

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The central area is white, providing a clear space for the text.

Local Church Workshop

Finance and Fraud Detection

Workshop Outline

- ▶ Local Church Finance Team
- ▶ Internal Controls
- ▶ Fraud Detection
- ▶ Year-End Statistics and Apportionments

Effective Finance Committee

- ▶ Oversees the duties of the Financial Secretary and Treasurer
- ▶ Reviews financial reports and monitor the Budget
- ▶ Financial transparency with committees, congregation, and Church Council
- ▶ Ensures Internal Controls Policy is in place and Annual Audit is completed
- ▶ Plans for the future

Internal Controls

- ▶ Receipt of Funds
- ▶ Disbursement of Funds
- ▶ Credit Cards
- ▶ Financial Reporting
- ▶ Audit
- ▶ Insurance

Types of Church Funds

- ▶ Unrestricted
 - ▶ Tithes to general operating fund
- ▶ Board designated
 - ▶ A board designates funds for a purpose and can redirect funds if needed
- ▶ Donor restricted
 - ▶ Restricted to a specific purpose and cannot be changed by church
 - ▶ Church is not obligated to accept gift

Receipt of Funds

▶ Financial Secretary

- ▶ cannot serve as Treasurer
- ▶ oversees scheduling and training of count teams of two unrelated persons
- ▶ records donor gifts and issues statements of giving which includes IRS Statement

“No goods or services were provided other than intangible religious benefits.”

Receipt of Funds (continued)


▶ Internal Controls Recommendation:

- ▶ Statement of Giving states that discrepancies are to be reported directly to Finance Chairperson
- ▶ Install locked mailboxes to prevent stolen checks

Receipt of Funds (continued)

▶ Non-Cash Gifts

- ▶ Financial Secretary provides a letter of acknowledgement of item and includes a description of item but does not value the item
- ▶ Must contain the same IRS disclosure requirements
- ▶ Stock gift is a non-cash gift



Virginia United Methodist
Foundation handles gifts of
stock for local churches.
804-521-1120

Receipt of Funds (continued)

- ▶ Finance Committee policies safeguard funds until they are deposited at the bank
 - ▶ Weekly offering
 - ▶ Electronic offering
 - ▶ Gift card sales
 - ▶ Mid-week funds
 - ▶ Special events
 - ▶ Gifts of stock

Disbursement of Funds

- ▶ Treasurer cannot serve as Financial Secretary
- ▶ Invoices are approved by a staff or church leader authorizing the Treasurer to pay; a voucher form is recommended
 - ▶ Invoices not carefully verified before payment; invoice scams go undetected
- ▶ At least two unrelated people are involved in the disbursement process

Disbursement of Funds

▶ Internal Controls Recommendation:

Bank reconciliation is reviewed by someone other than the Treasurer

- ▶ Regular deposits made
- ▶ Electronic payments appropriate
- ▶ Credit card payments made
- ▶ Review cleared checks
- ▶ Payroll taxes paid

Credit Cards

- ▶ Trustees authorizes credit cards and overall limit
- ▶ Finance Committee sets internal control policy related to credit cards and establishes authorized persons to assign cards and change limits, which should not be the pastor or Treasurer
- ▶ Receipts must be submitted to Treasurer to substantiate credit card charges

Credit Cards

- ▶ Internal Controls Recommendation:
Same person that reviews the Bank reconciliation should also review the credit card statements
 - ▶ Balance paid in full by due date
 - ▶ Appropriate charges
 - ▶ Receipts attached for transactions

Budgeting

- ▶ Budgets too detailed can be restrictive and focus on scarcity rather than abundance
- ▶ Church leadership needs to be able to collaborate and make decisions
- ▶ Seek out grant opportunities if your church is starting a new outreach ministry

Reporting

▶ Financial Secretary

- ▶ Provides summary statement of giving to Finance Committee
- ▶ Provides Pastor with donor information
- ▶ Provides reports as requested by Finance Committee or Church Council (ie. percent of pledged gifts received)

Reporting (continued)

▶ Treasurer

- ▶ Provides Income statement with Budget comparison to Finance Committee
- ▶ Provides Balance Sheet to Finance Committee
- ▶ Provides Board designated funds and Donor restricted funds reporting to Finance Committee
- ▶ Finance Committee provides Financial Reports to Church Council

Audit

- ▶ Finance Committee schedules at least two independent persons to perform the annual audit
- ▶ Audit includes testing of all areas of internal controls
- ▶ Audit includes ALL accounts of the church
- ▶ Audit is reported at Charge Conference

Insurance

- ▶ Trustees annually reviews Insurance policy to protect the assets of the church
 - ▶ General liability
 - ▶ Employee liability (sexual misconduct, discrimination)
 - ▶ Directors & Officers
 - ▶ Property
 - ▶ Crime
 - ▶ Workers Compensation

Detecting Fraud

Why are churches vulnerable?

