

**ORTHODOX CHRISTIAN CHURCH
ACCOUNTING POLICIES AND PROCEDURES
2013**

The following Accounting Policies and Procedures cover a variety of basic bookkeeping and financial reporting procedures, as well as basic required internal controls, which Treasurers of the various organizations within the parish can use to perform their duties. The procedures will assist Treasurers maintain the financial records of their individual organization in good order, with transparency of the activities and proper accountability and segregation of duties. By following a set of approved written procedures, the consistency of the record keeping will be maintained as the individuals responsible change over the years. These procedures will also assist in the training of new Treasurers by providing them with the guidelines set forth by the Parish body. It must be remembered that as a non-profit, tax-exempt organization, the books of the organizations must be open to any donor for review as well as to the IRS at any time they may require an audit of the organization's records. By having Treasurers follow a set of written procedures, having consistency in the financial reporting, and providing the proper chain of approvals of the financial data on a regular basis, the parish will be in the best position to assert full transparency and accountability of the precious resources God has entrusted to their care. There is also a section regarding the periodic internal review to be conducted by the appointed Financial Review Committee (FRC). The primary reasons for such a review are: to build the trust and confidence of the financial supporters of the parish and to promote good stewardship of the monetary gifts the parish receives; to protect the individuals who are responsible for handling money in the parish; to verify that proper accounting procedures are being followed which promote transparency and accountability; to validate appropriate controls, such as separation of duties (eg. counting cash and recording cash) and reconciliations of bank accounts, are in place; and, to maintain a sense of consistency in procedures and financial reporting from year to year.

The members of the Parish Council are responsible for being familiar with these Accounting Policies and Procedures and adopting them on an annual basis. They are responsible for making sure that proper internal controls are being followed as outlined within these procedures and that any changes (other than segregation of duties) must be discussed and approved by the Parish Council and submitted to the Dean and the Diocesan Bishop for approval. In addition, the Parish Council should review and approve all required financial statements (monthly and annually) ensuring they are clear and provide for comparisons to budgeted and historical amounts. Any unusual or unexplained activity should require immediate action from the Parish Council.

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Respectfully submitted,
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CASH ACCOUNTS:

- All checking accounts, including the General Fund, of the Parish should be held at a legally recognized banking institution in the name of the Parish. Checking accounts for other organizations (Sisterhood, Youth Group, Book Store, etc.) should always include the name of the parish as well as the name of the specific organization. Most banks provide free checking for non-profit organizations.
- All other accounts (including money market, savings, building funds, endowment funds, CD's, etc.) should be held at a reputable financial institution in the name of the Parish and, if applicable, the name of the specific organization.
- There should be at least 4 authorized signers on every account. All checks should require a minimum of two signatures. This should be indicated on the signature card maintained at the bank or financial institution.
- Authorized signature cards should be updated annually after the new Parish Council and other organization officers have been installed. The Parish Treasurer should be responsible for making sure all signature cards have been updated properly. A list of authorized signers should be kept at the church office for reference.
- All cut-off dates for monthly statements should be set for the last day of the month. This will make reconciliation preparation easier.
- Monthly bank statements for all parish accounts should be sent to the church's address or the address where all other church mail is sent (eg. P.O. Box). A list which contains the name of the banks and all the account numbers of the Parish should be kept at the church office and updated by the Parish Treasurer as accounts are added or deleted.
- All statements should be opened and reviewed by the priest and/or another authorized member of the Parish Council other than the Parish Treasurer. Any unusual activity such as cash withdrawals, cash transfers or service fee charges should be researched immediately.
- Bank statements should be reconciled to the checkbook on a monthly basis by the organization Treasurer and a copy should be included in the Parish Treasurer's report submitted to the Parish Council. Any old outstanding checks (more than 6 months) should be researched and if necessary have stop payments put on them. All voided checks should physically be accounted for and attached to the bank statement and kept in the files. The check should be clearly marked VOID across the face of the check to protect it from being used in the future.
- The financial records for all bank accounts should be maintained on the church premises.
- Financial related documents such as Bank Statements, Bank Reconciliations, duplicate deposit slips, and such should be kept a minimum of 7 years.

