

## **ADMINISTRATIVE POLICY 5**

### **FINANCIAL POLICIES**

The objective of these financial policies is to define a plan of financial practices which will safeguard the assets (and protect the good name and integrity of those involved) by use of dual controls to reduce the possibility of misappropriation of funds, intentional or unintentional. It will also assist in the orientation of staff and volunteers who are involved in the work of the presbytery.

#### **A. FINANCIAL SYSTEM**

The chart of accounts for Heartland Presbytery (attachment #1) has been approved by presbytery action (November 1992) and may be modified by the presbytery council, upon recommendation of the Business Affairs Committee. The chart of accounts will allow the organization to maintain its books and prepare financial statements in accordance with the Generally Accepted Accounting Principles (GAAP). There will be monthly reports prepared by the financial administrator for review by the Business Affairs Committee.

#### **B. BUDGET DEVELOPMENT**

The budget for Heartland Presbytery is a spending plan by department, reflecting how and where the presbytery has determined to be involved in ministry and mission. As such, it is neither absolute nor purely theoretical. It is a plan that may be amended (revised) during the course of the year. As good stewards of the presbytery's resources, the Business Affairs Committee will oversee the financial management of the budget and financial activities and will from time to time make recommendations regarding budget revisions.

1. The Business Affairs Committee will develop and recommend to the presbytery council, which will recommend to the presbytery, annual operating and mission budget. The budget will include anticipated income (including that from designated or restricted funds which will be used for programs within the budget) and anticipated expenses, listed according to the presbytery-approved chart of accounts. The budget will indicate, as much as possible, anticipated expenditures for each line item by account number.
2. Once approved by the presbytery, the Business Affairs Committee will monitor the presbytery's income and expense, noting those accounts which appear to exceed budget expectations.
3. If an account appears to exceed its approved budget, the responsible committee or entity will request that the Business Affairs Committee consider a budget revision, explaining circumstances and possible remedies. The Business Affairs Committee will review the request with respect to the overall financial situation of the presbytery. If the request is feasible, the

Business Affairs Committee will recommend a budget revision to the presbytery council.

- a. If the budget revision does not require any changes in the total budget for that department or the overall funding from the churches of Heartland Presbytery, the presbytery council may approve the request. The council may also approve budget revisions which draw upon designated or restricted funds, providing the use of these funds matches the definitions and restrictions set up for these funds.
  - b. If the budget revision requires changes in the total budget for that department or the overall funding from the churches of Heartland Presbytery or other new sources of funding, the request will require presbytery approval.
4. The Business Affairs Committee will annually recommend to the presbytery council the per capita apportionment for the upcoming year, normally by the summer meeting of the presbytery. Once approved by the presbytery, a list of per capita assessments for the churches will be included in the fall presbytery packet. Statements will also be sent to the churches in late November or early December. Those churches which do not pay their per capita apportionment in a timely manner will be sent reminder notices.
  5. In order to maintain appropriate financial reserves and to allow for the continuation of ministry and mission despite fluctuations in cash flow, the presbytery aims to maintain three month's budgeted expenses: in liquid, readily available reserves. At least one month's operating expenses shall be kept in the checking account. When the checking account balance falls below this level, the Business Affairs Committee has the right to make recommendations to the presbytery council regarding budget revisions, including the cessation of all expenses except for payroll and contracted legal obligations.

Until the presbytery council has the opportunity to review the recommendations of the Business Affairs Committee, that committee shall have the right to temporarily suspend the payment of all expenses except for payroll and other contracted legal obligations. It shall also have the right to instruct all divisions and committees of presbytery in a timely manner to suspend all expenditures until the financial crisis has been reviewed by the presbytery council and funds are available.

6. All requests for funds not included in the current annual budget shall include recommendations for the source and means of funding. This recommendation shall be made after consultation with the Business Affairs Committee. Any motion at a presbytery meeting for presbytery funding shall

be ruled out of order by the presbytery moderator, if the mover has not had a prior consultation with the Business Affairs Committee to ascertain and approve a source of funding.

**C. RECEIPTS - Cash & Checks**

Will be received by an individual staff member that does not have responsibility for the disbursement of funds in accordance with Generally Accepted Accounting Principles (GAAP) . Details will be developed and maintained by the executive presbyter in consultation with appropriate staff.

**D. DISBURSEMENTS**

Will be made by an individual staff member that does not have responsibility for the receipt of funds. In accordance with GAAP. Details will be developed and maintained by the executive presbyter in consultation with appropriate staff.