- ▶ Poor internal controls and financial oversight
- ▶ Trusting and forgiving environment
- ▶ Lack of criminal background checks

Detecting Fraud

Commonalities and Red Flags

- ▶ Lack of financial reports
- ▶ Evasiveness when asked questions
- ▶ Trusting environment
- ▶ No audit or lack of effective audit

Detecting Fraud (continued)

Commonalities and Red Flags

- ▶ Access to credit cards
- ▶ Delinquent notices and late payment fees
- ▶ Leaders noticed issues but did not feel comfortable to voice concerns

Sample Credit Card Statement

		Account Ending			p. 4/11
Detail Continued					
					Amount
08/23/17	SPEEDWAY 04626 398 542929802046268 5409619244 Description AUTOMATED FUEL DISP	BLACKSBURG	VA		\$26.02
	Price \$26.02				
08/23/17	FIREHOUSE SUBS 5409610371 FOOD/BEVERAGE	BLACKSBURG	VA		\$37.00
	\$37.00				
08/24/17	The Weight Club Mall 039300979713152 CIVIC & SOCIAL ASSOC	Blacksburg	VA		\$40.00
08/25/17	TARGET DISCOUNT STORE	CHRISTIANSBURG	VA		\$158.09
08/31/17	CALABASH NAUTICAL GIFT SH 461682000648 ECALLAHAN@ATMC.NET	CALABASH	NC		\$119.43
08/31/17	SUNSET BEACH TRADING COMP 000000001 9105790194 Description REFER TO RECEIPT	SUNSET BEACH	NC		\$61.88
09/02/17	KROGER 8008533033 Description AUTOMATED FUEL	CHRISTIANSBURG	VA		\$33.24
	Price \$33.24				
09/02/17	KROGER 8008533033 GROCERY STORES	CHRISTIANSBURG	VA		\$58.60
09/03/17	GAP OUTLET US 1024 MEN'S/WOMEN'S CLOTHNG	ALEXANDRIA	VA		\$183.50
09/06/17	BATH & BODY WORKS 0455 (540) 381-2887	CHRISTIANSBURG	VA		\$109.93
09/07/17	EXXONMOBIL 4208 540-862-5356 Description GAS/SERVICES	CLIFTON FORGE	VA		\$20.07
09/07/17	ONE DELIGHTFUL 832544005621859 757-672-5220	BEVERLY	MA		\$29.48
09/10/17	TARGET DISCOUNT STORE	CHRISTIANSBURG	VA		\$53.66
09/10/17	CHIPOTLE 2971 0012 303-595-4000 Description FAST FOOD RESTAURAN	BLACKSBURG	VA		\$10.52
09/10/17	LULAROETANYA LASAGNA 832544005340518 540-577-8660	CHRISTIANSBUR	VA		\$304.34

What do you do if you suspect fraud?

1. Contact your District Superintendent and Conference Treasurer to discuss the situation
2. Identify key leaders who are independent of the situation
3. Conduct an investigation
4. Document the timeline of events and obtain records

What happens if fraud is discovered?

Depends on type and size of theft

- ▶ Discuss situation with key leaders
- ▶ Decide whether to call police
- ▶ Call insurance company
- ▶ When appropriate share with church members

Year End Statistics

- ▶ Membership and participation
- ▶ Church assets and liabilities
- ▶ Church expenses
- ▶ Church income

Common mistakes

- ▶ Report whole dollars, no cents
- ▶ Mortgage payments and capital improvements should not be reported as Operating expenses
- ▶ Benevolent expenses for the benefit outside the church should not be reported as Operating or Program expenses

Common mistakes

- ▶ Membership - its okay to correct

 - Line 2c - correct previous year's reporting errors of total professing membership numbers by addition

 - Line 5c - correct previous year's reporting errors of total professing membership number by subtraction

- ▶ Brief explanation - each line item shows you the % change from the previous year; be sure to enter an explanation for big changes

Apportionment Data Verification

- ▶ Issued to all pastors and treasurers
- ▶ Compares two years of expenses
- ▶ Make changes directly in EVC
- ▶ Important to be accurate because this information is used for the Apportionment calculation

Local church expenses

- 39 Clergy pension benefits paid to VUMPI for CRSP/ CPP
- 43 Total amount of accountable reimbursement paid to/for all persons reported in lines 41a-c
- 44 Total amount of cash allowances paid to/for all persons reported in lines 41a-c (non-accountable)
- 45 Total amount paid in salary and benefits for all other church staff and diaconal ministers.

