



# Accounting Policies & Procedures Manual – 2020

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## **1. Introduction**

- 1.1. The purpose of this Manual is to document the internal accounting policies and procedures for the Presbytery of Cincinnati (Presbytery). These policies and procedures have been designed to ensure that assets are safeguarded, that financial statements are in conformity with generally accepted accounting principles, and that finances are reported and managed with responsible stewardship.
- 1.2. All personnel with a role in the management of Presbytery's fiscal operations are expected to uphold the policies in this manual. It is the intention of the Presbytery that this Manual serves as our commitment to proper, accurate financial management and reporting.
- 1.3. The intents of this Manual include contributing to these objectives and documenting the prescribed accounting and business operations. The current version of this Manual is to be archived on the Presbytery share drive and published on the Presbytery website at [www.presbyteryofcincinnati.org](http://www.presbyteryofcincinnati.org).

## **2. Nature of Operations and Summary of Significant Accounting Policies**

- 2.1. Nature of Operations
  - 2.1.1. The Presbytery is a nonprofit organization incorporated under the laws of the State of Ohio and registered with the Secretary of State of Ohio.
  - 2.1.2. The Presbytery follows IRS guidelines for churches and religious organizations.
  - 2.1.3. The Presbytery is a middle governing body for the Presbyterian Church U.S.A. (PCUSA), composed of Ruling Elders, elected by the congregations of member churches, and Ministers of Word and Sacrament. Presbytery staff and contracted or volunteer members manage the Presbytery office.
  - 2.1.4. The Presbytery's revenues are derived principally from contributions and assessments from member churches.
  - 2.1.5. The Presbytery supports PC(USA) congregations in their mission to connect and equip member churches, strengthening them in their work for the Kingdom of God in their communities and with their congregations.
- 2.2. Financial Statement Presentation - The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Presbytery is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.
- 2.3. Fair Value Measurements - GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and

reflect management's best estimate of what market participants would use as fair value.

- 2.4. Cash - The Presbytery maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Presbytery has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.
- 2.5. Investments and Investment Return
  - 2.5.1. Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.
  - 2.5.2. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.
  - 2.5.3. The Presbytery's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.
- 2.6. Property and Equipment
  - 2.6.1. Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.
  - 2.6.2. In accordance with GAAP, the Presbytery assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions.
- 2.7. Funds Held for Others - The Presbytery regularly receives funds from special collections administered by member churches and serves in an agency capacity to ensure the proceeds from these collections are passed through to the appropriate recipient organizations. No revenue or expense are recognized in relation to these agency transactions.
- 2.8. Contributions
  - 2.8.1. Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets without donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue without donor restrictions.
  - 2.8.2. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire

long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Presbytery reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

- 2.8.3. Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.
- 2.9. Income Taxes - The Presbytery is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. As a religious Presbytery, the Presbytery is not required to file annual federal and state information returns. However, the Presbytery is subject to federal income tax on any unrelated business income. The Presbytery believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain tax positions that are material to the financial statements.
- 2.10. Functional Allocation of Expenses - The cost of program and supporting services activities have been summarized on a functional classification basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based on time and effort, and property and maintenance, which were allocated based on utilization.
- 2.11. Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.
- 2.12. Effect of Adopting New Accounting Standard - In 2018, the Presbytery adopted Financial Accounting Services Board ("FASB") Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provide about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. The Presbytery adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about

liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

**2.13. Recently Issued Accounting Standards**

2.13.1. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the year ending December 31, 2019.

2.13.2. In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending December 31, 2021.

2.13.3. In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This standard will be effective for the year ending December 31, 2019.

2.14. Subsequent Event Evaluation - Subsequent events are to be evaluated as a part of any Independent Accountants' Review or Audit.

**3. Division of Duties**

**3.1. Presbytery**

3.1.1. Reviews and approves annual Operating Budget as recommended by Council.

3.1.2. Reviews and approves the sale of property by a member congregation as recommended by the Board of Trustees.

**3.2. Council**

3.2.1. Presents to Presbytery the annual Operating Budget as proposed by the Board of Trustees, with input from the Executive Presbyter and Treasurer.