1. The Petty Cash Fund is limited to \$100 and is supervised by the financial administrator. Petty Cash Vouchers will be required for each withdrawal from this fund. The fund will be replenished by check after substantiation of receipts.
2. For travel by the staff and the treasurer, mileage will be reimbursed at the approved Internal Revenue Service rate, upon the presentation of an authorized business and travel expense voucher. For meals paid for by staff, receipts for expenditures over \$25.00 should be attached to the voucher. The executive presbyter will review and sign all staff travel and expense vouchers except his or her own. The Personnel Committee moderator will review and authorize the executive presbyter's travel and expense vouchers.
3. Travel for committee persons will be reimbursed at the approved Internal Revenue Service rate for volunteer mileage, upon the presentation of an authorized expense voucher.
4. The bank statement and canceled checks will be reviewed and reconciled by the appropriate staff member.
5. The reconciliation will be reviewed by the treasurer and/or the executive presbyter.

**F. PAYROLL**

1. Full-time and part-time staff persons may be paid a salary. All staff will keep a written record of hours worked, including overtime, on time sheets in accordance with the personnel policies employee handbook. The completed time sheets will be approved by the immediate supervisor and forwarded to the financial administrator for payment.

2. Payroll deductions, other than those which are compulsory, may be requested by employees in writing and included in the payroll account records as separate totals.

#### G. RESTRICTED, DESIGNATED, AND ENDOWMENT FUNDS

Disbursements will be the same as unrestricted funds. The use of these funds must comply with the definitions set forth by the presbytery or the donor:

1. The disbursement of these funds shall be accomplished by voucher. Where the use or authorization is unclear, the request will be reviewed by the Business Affairs Committee for recommendation to the presbytery council, which reserves the final right to approve all such expenditures.
2. Any request for the establishment of new funds, or the closing or redefinition of existing funds, will be made in writing to the Business Affairs Committee, which will make a recommendation to the presbytery council for action.
3. All attempts will be made to hold Restricted, Designated, and Endowment funds in separate physical accounts from the Operating and Mission Funds.

#### H. INVENTORY

The inventory will be reviewed annually as a part of the audit of the presbytery accounts and records. The Business Affairs Committee may also review the inventory at any time. It is the responsibility of the presbytery staff to provide Business Affairs Committee with any information regarding changes in the physical assets of the presbytery, to assure adequate insurance coverage.

Any real property, buildings or equipment used for the operation of the property, program or ministry of Heartland Presbytery, with a value of \$1,000.00 or more, shall be considered a “capitalizable fixed asset.”

#### I. IN KIND DONATIONS

The presbytery, through its council, reserves the final right to receive in kind donations. Those acting on behalf of the presbytery to receive such donations should ascertain whether or not the donation includes any current or potential liabilities, and whether or not the donation is in keeping with the overall mission and ministry of Heartland Presbytery.

#### J. RETENTION OF FINANCIAL RECORDS

Financial records and other supporting or related documents shall be retained according to Generally Accepted Accounting Principles (GAAP).

#### K. GUIDELINES FOR MISSION FUNDING

1. Principles  
Mission funding grows out of our belief in the faithful stewardship of God’s good gifts embodied in the life, death and resurrection of Jesus Christ, our Lord and Savior. Jesus spent much time teaching about the wise use of money. One of the most familiar and best loved of these stories holds up for

us the following questions related to our task of determining the most effective use of the mission funds of the presbytery. The story of the good Samaritan raises the following questions:

- a. Do we advance the Gospel of Jesus Christ in the accomplishment of this ministry?
- b. Do we confront old wrongs, bring reconciliation where there once was discord?
- c. Is there a good balance between financial investment and human investment? Does the ministry engage the time and talents of the members of one or more congregations of Heartland Presbytery as well as any funds the presbytery may invest?
- d. Are we, in the course of attempting to do good, unintentionally promoting any harm?
- e. Are we being drawn out of our comfort zone by this ministry? Does it engage the people of the churches of Heartland Presbytery with one another in a real way? Does it merely engage their purses, or does it enable them to take ownership in the project, take pride in seeking justice?

2. Criteria

The Gospel reminds us that the resources of the earth are limited. Often the resources of the society are viewed as more limited than they are in fact. We are called to make good decisions about our stewardship of the earth and exercise creativity in discerning ways for the society to share what resources it has among all of its people.

With the Grace of God and the gift of human intelligence and divine compassion, we set forth the following criteria to guide us in the task of determining the investment of the presbytery's community Mission Funds.

- a. The project serves within the bounds of Heartland Presbytery.
- b. The project responds in a measurable way to an identified personal and societal need.
- c. The project ministers to those persons who can least help themselves or speak for themselves.
- d. The project seeks to help those they serve to become self sufficient as expeditiously as possible.
- e. The project does not duplicate a service already provided in the area to be served.

- f. The project can exhibit fiscal responsibility in the use of funds and has sought funding from a variety of other sources.
- g. The project is seeking assistance to start a new ministry or a new project of an ongoing ministry. It is the division's intention to fund for a three-year period in gradually decreasing amounts.
- h. The project either is a mission project of one or a group of churches in the Presbytery, or can demonstrate that it actively engages people from one or more of the Presbytery's churches in its ministry and works to maintain this collegial relationship, viewing it as an important part of its structure.

