

**LOCAL CHURCH  
TREASURER  
HANDBOOK**

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**SECTION 1**

**FINANCE COMMITTEE  
AND  
MINIMUM FINANCIAL  
REQUIREMENTS**

Prepared for the  
Upper New York Conference  
Of the United Methodist Church

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## STATEMENT FROM YOUR CONFERENCE COMMITTEE ON FINANCE & ADMINISTRATION (CF&A)

The information provided in this Finance Committee – Section 1 of the Local Church Treasurer Handbook is meant to guide treasurers and financial stewards of local churches with information and a starting point for the many questions and concerns that arise on a day-to-day basis when conducting normal church financial and administrative business.

Many documents within this section of the guide have been utilized from the General Council on Finance and Administration for the United Methodist Church (GCFA) website ([www.gcfa.org](http://www.gcfa.org)). Please check that website frequently for the latest information.

If you have any questions about any of the documents or issues discussed within this document, please contact a member of the Upper New York Conference CF&A directly.

The Upper New York Conference is not engaged in providing legal or accounting advice or services. The service of a competent professional should be sought for legal and tax advice.

Thank you.

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## SECTION 1 – FINANCE COMMITTEE AND MINIMUM FINANCIAL REQUIREMENTS

### Introduction

The *Book of Discipline* devotes much time and space to information concerning the financial responsibilities of the local Church. This work involves the Pastor, the Finance Committee Chair, the Treasurer, the Financial Secretary, money counters and the Finance Committee itself and other persons.

This section contains information describing the responsibilities of these various people. These people include:

- Finance Committee
- Treasurer
- Money Counters
- Financial Secretary

Information is also included in this section on:

- Policies
- Audits
- Stewardship

An additional resource is available, which is the Finance booklet of the Guidelines titled "Finance". It is available as a booklet or a downloadable pdf document. Each person responsible for any financial work of the local church should avail themselves of this booklet and familiarize themselves with it.

This section also includes minimum financial standards as set by GCFA and/or CCFA.

## **2016 Book of Discipline Par. 258(4), page 201 – Job Description of the Finance Committee**

There shall be a committee on finance, elected annually by the charge conference upon recommendation by the committee on nominations and leadership development or from the floor, composed of the chairperson; the pastor(s); a lay member of the annual conference; the chairperson of the church council; the chairperson or representative of the committee on pastor-parish relations; a representative of the trustees to be selected by the trustees; the chairperson of the ministry group on stewardship; the lay leader; the financial secretary; the treasurer; the church business administrator; and other members to be added as the charge conference may determine. It is recommended that the chairperson of the committee on finance shall be a member of the church council. The financial secretary, treasurer, and church business administrator, if paid employees, shall be members without vote.

The positions of treasurer and financial secretary should not be combined and held by one person, and the persons holding these two positions should not be immediate family members.

No immediate family members of any appointed clergy may serve as treasurer, finance chair, financial secretary, counter, or serve in any paid or unpaid position under the responsibilities of the committee on finance, as described herein. These restrictions would apply only to the church or charge where the clergy serves.

The committee on finance shall give stewardship of financial resources as their priority throughout the year. It may delegate the responsibility to either a sub-group or task force that would plan, strategize, and implement ways to generate more resources for mission and ministries of local churches and beyond. It is strongly recommended that the committee on finance, in collaboration with the church council, find creative ways to turn their congregations into tithing congregations with an attitude of generosity. All financial askings to be included in the annual budget of the local church shall be submitted to the committee on finance. The committee on finance shall compile annually a complete budget for the local church and submit it to the church council for review and adoption. The committee on finance shall be charged with responsibility for developing and implementing plans that will raise sufficient income to meet the budget adopted by the church council. It shall administer the funds received according to instructions from the church council.

The committee shall carry out the church council's directions in guiding the treasurer(s) and financial secretary.