- 3.3. Board of Trustees
  - 3.3.1. Develops and recommends the annual Operating Budget to Council, with input from the Executive Presbyter and Committee Chairs.
  - 3.3.2. Authorizes all expenditures in excess of \$5,000.00.
  - 3.3.3. Appoints an Audit Committee.
  - 3.3.4. Oversees the assets of the Presbytery, which includes operating funds and cash accounts, the endowment fund, real estate assets, and various restricted and unrestricted gifts to the Presbytery.
  - 3.3.5. Ensures an annual audit/review of the Presbytery's assets, liabilities, revenues and expenses.
  - 3.3.6. Oversees the Presbytery's insurance policies.
  - 3.3.7. Reviews and approves all contracts for goods and services of \$5,000 or more during any accounting year.
  - 3.3.8. Recommends to Presbytery the sale of property by any member congregation.
  - 3.3.9. Approves the donation of real property to a member congregation.
  - 3.3.10. Approves Financial Reports as presented by the Treasurer for presentment to the Presbytery.
  - 3.3.11. Approves any change to the Accounting Policies and Procedures described in this Manual.
  - 3.3.12. Approves the Presbytery's participation in Land Contracts.
  - 3.3.13. Approves the Presbytery's participation or interest in trusts.
  - 3.3.14. Maintains this Manual.
- 3.4. Executive Presbyter
  - 3.4.1. Serves as an advisor to the Board of Trustees.
  - 3.4.2. Approves and processes Payroll.
- 3.5. President of the Board of Trustees
  - 3.5.1. Oversees the agenda and work of the Board of Trustees.
- 3.6. Stated Clerk
  - 3.6.1. Ensures that all financial affairs of the Presbytery are documented in the Presbytery's minutes as prescribed by the Book of Order.
- 3.7. Treasurer
  - 3.7.1. Prepares and presents Financial Reports to the Board of Trustees.
  - 3.7.2. Prepares checks for signature.
  - 3.7.3. Reconciles the operating funds and cash accounts on a monthly basis.
    - 3.7.3.1. Opens all mailed correspondence from banks.
    - 3.7.3.2. Prepares and files all reconciliation reports.
  - 3.7.4. Authorizes interfund transfers.
  - 3.7.5. Authorizes bank deposits.
  - 3.7.6. Leads the development the annual Operating Budget.
  - 3.7.7. Reviews and enters general ledger journal entries.
  - 3.7.8. Reviews Payroll.
  - 3.7.9. Reviews and approves all contracts for goods and services of less than \$5,000 during any accounting year.

- 3.8. Office Manager
  - 3.8.1. Reviews the payroll summary for the correct payee, hours worked and check amount.
  - 3.8.2. Receives and sorts all incoming mail.
  - 3.8.3. Receives unopened bank statements.
  - 3.8.4. Processes receipts and prepares deposit slips.
  - 3.8.5. Takes deposits approved by the Treasurer to the bank for deposit.
  - 3.8.6. Checks credit card reconciliations against receipts provided.
- 3.9. Committee Chairs
  - 3.9.1. Approves all Payment Authorizations for payments from the committee.
  - 3.9.2. Submits requests to the Treasurer for their Committee's annual budget.
- 3.10. Check Signers
  - 3.10.1. The check signers include the Executive Presbyter, the President of the Board of Trustees and a member of the Board of Trustees (to be appointed by the Board of Trustees).
  - 3.10.2. Reviews all vouchers and/or invoices prior to signing checks.
  - 3.10.3. Checks \$5,000 and above are required to have two (2) signatures.
- 3.11. Outsourced Bookkeeping and Administrative Financial Services
  - 3.11.1. From time to time, the Presbytery may elect to retain the services of external resources to fulfill some of the financial duties included in this Manual.
  - 3.11.2. Any outsourced agency will be subject to the rules, policies and procedures as stipulated in this Manual.
  - 3.11.3. The Board of Trustees has the authority to enter into contract agreements with outsourced bookkeeping and administrative financial services agencies.
  - 3.11.4. The Board of Trustees will use its best judgement to ensure that potential conflicts of interest with the agency and members and/or officers of the Presbytery are mitigated and otherwise follow any other Presbytery guidelines as they relate to the hiring of vendors.
  - 3.11.5. Upon the hiring of an agency, specific duties will be included in the Statement of Work or other Agreement that governs the relationship between the agency and the Presbytery.