Local church expenses (continued)

Base Compensation

41a Base compensation paid to Senior Pastor or other persons appointed in the lead pastor role of the church (this person could be an elder, deacon, supply pastor, local pastor, retired pastor)

41b Base compensation paid to all Associate Pastor(s) appointed to this role of the church

41c Base compensation paid to any Deacon not included in lines 41a-b

Housing Benefits

42a-c Housing allowances or housing expenses paid by the church for parsonage corresponding with persons reported in lines 41a-c

Local church expenses (continued)

- 46 Total amount spent for local church program expenses (report the total of all amounts spent on local church programs for the purposes of education, witness, outreach, mercy, communication, worship, and other ministries) Do not include amounts given to support benevolences.
- 47 Total amount spent for other local church operating expenses (report operating expenses such as office expenses, property maintenance, insurance, utilities, etc) Do not include expenses related to the parsonage, it is reported on Lines 42a-c.

2021 Apportionment Formula

For all Apportionments except Active Clergy Health

$$\left(\frac{\text{2019 Local Church Expenses}}{\text{2019 All Churches Expenses}} \right) = \text{Church Decimal} \times \text{Conference Budget} = \text{Your Church Ministry Share}$$

For Active Clergy Health Apportionment

$$\begin{array}{l} \text{TIER 1} \\ \$5,000 \text{ flat amt} \\ \text{for each full-time} \\ \text{active clergy} \end{array} + \begin{array}{l} \text{TIER 2} \\ \text{Your clergy's salary} \\ \text{divided by all} \\ \text{clergy's salary} \end{array} = \begin{array}{l} \text{Your Church's} \\ \text{Share of} \\ \text{Active Clergy} \\ \text{Health} \end{array}$$

Council on Finance and Administration

SECTION I - Approved Conference Budget for 2021

	Sch.	2020	2021	% of Budget	Inc.\(Dec.)	% Chg.
Conference Apportionments						
401 - Conference Mission & Ministries	A	3,140,000	2,510,000	9.01%	(630,000)	-20.06%
402 - Conference Services	B	1,990,000	1,830,000	6.57%	(160,000)	-8.04%
403 - District Superintendents Fund	C	2,000,000	1,820,000	6.54%	(180,000)	-9.00%
404 - Equitable Compensation		250,000	200,000	0.72%	(50,000)	-20.00%
405 - Church Extension & Development		1,200,000	900,000	3.22%	(300,000)	-25.00%
406 - Virginia Education Fund		600,000	420,000	1.51%	(180,000)	-30.00%
Total Conference Apportionments		9,180,000	7,680,000	27.57%	(1,500,000)	-16.34%
Clergy Benefits Apportionments						
407 - Active Clergy Health		9,710,000	9,710,000	34.87%	-	0.00%
408 - Retired Clergy Health		6,060,000	6,060,000	21.76%	-	0.00%
409 - Pension Liability Assessment - Pre 82		750,000	-	0.00%	(750,000)	-100.00%
Total Clergy Benefit Apportionments		16,520,000	15,770,000	56.63%	(750,000)	-4.54%
General & Jurisdictional Apportionments						
410 - Episcopal Fund		870,000	865,000	3.11%	(5,000)	-0.57%
411 - World Service		2,925,000	2,150,000	7.72%	(775,000)	-26.50%
412 - General & Interdenominational Fund		480,000	325,000	1.17%	(155,000)	-32.29%
413 - Ministerial Education		990,000	675,000	2.42%	(315,000)	-31.82%
414 - Black College Fund		395,000	315,000	1.13%	(80,000)	-20.25%
415 - Africa University Fund		90,000	70,000	0.25%	(20,000)	-22.22%
Total General & Jurisdictional Apportionments		5,750,000	4,400,000	15.80%	(1,350,000)	-23.48%
Total Apportionments		31,450,000	27,850,000	100.00%	(3,600,000)	-11.45%

NOTE: Beginning in 2021, the Apportionment 416 - Interdenominational Cooperation Fund has been combined with the Apportionment 412 - General and Jurisdictional Fund Apportionment. The total apportionment for 2021 Interdenominational Cooperation Fund is \$10,000.

Annual Conference Budget

Apportionment Prioritization

- ▶ Pay all of Priority 1 before paying Priority 2
- ▶ Your church will be recognized as paying 100% for the year if all of Priority 1 is paid
- ▶ If you add all of your 2021 Apportionments, priority 1 is approx 82.2% and Priority 2 is approx 17.8%.

Online Apportionments

- ▶ Go to www.vaumcpayapp.org to make online payments; transitioning to a new online system in spring of 2021
- ▶ Pay apportionments and benevolences online or set up monthly automatic payments by contacting our office

Treasurer's Office Staff

Happy to help with questions

DavidDommissse@vaumc.org - Conference Treasurer

CarolDraper@vaumc.org - Assistant Treasurer

TinaGudgel@vaumc.org - Senior Staff Accountant

CatherineBrown@vaumc.org - Staff Accountant

HongNguyen@vaumc.org - Staff Accountant

Conference Office 804-521-1100