TREASURER'S REPORTS:

The Parish Treasurer and the Treasurer of each organization shall prepare the following reports and include them in a packet submitted to the Parish Council for approval (except as noted below) at each regularly scheduled meeting:

- Cash Reports
 - The Cash Reports should be prepared for **all** parish accounts (including but not limited to the General Fund, Building Funds, investment accounts, endowment accounts, savings accounts, etc.) on a **monthly** basis by the respective Treasurer and submitted to the Parish Council with a copy to the Parish Treasurer. This report should show monthly activity as well as year-to-date activity. The information provided for each account should include
 - the beginning cash balance
 - the total deposits made during the period
 - total *transfers in* from other parish accounts during the period
 - total interest earned during the period
 - total disbursements via checks or automatic debits during the period
 - total *transfers out* to other parish accounts during the period
 - total service charges paid
 - the ending cash balance.
 - The Parish Treasurer should accumulate the cash flow summaries of all the organizations and include the information for the General Fund and other savings/investment accounts of the parish in a report and present this to the Parish Council for review and approval.
 - The total of accounts' *transfers in* should equal the total of all accounts' *transfers out*. Any timing differences should be reconciled and noted.
- Income/Expense Report with comparison to annual budget:
 - On a **monthly** basis, a detail Income Report should be prepared for the General Fund.
 - A detail monthly Income Report should also be prepared by the respective Treasurer for any cash account where there are, on the average, more than three deposits per month. Otherwise, a quarterly or annual detail Income Report is sufficient. This can be left to the discretion of the Parish Council.
 - The Income Report should include separate categories at a minimum for pledges, donations, fundraisers, book sales, candle sales, hall rentals, miscellaneous. Miscellaneous items should be individually listed on a separate document and reviewed by the Parish Council for reasonableness. This list will also make the budget process easier for the following year.
 - The income items should be shown, at a minimum, for the month and year-to-date. Comparison should be made, at a minimum, of the year-to-date amount to the annual budget. Any unusual items should be highlighted (i.e. the receipt of an inheritance, the sale of an asset, a large insurance claim, etc.) in order to properly analyze the financial position in relation to the budget.
 - The Financial Secretary should run a report off a separate pledge accounting system and submit the total page to the Parish Council for review on a

monthly basis. It should show total pledges made, total pledges received for the month, and the amount yet to be received.

- Total pledges on the General Fund's Treasurer's report should be reconciled to the total pledges received for the month on the report provided by the Financial Secretary.
- *Expense Report* with comparison to annual budget:
 - On a **monthly** basis, a detail Expense Statement should be prepared for the General Fund.
 - A detail monthly Expense Report should also be prepared by the respective Treasurer for any account where there are, on the average, more than five checks written per month. Otherwise, a quarterly or annual detail Expense Statement is sufficient. This can be left to the discretion of the Parish Council.
 - The Expense Report should include separate categories at a minimum for archdiocese assessment, utilities, church maintenance, office supplies, priest expense (detailed for stipend, social security, auto allowance, auto insurance, travel, health insurance, life/disability insurance, other), candles, liturgical supplies, donations, meals and activities, youth functions, church school, and miscellaneous. Miscellaneous items should be individually listed on a separate document and reviewed by the Parish Council for reasonableness. This list will also make the budget process easier for the following year.
 - The expense items should be shown, at a minimum, for the month and year-to-date. Comparison should be made, at a minimum, of the year-to-date amount to the annual budget. Any unusual items should be highlighted (i.e. unbudgeted expenditures for maintenance, unusually high utility bills due to hot summers or cold winters, special archdiocesan or diocesan meetings for priest travel, etc.) in order to properly analyze the financial position in relation to the budget.
 - All check numbers should be accounted for sequentially either as a valid issued check or a void check.
- *Pass-through accounts*
 - Pass-through accounts should be used for all collections made that are solely for distribution to another outside organization. Examples would be collections for Archdiocesan or Diocesan appeals for worldwide natural disasters, IOCC or OCMC appeals, etc. These would typically be for items not budgeted and for monies not to be used for normal operating expenses of the parish but rather for a purpose outside of the parish.
 - Hall rental security deposits should be recorded in a pass-through account and only counted as income if forfeited.
 - Cash ins and cash outs should be balanced at the end of every year. Any out of balance conditions should be researched and corrected within the first month of the following year.

- Bank reconciliations
 - Bank reconciliations should be prepared **monthly** for all accounts where the ending balance per the bank does not agree to the ending balance in the checkbooks. Standard bank reconciliations would show timing differences for outstanding deposits and outstanding checks/transfers.
 - All voided checks should be physically accounted for, attached to the bank statement and kept in the files. These checks should be clearly marked VOID across the face of the check to protect them from being used in the future.
 - Any unusual service charges (such as overdraft charges or transfer fees) should be researched and resolved in a timely manner.