#### **4. Accounting Policies and Procedures**

- 4.1. Chart of Accounts
  - 4.1.1. A full Chart of Accounts is maintained by the Presbytery Treasurer.
  - 4.1.2. Changes to the Chart of Accounts (including assets, liabilities, revenues, expenses and funds) will be approved by the Board of Trustees.
- 4.2. Accounting Method
  - 4.2.1. Accounting Method- The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Presbytery is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor

- restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.
- 4.2.2. Periodic presentation of Financial Statements – For the purpose of simplifying presentation to those who are not familiar with accrual accounting, reports are occasionally prepared and presented using a cash basis of accounting.
  - 4.3. Fiscal Year: The Presbytery’s fiscal year will correspond with the calendar year.
  - 4.4. Accounting System
    - 4.4.1. The Presbytery uses the QuickBooks accounting system.
    - 4.4.2. A version of the QuickBooks software supported by the vendor will be maintained at all times.
    - 4.4.3. A backup of the QuickBooks data file will be maintained in a separate off-site facility which could include a properly secure cloud-based backup location.
  - 4.5. Internal Financial Reporting
    - 4.5.1. The following Financial Reports will be prepared on a monthly and annual basis:
      - 4.5.1.1. Profit & Loss Statement (including actual vs budget)
      - 4.5.1.2. Balance Sheet
      - 4.5.1.3. Statement of Cash Flows
      - 4.5.1.4. Per Capita Payments Made
      - 4.5.1.5. Mission Giving
      - 4.5.1.6. Special Funds Status (i.e., OHF, CRV digital grants, etc.)
    - 4.5.2. The Treasurer will produce and deliver Financial Reports to the Board of Trustees within 30 days of the end of every month (For example, Financial Reports for the March period will be made available by May 1).
    - 4.5.3. The Board of Trustees will review the Financial Reports, and discuss any concerns, modifications or questions with the Treasurer. Once approved, the Financial Reports will be presented to the Presbytery.
  - 4.6. External Financial Reporting
    - 4.6.1. Upon approval by the Presbytery, the Treasurer will prepare and submit all necessary reporting to the General Assembly.
    - 4.6.2. The Treasurer will ensure all required financial reporting to government agencies based upon Financial Reporting approved by the Presbytery.
  - 4.7. Receipts
    - 4.7.1. Upon sorting mail, the Office Manager stores any cash and/or checks received during the week into the locked file cabinet in the Presbytery Office.
    - 4.7.2. For meetings of the Presbytery, the host church will collect, count and deposit an offering into their congregation’s bank account. Within one month, the host church will issue a check to the Presbytery for the amount collected.
    - 4.7.3. Once the checks are taken from envelopes, they are endorsed for deposit only.
    - 4.7.4. Checks and any accompanying documentation are copied and placed in the locked file cabinet until deposited.

- 4.7.5. On a daily basis, the Office Manager prepares a bank deposit that includes all cash and checks received since the prior deposit.
- 4.7.6. The Treasurer reviews and approves the deposit.
- 4.7.7. The Office Manager takes the deposit to the bank.
- 4.7.8. Copies of the checks, deposit slip and any other information from the deposit is retained in the checking account file for the month during which the deposit was made.
- 4.7.9. When a check is returned due to Insufficient Funds, a call will be placed to the check writer for resolution. A replacement check will be accepted, and an in-kind insufficient funds fee will be requested if a fee was charged to the Presbytery.
- 4.7.10. Once approved by the Treasurer, the Office Manager enters the itemized deposit into the Accounting System.
- 4.7.11. The proceeds from all property sales will be placed in an unrestricted account until all expenses of the property have been settled, and its use designated.
- 4.8. Disbursements
  - 4.8.1. Two signatures will be required on all checks over \$5,000.00.
  - 4.8.2. Anyone signing a check must review and initial the supporting invoice or other documentation.
  - 4.8.3. The signer(s) and recipient of the check cannot be the same person.
  - 4.8.4. The signer(s) will verify corresponding invoices and compliance with the Operating Budget prior to signing.
  - 4.8.5. All blank checks are secured in a locked cabinet.
  - 4.8.6. The Presbytery reimburses staff using the accounting reimbursement plan as outlined in IRS guidelines. A Travel Expense voucher will be filled out for all reimbursements. A receipt is required for all expenses except mileage. The receipt should state who was involved, what the expense was and the business purpose.
  - 4.8.7. Voided checks must be retained and accounted for.
  - 4.8.8. No checks will be written without an accompanying invoice, reimbursement request or account statement.
  - 4.8.9. Disbursements will be made in a timely fashion and payments will be made prior to the payment due date to avoid late fees and finance charges.
  - 4.8.10. All paid invoices are retained in the corresponding vendor file.
  - 4.8.11. All new vendors are set up in the Accounting System.
  - 4.8.12. All invoices are entered in the Accounting System when received.
  - 4.8.13. All payments are entered in the Accounting System when made.
- 4.9. Payroll
  - 4.9.1. All employees are paid twice monthly on the 15<sup>th</sup> and the last working day of the month. The Executive Presbyter prepares the payroll information for the payroll processing company.
  - 4.9.2. As an employee benefit, the Presbytery requires direct deposit through the employee's own financial institution. Through direct deposit, payroll is deposited into the employee's account on payday.

