion of an individual (the Rector or other clergy person with a discretionary account). Their use is not subject to approval by the Vestry or any other parties, but the discretionary funds are included in the annual review of accounts. The reviewer should confirm that the use of the funds is consistent with the purpose given in the Episcopal Church canons, which state that clergy discretionary funds should be given to "the poor" or "pious and charitable uses" *Canon, III.9.6(b)(6)*. St. John's policy is that clergy discretionary funds should be used to address needs of individuals (parishioners and community members) such as, but not limited to, food, rent, utilities, and medical bills. The discretionary fund may not be used to assist the clergy person or their family members.

Disbursements from Endowment Funds

- For St. John's General Endowment Fund, see Endowment Policy, Document D, Spending Policy.
- For other endowments (i.e., ACYP Fund, Curate Fund), see documentation for each specific endowment. Where the documentation is unclear, look to the St. John's General Endowment Fund policies for guidance.

Disbursements of Pass-Through Funds For Outside Entities

- Any person or committee can request permission from the Rector to raise funds from the parish to support outside entities. With the Rector's approval, the person can run a campaign to raise funds that will be given to the church and then a check sent for the total amount raised to the third-party organization or entity.
- The Rector or Treasurer will notify the Bookkeeper of the special appeal. The Counters will submit to the bookkeeper the total cash and checks collected for the special appeal and the Bookkeeper will check the online giving for the appeal and send a total amount raised to the Rector and Treasurer. The person organizing the fund drive should prepare a Check Request Form for that amount that indicates where and how to send the money and submits the form to the Rector or Treasurer for approval. The standard check signing and disbursement procedures are followed from here.
- **South Sudan Scholarship Disbursements:** The parish's commitment to support South Sudanese students in Kenya is unable to be fulfilled through sending money from the parish directly to an organization. The infrastructure where they are located is unable to accept payments or wire transfers directly to an institution, so we must send the funds via MoneyGram. The procedure for disbursement is as follows: A member of the Outreach Committee fills out a check request for the amount to be sent. The check is issued to the member of the Outreach Committee, who then sends the funds via MoneyGram to Kenya and returns the receipt from the MoneyGram to the parish, showing that the funds were sent to the correct location. We also require documentation from the receiving parties that the students' tuition has been paid, which is filed with the original check request.
- Disbursements from the Mikkelsen Trust #1 and the Mikkelsen Trust #2 are considered pass-through funds.

Disbursements section approved by the Vestry on 6/21/2022.