- Year-end reporting
 - All year-to-date reports (Cash Reports, Income Reports, Expense Reports, Reconciliation of Pass-through accounts) should be prepared by the Treasurers of all the parish organizations. These reports should be presented to the Parish Council for review and approval prior to presentation to the General Assembly at the Annual General Parish Meeting.
 - All year-end financial reports should be presented to the parish membership by the respective organization's Treasurer at the Annual General Parish Meeting.
 - An additional Year-end Report should be prepared for the General Fund that shows at least 5 years trend for cash receipts and cash disbursements by income and expense category. All unusual items for the years' shown should be footnoted for easy explanation of fluctuations by category.
 - A copy of all yearend reports should be forwarded to the Diocesan Bishop and the Dean.

- Record Retention Policy
 - A record retention policy should be in place to ensure that documents are retained for historical verification purposes and to minimize the possibility of inadvertent destruction of important documents. Certain documents such as Annual Financial Statements, and Financial Review Committee Reports should be kept permanently.

FINANCIAL SECRETARY

The Financial Secretary is one that is responsible for maintaining information regarding pledges and other donations.

- A separate Pledge accounting system should be maintained for keeping track of donations received by donor. Using an envelope system would assist in keeping the donations anonymous.
- An individual other than the Treasurer of the General Fund should be responsible for maintaining the records of individual donors.
- The Financial Secretary, along with the Parish Priest, should be privy to the list of people that have agreed to pledge and these amounts should be input into a donor accounting system.
- On a weekly or monthly basis, the Financial Secretary needs to record the actual donations received by donor. This information would be provided by the Cashier Committee (those who actually count the money). Amounts should be recorded separately for pledges versus other donations received (such as money for flowers, Christmas and/or Easter donations, etc.).
- At a minimum, a statement should be sent to individual donors on a **quarterly** and **annual** basis showing all the categories of his/her donations received during the time period reported. These statements can then be used by the donors for income-tax purposes. A comparison of the donor's year-to-date pledges received to their original pledge should also be indicated on the statement.
- A tally of all the donors' year-end statements should be made by the Cashier Committee prior to the mailing of the statements and the statements should be mailed by a Cashier Committee member.
- A **monthly** summary report should be run off the donor accounting system (or all individual donor statements should be printed and manually added together to prepare a summary report) which will show the total amount of pledges received for the month and on a year-to-date basis. A comparison should also be made of the total year-to-date pledges received to the original annual total pledges committed. This report should be submitted to the Parish Council for review.
- Under no circumstances are the individual names of donors and amounts to be submitted to anyone other than the designated Financial Secretary, the Cashier Committee members and the Priest.
- If there is a discrepancy between the total amount of pledges recorded on the donor accounting system and that reported on the Treasurer's report, a reconciliation should be prepared by the Financial Secretary and submitted to the Parish Council at the next month's meeting.
- Pledge system reports should be kept for a minimum of 7 years.

COUNTING OF MONEY

A Cashiers Committee should be appointed by the priest, made up of at least three people that are not the Parish Treasurer or the Financial Secretary or related to one another. Committee members may serve on the committee for a period of not more than three years (See term limits regarding Parish Council members.)

- All donations received must be counted by **at least two** members of the Cashier Committee.
- Confidentiality is of utmost concern. Envelope numbers should be used whenever possible when providing written reports to the Financial Secretary and/or Treasurer. Individuals names should only be included if envelopes are not used.
- A separate Collections Report should be prepared by the Cashier Committee members for each deposit made to a bank account. The report should list
 - All monies received by category (pledges, donations, individual miscellaneous receipts, coffee hour, etc.)
 - The date the money was counted,
 - The signatures of all those individuals who counted the money.
- The Collection Report should be provided to the appropriate Treasurer of the checking accounts that deposits were made for (General Fund, Sisterhood, Youth Group, etc.).
- Any donations received for a designated specific purpose should be so noted on the Collection Report. The documentation should also be provided to the appropriate Treasurer of the organization so that a proper accounting and “**restriction**” of the donation can be made. It should be noted that these monies may need to be deposited into a separate account. The Cashier’s Committee should inquire of the Treasurer for any special instructions.
- Cashier Committee members should be responsible for making all deposits. Deposits should be made within two days of receipt.
- All cash and checks should be stored in a church safe on the Church premises if not counted immediately and deposited at the bank. Under no circumstances should monies be taken to parishioners homes prior to being deposited at the bank.
- Bank deposit slips should be attached to the original Collections Report and kept in a file. A copy of the Collections Report should also be provided to the Financial Secretary and the Parish Priest.
- Collection Reports should be kept for a minimum of 7 years.

PETTY CASH ACCOUNTS

- Cash can only be used to pay an expense of the parish if a petty cash fund has been previously approved by the Parish Council and funded by the Treasurer.
- Petty cash funds are typically only used for small cash expenditures and should be established for no more than \$100. The check would be written to “Petty Cash” and signed by two authorized signers. An authorized signer could then take the check to the bank and cash it so that cash could be made available.
- The money should be kept in a locked box at the Church and always opened in front of two people.
- Monies distributed from petty cash need to be documented with appropriate receipts signed and dated by both parties and with an indication of the type of expense being incurred.
- Petty cash accounts can be replenished by submitting the accumulated receipts from the petty cash box to the appropriate Treasurer of the organization.