- 4.9.3. Payroll is processed at least 2 days before the due date and approved by the Executive Presbyter.
- 4.9.4. The Treasurer enters the payroll journal entry in the Accounting System on the day of the payroll disbursement.
- 4.9.5. The payroll file provided by the payroll processing company is retained in a locked file cabinet.
- 4.9.6. The pay rates used to prepare payroll will be based on signed memos from the Personnel Committee. Copies of signed approvals will be retained in the locked file cabinet.
- 4.9.7. All corrections to individual paychecks and transfers of payroll amounts between accounts must be submitted in writing to the Executive Presbyter.
- 4.9.8. Paystubs are distributed by the Executive Presbyter as they are received.
- 4.9.9. Annual employee W-2's will be made available to all employees prior to January 31<sup>st</sup> of the following year.
- 4.10. Credit Cards
  - 4.10.1. All credit card bills are reviewed by the Treasurer before payment. Presbytery staff who use the credit cards will keep receipts of all expenses occurring on the credit card. The Presbytery staff will code their expenses to the appropriate account and submit to the Executive Presbyter as they are incurred. No personal charges will be allowed on the credit cards.
  - 4.10.2. Credit Cards may be issued to the Executive Presbyter and/or the Stated Clerk with spending limits not to exceed \$5,000.
- 4.11. Bank Reconciliation
  - 4.11.1. All bank correspondence, including the bank statement, is received and left unopened by the Office Manager.
  - 4.11.2. All cash account bank statement will be reconciled to the general ledger by the Treasurer.
  - 4.11.3. The Treasurer will go online regularly to the Presbytery's checking account and review transactions, and scanned copies of cancelled checks for discrepancies.
  - 4.11.4. Upon receiving the bank statements, the Treasurer will prepare the monthly bank reconciliations. The bank reconciliations will reconcile the bank balance to the general ledger balance. A journal entry will be posted each month for items on the bank statements that are not already recorded in the general ledger. The reconciling items may include interest earned, service charges, NSF checks, direct deposits and other debit or credit memos.
  - 4.11.5. On an annual basis, the Treasurer will recommend to the Board of Trustees any outstanding checks to be written off.
  - 4.11.6. All voided checks should be verified during the reconciliation process.
  - 4.11.7. After the general ledger is reconciled to the bank statement, the monthly bank statement and the actual reconciliation form are filed in the bank reconciliation file.

#### 4.12. Operating Budget

- 4.12.1. Initial Preparation - On or before June 1, The Executive Presbyter, President of the Board of Trustees and the Treasurer collaborate to create the initial draft of the Operating Budget for the following fiscal year.
- 4.12.2. Internal Review & Drafting - The Committee Chairs will provide input on the initial draft sections relevant to their specific committee budgets. Modifications based on input by the Committee Chairs will be made at the discretion of the Executive Presbyter, President of the Board of Trustees and the Treasurer.
- 4.12.3. Preliminary Approval - The Executive Presbyter, President of the Board of Trustees and Treasurer will aggregate any modification to the initial draft, and will submit to Council for preliminary approval at their July meeting.
- 4.12.4. Final Review - The Executive Presbyter, President of the Board of Trustees and Treasurer will aggregate any modifications stipulated by Council's preliminary approval, and will submit to Presbytery for review at their August meeting.
- 4.12.5. Final Approval - Final approval of the Operating Budget will be made by Presbytery at their November meeting.
- 4.12.6. Execution - Upon approval by Presbytery, including any modifications as voted during the Presbytery's August meeting, the Treasurer will enter the Operating Budget in the Accounting System.