- a) The committee shall designate at least two persons not of the immediate family residing in the same household to count the offering. They shall work under the supervision of the financial secretary. A record of all funds received shall be given to the financial secretary and treasurer. Funds received shall be deposited promptly in accordance with the procedures established by the

committee on finance. The financial secretary shall keep records of the contributions and payments.

b) The church treasurer(s) shall disburse all money contributed to causes represented in the local church budget, and such other funds and contributions as the church council may determine. The treasurer(s) shall remit each month to the conference treasurer all World Service and conference benevolence funds then on hand. Contributions to benevolence shall not be used for any cause other than that to which they have been given. The church treasurer shall make regular and detailed reports on funds received and expended to the committee on finance and the church council. The treasurer(s) shall be adequately bonded.

c) The committee on finance shall establish written financial policies to document the internal controls of the local church. The written financial policies should be reviewed for adequacy and effectiveness annually by the committee on finance and submitted as a report to the charge conference annually.

d) The committee shall make provision for an annual audit of the financial statements of the local church and all its organizations and accounts. The committee shall make a full and complete report to the annual charge conference. A local church audit is defined as an independent evaluation of the financial reports and records and the internal controls of the local church by a qualified person or persons.

The audit shall be conducted for the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being safeguarded, and determining compliance with local law, local church policies and procedures, and the Book of Discipline.

The audit may include:

- 1) a review of the cash and investment reconciliations;
- 2) interviews with the treasurer, financial secretary, pastor(s), finance committee chair, business manager, those who count offerings, church secretary, etc., with inquiries regarding compliance with existing written financial policies and procedures;
- 3) a review of journal entries and authorized check signers for each checking and investment account; and
- 4) other procedures requested by the committee on finance.

The audit shall be performed by an audit committee composed of persons unrelated to the persons listed in 2. above or by an independent certified public accountant (CPA), accounting firm, or equivalent.

e) The committee shall recommend to the church council proper depositories for the church's funds. Funds received shall be deposited promptly in the name of the local church.

f) Contributions designated for specific causes and objects shall be promptly forwarded according to the intent of the donor and shall not be used for any other purpose.

g) After the budget of the local church has been approved, additional appropriations or changes in the budget must be approved by the church council.

h) The committee shall prepare annually a report to the church council of all designated funds that are separate from the current expense budget. The church council may appoint such other committees as it deems advisable, including: committee on communications, committee on records and history, committee on health and welfare, and committee on memorial gifts.

## LOCAL CHURCH FINANCE MINIMUM STANDARDS

Serving as a financial officer or in a financially related position within a local church requires that we serve with fiduciary responsibility over the financial matters of the church. This fiduciary responsibility means that we stand in service to perform our duties with the trust and confidence that we act for the benefit of the church and not for the benefit or convenience of ourselves. As we serve with these responsibilities in local churches, we are guided to provide the most effective and most efficient ways to safeguard the assets entrusted to our care. One of the ways we safeguard the assets is to put procedures in place that have been proven to minimize risks by preventing and detecting error, deterring fraud and protecting innocent staff and volunteers.

The following are intended to aid in the prevention or deterrence of fraudulent behavior and are not accusations that fraudulent activities are being performed. These guidelines provide protection for those in a position of controlling financial activity from being accused of fraud. Part of the fulfillment of our calling to be good stewards of the Lord's funds is having effective procedures in place to safeguard those funds.

These minimum standards should be utilized in churches of all sizes and complexity. ALL local churches are expected to meet these minimum standards.

### Receipts and Disbursements

- The Treasurer and Financial Secretary shall not be the same person and shall not be in the same immediate family and/or residing in the same household.
- A counting team (at least two unrelated persons) should count offerings and document totals – these teams cannot include the Treasurer or the Financial Secretary. Teams should rotate and members should rotate between teams.
- Offerings should be deposited the same or the next business day.
- Offering count details should be given to the Financial Secretary for recording.
- Offering totals should be given to the Treasurer or Financial Secretary to record deposits.
- The Financial Secretary's deposit log should be compared to the bank statement to verify deposits.
- At least two persons should be listed as authorized signatures on all accounts. The Pastor shall not be one of these signatures.
- Financial policy and authority guidelines must be written and approved by the Finance Committee. They should be reviewed annually.
- Invoices should be required for all payments from all accounts.
- Someone other than the Treasurer should approve invoices for payment
- Typically, the Treasurer should make payments only after an invoice is approved. A policy may be implemented where routine, budgeted expenses (i.e. rent/mortgage, utility bill, etc.) may be paid without recurring approval; non-routine expenses must be approved prior to payment.