CHECK DISBURSEMENTS

- All checks written should be supported by appropriate receipts which indicate the date, amount and type of expense incurred.
- The minimum standards required by the IRS should be followed for documentation supporting travel expenses, meals, etc.
- Checks should not be written with the payee as “Cash”.
 - When seed money for a particular event is required, a check should be written to the individual responsible for the fundraiser. This individual should sign a receipt indicating that the money will be returned upon completion of the fundraiser. When the deposit for the fundraiser is made, the initial seed money should be reduced from the income
- Money should never be withdrawn from an automated teller machine. All disbursements should be made via check with the proper signatures and supporting documentation.
- There should be at least 4 authorized signers on every account. All checks should require a minimum of two signatures. This should be indicated on the signature card maintained at the bank or financial institution. A current list of authorized signers for each parish account should be maintained in a safe and secure location on the Church premises.
- All checks should be accounted for numerically as either having a payee or being VOID. All voided checks should be attached to the bank statement and kept in the files. The check should be clearly marked VOID across the face of the check to protect it from being used in the future.
- Disbursements for credit card payments require that the payment be allocated to the appropriate expense category in order to maintain visibility of expenditures and to allow for comparison of expense categories to the budget.
- Parish Credit Cards should not be used for personal expenditures. Receipts for credit card purchases should be kept and submitted on a monthly basis to the Treasurer. Purpose of the expenditure should be documented on the receipts submitted.
 - The Treasurer should match the receipts to the expenditures on the monthly Credit Card statement ensuring that all expenditures properly reflect church business.
- Backup for disbursements should be kept for a minimum of 7 years.

ADDITIONAL REPORTING and OTHER PROCEDURES

- In order to provide visibility of the financial results of the parish and its organizations, at a minimum, at the end of every six months, a Cash Reports and Income/Expense Reports for all parish accounts including but not limited to the General Fund, Building Funds, individual organization checking accounts, savings accounts, endowment accounts, investment accounts, etc. shall be made available to all members of the Parish and be filed with the Dean as well as the Diocesan Bishop.
- On an Annual basis, a financial budget for Income and Expenses should be prepared. The budget should be reviewed by the Parish Council and submitted for approval to the voting members of the parish at the Annual Parish Meeting. A separate committee should be established to prepare the budget. The Treasurer should provide appropriate monthly and annual trending information as well as the information relating to unusual income and expense items. In addition, any anticipated changes for the new year in contracts, events, etc. should be communicated to the committee for proper inclusion.
- Insurance policies should be reviewed annually by the Parish Council to determine that adequate insurance levels are being maintained.
- A list of the contents of any safety deposit boxes should be maintained in a safe and secure location on the Church premises.
- Loan documents should be reviewed annually to verify that the terms are being properly complied with.
- Adequate precautions should be taken to have computer equipment secured and data routinely backed up to avoid the potential loss of financial and other data. Backup of the data should be maintained off the Church premises in the event of fire or theft of computer equipment.

FINANCIAL REVIEW COMMITTEE

- A Financial Review Committee consisting of three (3) members of the parish should be appointed by the Priest and the Parish Council at the Annual General Parish Meeting so that they are in place for the entire year.
- A qualified member would be someone who is considered a “parish member in good-standing”, has some banking, auditing, and/or business/bookkeeping experience, and should not be related to anyone else on the Committee or to anyone who handles money in the parish.
- The FRC members should be re-appointed every year. Having at least one member of the Committee who served the previous year would be advantageous because they would be familiar with the process and the records being reviewed.
- The FRC is responsible for performing an “internal” review of all of the parish’s checking accounts, savings accounts and any other investment/endowment accounts held by all parish organizations. As part of this review, processes to control cash as well as reporting of financial activity and other procedures are verified against the Accounting Policies and Procedures that have been approved by the Parish Council. See *FRC Review Procedures* under separate section.
- The FRC will present a report of Findings and Recommendations at the Annual General Parish Meeting indicating the reviews they performed and their findings including recommendations for improvement in the procedures, processes or controls being used. A copy of this report should also be sent to the Dean and the Diocesan Bishop.
- An “external” audit may be performed by an outside independent certified public accountant periodically at the direction of the Diocesan Bishop, except in the event that the review performed by the FRC warrants an outside audit be done sooner.
- FRC Reports as well as any External Audit Reports should be kept permanently.