#### 4.13. Investments

- 4.13.1. The Board of Trustees is responsible for overseeing the Presbytery's investment portfolio including but not limited to the Endowment (Section 8).
- 4.13.2. On an annual basis, the Board of Trustees will recommend a percentage of the investment portfolio to be drawn for use in the Operating Budget Section 8.2).
- 4.13.3. The Board of Trustees will hire a licensed securities firm to manage the investment portfolio.
- 4.13.4. On an annual basis, the Board of Trustees will approve an Investment Policy, and will manage the licensed security firm to ensure compliance with the Investment Policy.
- 4.13.5. During the annual budget preparation, the committee will review the operating reserve and set a target for funds to be set aside that year, if necessary. The Trustees will be responsible to maintain the operating reserve.
- 4.13.6. Designated gifts will be received and recorded in separate funds from the general fund. Disbursements from these funds will be in alignment with the intent of the designated fund.

#### 4.14. Sale of Real Estate Assets

- 4.14.1. The Board of Trustees will recommend the sale of real estate assets to the Presbytery.
- 4.14.2. Upon approval of the sale of real estate assets, the Board of Trustees will oversee the associated sale.

#### 4.15. Debt

- 4.15.1. All debt incurred by the Presbytery, except trade and payroll payables, must be approved by the Board of Trustees.

- 4.15.2. The churches should carry their own debt, though the Presbytery may be guarantor with the approval of the Board of Trustees.
- 4.15.3. The Executive Presbyter or President of the Board of Trustees will sign any debt agreements after receiving approval by the Board of Trustees.
- 4.15.4. The Board of Trustees may approve paying down additional principal on the balance of any debt.

## **5. Internal Controls**

### **5.1. Audit or Review**

- 5.1.1. The review of financial stewardship is one of the most important procedures that the Trustee Board has for fulfilling its fiduciary responsibilities to The Presbytery.
- 5.1.2. An annual audit or review of the financial statements must be conducted within a reasonable time after year end. The Audit Committee recommends to the Board of Trustees the extent of the audit or review. The Treasurer is responsible to supervise the conduct of the annual audit or review and report back to the Board of Trustees through the Audit Committee.
- 5.1.3. Unless expressly approved by the Board of Trustees, the annual audit or review will be conducted by an Independent licensed accountant to be selected and hired by the Board of Trustees. In the event that any Trustee is affiliated with an independent accountant that is considered for the audit or review, that Trustee must recuse her/himself from the selection process.
- 5.1.4. The Office Manager be responsible for making available the necessary financial information to conduct the annual assessment.
- 5.1.5. The annual audit or review results will be available on request to any member of the Presbytery.
- 5.1.6. The Treasurer and Audit Committee in consultation with The Board of Trustees establish internal controls pertaining to the accounting records.
- 5.1.7. The annual audit or review of the financial records should include a review of current internal controls in place.
- 5.1.8. At the completion of the annual review or audit, the Board of Trustees will review the report to determine the extent of inclusion of Notes and or Recommendations by the reviewer or auditor into this Manual.

### **5.2. Segregation of Duties**

- 5.2.1. There should be segregation of duties within the accounting functions. No one person should have authorization to perform all functions in the Receipts, Disbursements or Payroll functions.
- 5.2.2. Whenever there is a change in administrative personnel or a change in the operating structure of Presbytery, the Treasurer and Board of Trustees will meet to determine that the internal control system continues to meet the needs of Presbytery. If appropriate, the changes will be reflected in this Manual.

## **6. Computer Access and Backup**

- 6.1. Computers, network access and access to the Accounting System must have individual user-based password protected account access. The Treasurer will be given an administrative password and will have the authority and access to establish user accounts and control security and access to the system. The Executive Presbyter will be aware of the administrative password. Passwords will not be shared.
  - 6.1.1. All data files will be backed up on a daily basis. Physical backups will be stored in a secure off-site location or in a secure cloud-based backup system.
  - 6.1.2. The Accounting System version will be kept up to date such that the currently used version is supported by the Accounting System provider.
  - 6.1.3. The Executive Presbyter, Treasurer and Stated Clerk have remote access to the Presbytery's systems. All have access to common files, while the Treasurer has access to the Accounting System.
  - 6.1.4. Users - The Office Manager will maintain a record of all authorized users and the level of password access each user has. Passwords will be changed at least quarterly and will not be shared.