## **Reporting and Review**

- All bank and investment accounts should be reconciled monthly.
- Someone other than the Treasurer should review bank reconciliations at least quarterly—including bank statements, invoices, checks written, and financial reports.
- The Treasurer should make a detailed report of budget and designated fund activities to the Finance Committee at least quarterly.
- Per the Policy of the Upper New York Conference, local churches must be audited. Church members and others provide substantial financial resources to local churches, and expect church staff and lay leadership to provide proper oversight of such resources to ensure these resources are:
  - Used in a manner consistent with that expressed through the church’s annual operating budget and designated gifts, and
  - Adequately safeguarded from improper use or loss. In light of expectations, every local United Methodist Church, at a minimum, shall conduct an audit (review) as defined and designed in the Local Church Audit Guide published by the General Church Council on Finance & Administration. The guide may be obtained at [www.gcfa.org](http://www.gcfa.org). It can also be located in the Local Treasurer Handbook Section 4 on “Local Church Audit”, located at the Upper New York Conference website.

In addition to such minimum requirements for all churches, and consistent with the expectations for integrity, transparency and accountability described above, larger churches shall periodically subject their accounting records and controls to assessment by an independent certified public accountant. Specifically, larger churches (i.e. those with annual total receipts of more than \$500,000 shall adopt one of the following two options (for purposes of this section, “total receipts” of each local church shall be annual total combined funds received through the operating budget; donor-designated, non donor-designated and/or restricted gifts given for a particular purpose, including special offerings collected throughout the year; monies received for capital buildings or improvements or for debt service; contributions received for endowed funds, preschool tuition and fees received, nursery school tuition and fees received; and any funds received from other sources):

1. Have an audit performed by an independent certified public accountant (CPA) in accordance with generally accepted auditing standards; OR
2. Have an independent CPA perform a set of agreed-upon procedures established by the Council on Finance and Administration.

For purposes of this requirement, the frequency of having either option 1 or 2 performed shall depend on the annual total receipts of each local church from all sources as described above. For purposes of determining the applicability of this requirement, “total funds received” shall be the average annual total receipts (as defined above) for the prior three years. (For example, for purposes of applying these tests in 2022, local churches would determine the average of total funds received for the years 2019-2021). If average total funds received by a local church exceed \$2,000,000, the local church

should have audit work performed by an independent CPA under either option 1 or 2 annually. For those churches who have average total funds received of less than \$2,000,000 but more than \$1,000,000, those churches should have audit work performed by an independent CPA under option 1 or option 2 once every two years.

For those who have average total funds received of less than \$1,000,000 but more than \$500,000, those churches should have audit work performed by an independent CPA under option 1 or option 2 once every three years. For any year in which a larger church (as defined above) is not required to have work done by an independent CPA under option 1 or 2, such churches shall conduct an audit (review) as described in the first paragraph of this section.

### **Tax Reporting Requirements**

- W-2s must be issued for employees, including pastors, and 1099s issued for nonemployee compensation by January 31<sup>st</sup> for the preceding year (federal law requirement). There is a new 1099 form: 1099-NEC to be used for non-employee compensation. The W-2 and 1099-NECs must be issued to the recipients and filed with the Internal Revenue Service and Social Security Administration by January 31<sup>st</sup>.
- Payroll tax forms and deposits done as required for payroll amount (federal law requirement)-payroll reporting should be completed for the Internal Revenue Service and Social Security Administration by the appropriate due date for filing method.
- Housing allowance or exclusions approved annually at charge conference and kept on file (federal law requirement)

### **Other General Requirements**

- Prepare a list of all church property for insurance purposes—include item description, serial number and value.
- Prepare a list of safe deposit box contents—updating as needed—access should be allowed by two unrelated people.
- Computer records are backed up and password protected for security.
- Ideally, four individuals are required for regular financial procedures: financial secretary, treasurer, person to review and approve invoices and person to review bank reconciliations. It is possible for this to be accomplished with three individuals, if proper segregation is achieved.