## **7. Records Access and Retention**

- 7.1. Record retention is governed by various rules of the United States of America, the State of Ohio and PC(USA), statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.
- 7.2. IRS Forms
  - 7.2.1. Payroll tax forms are not public information and may not be released.
  - 7.2.2. The application for exempt status, Form 1023, and the IRS determination letter will be made available to anyone upon request to the Office Manager.
  - 7.2.3. Personnel Records. Requests for job references and credit inquiries will be referred to the Personnel committee. Request for personnel records will be referred to Personnel committee.
  - 7.2.4. Financial Reporting. Financial reports and other financial information are regularly distributed as specified in this Manual. This information is not to be made available to persons who are not regularly authorized to receive that particular report. Any such requests for information must be approved by the Treasurer or President of the Board of Trustees.
- 7.3. Records Retention
  - 7.3.1. Records Retention follows established practice within the financial industry and as set forth by the Book of Order of the Presbyterian Church (USA), and are maintained by the Presbytery Treasurer. Any discarding of records will follow these precepts. However, prior to discarding of records, the permission of the Stated Clerk is required to ensure that they have no reason that an exception should be made to the policy. All discarded documents are to be shredded or sent to a recycling company, which has a confidentiality agreement with the Presbytery.

- 7.3.2. For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Unfortunately, there are not specific standards that will cover all situations.

## **8. Endowment**

- 8.1. The Presbytery's endowment consists of a board-designated and donor-restricted endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.
- 8.2. The Board of Trustees follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Presbytery classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruction at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in original is classified as accumulated earnings until those amounts are appropriated for expenditure by the Presbytery in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Presbytery considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Presbytery and (7) the Presbytery's investment policies.
- 8.3. Investment Return Objectives, Risk Parameters and Strategies - The Presbytery has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity, fixed income and cash equivalent securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

- 8.4. Spending Policy - The Presbytery has a policy of appropriating for distribution each year up to 4.5% (the exact percentage is to be established on an annual basis by the Board of Trustees during its establishment of the Presbytery's annual budget) of its endowment fund's average fair value using one of the following methods 1) average value of the endowment using the trailing 12 quarters; 2) average value of the endowment using the trailing 4 quarters or; 3) value of the endowment using the most recent quarter. In establishing this policy, the Presbytery considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effect of inflation. The Presbytery expects the current spending policy to allow its endowment funds to grow at a nominal rate annually. This is consistent with the Presbytery's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. Although the Presbytery does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.
- 8.5. As part of the Presbytery's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Presbytery invests cash in excess of daily requirements in short-term investments.

## **9. Beneficial Interest in Trusts at Fair Value**

- 9.1. The Presbytery is the beneficiary under multiple perpetual trusts administered by outside parties. Under the terms of these trusts, the Presbytery has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. In accordance with the terms of the individual trusts the Presbytery receives income distribution which is restricted for use in its activities and programs.
- 9.2. Future beneficial interests in trusts at fair value shall be treated in the same manner unless alternative handling is approved by the Board of Trustees. In the event that alternative handling is approved, details of such shall be included in this section.

## **10. Multi-Employer Defined Benefit Pension Plan**

- 10.1. The Presbytery participates with other Organizations in a multi-employer defined benefit contribution plan covering substantially all full-time employees. The plan is administered by the Board of Pensions, Presbyterian Church (U.S.A). Plan contributions are calculated at approximately 11 percent of the total of salary and housing allowances. The risks of participating in this multi-employer plan are different from single- employer plans in the following aspects:
- 10.2. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- 10.3. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- 10.4. If the Presbytery chooses to stop participating in this multi-employer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

#### **11. Maintenance of this Accounting Policies and Procedures Manual**

- 11.1. This Manual is important to the accounting function of The Presbytery.
- 11.2. The Board of Trustees is responsible for maintaining the manual and will approve updates on at least an annual basis.
- 11.3. Version control of the Manual will be documented by including the date of each approved revision on the title page and in the footer of every subsequent page.
- 11.4. As necessary, the Treasurer and the Office Manager will recommend updates to the Manual, which will be approved by the Board of Trustees. Even if updates are not necessary, the Manual will be approved by the Board of Trustees on an annual basis.
- 11.5. This Manual will be distributed to all people who fill roles as specified in section.