[These financial policies were prepared by the Administration & Budget Committee, reviewed by the presbytery's auditors, and approved by Heartland Presbytery on September 20, 1994.]

## ATTACHMENTS

1. Description of the Chart of Accounts
2. Summary of Restricted Funds
3. Summary of Designated Funds
4. Summary of Endowment Funds
5. In-Kind Donations
6. Guidelines for Retention of Financial Records
7. Mission Transfer (Support) From Heartland Presbytery to Heartland Presbyterian Center

## OTHER DOCUMENTS AVAILABLE FROM THE PRESBYTERY OFFICE

Income Log

Expense Voucher

Expense Voucher Stamp

Business and Travel Expense Voucher

Petty Cash Voucher

Time Sheet

## ATTACHMENT #1

### Description of the Chart of Accounts

Each line item (xx-yyy-zzzz) within the chart of accounts has three components: a department number (xx), a fund number (yyy), and an account number (zzzz).

#### Departments:

- 00: Heartland Presbytery as an entity
- 10: General Account (includes both the Operations Budget and the Mission Budget)
- 20: Heartland Presbyterian Center
- 30: Heartland Growth Fund
- 40: Urban Ministry (includes the Presbyterian Urban Ministry Network)
- 60: Harold Thomas Center

#### Funds:

- 100: Operating Fund (includes departments 10, 20, 40, 60)
- 200: Designated Fund (includes those funds defined and designated by the presbytery)
- 300: Heartland Growth Fund (includes department 30)
- 400: Restricted Fund (includes those funds defined and restricted by the donor)
- 600: Endowment Fund (the principle is protected, but the interest may be used)
- 700: Plant Fund (the listing of all capital assets, including land, buildings and equipment)

#### Accounts:

- 1000: Assets
- 2000: Liabilities
- 3000: Funds
- 4000: Revenue
- 5000: Revenue
- 6000: Expense
- 7000: Expense
- 8000: Expense
- 9000: Expense

## ATTACHMENT #2

### Summary of Restricted Funds

**Church Resource Center Revolving Fund** (July 1, 1974-Kansas City Union Presbytery)  
a/c #3451.F.13.

Purpose: The presbytery acts as custodian for moneys received for subscriptions and rentals of resources in the Church Resource Center, an ecumenical venture of area Presbyterian, Evangelical Lutheran Church of America, Disciples of Christ and United Church of Christ churches. Funds are to be used to purchase and repair resources, library supplies, and audio-visual equipment.

Authorization: Resource Center staff to \$50.00 and Moderator, Advisory Council.

**Hunger Escrow** (May, 1976) Action of presbytery council a/c #3434. General Assembly, churches, individuals.

Purpose: To alleviate hunger through education, legislation and direct assistance, both at home and abroad.

Authorization: executive presbyter, moderator, MOSJM Division.

**Peace Offering Fund** (October, 1980) a/c #3420. General Assembly, churches, individuals, principally from annual Peace Offering.

Purpose: To be used to educate, legislate or implement causes for peace.

Authorization: moderator, MOSJM Division, moderator of Peacemaking Committee.

**Central America Trip** (1983) a/c #3436. Gift of New Eyes participants.

Purpose: This fund is to be used to accumulate moneys for the Central America trip until airline tickets are purchased and trip expenses are met.

Authorization: Moderator, MOSJM Division.

**Small Church Fund** (1984 MS&D Action) a/c #3426. Individuals and churches in Heartland Presbytery.

Purpose: These funds are to be used to help small churches afford full time pastors. The original money for the Small Church Fund came from grants through the Synod of Mid-America from the Robert Steele Trust Fund which benefited the 100 smallest churches in Kansas. The original Steele money has been expended, and over the years, N. Kansas City First, Gardner First and Olathe First churches have been the main contributors to the fund. Traditionally, money has been transferred from the fund to the budget for small church pastor support.

Authorization: CD&R Division.

**Heartland Candidates' Scholarships** (November, 1985) a/c #3440. Individuals and churches. Restrictions on this money may be changed by vote of the presbytery.

Purpose: Originally, part of the Heartland Growth Fund and under the terms set out in that campaign, only the interest earned on moneys received could be used for scholarships for candidates for the ministry. In 1988, First Church, Independence, established the Mary Mildred DeWitt Memorial Fund by placing \$100,000, equally divided, into the Combined Trust Fund and the Income Trust Fund of Presbyterian Church (U.S.A.) Foundation and requested that the income be used to assist theological students. In 1990, with the agreement of the originating churches involved, the Brown-Marsh Memorial Fund (KCMO, St. Paul) and the Roy Caraway Memorial Fund (KCMO, South-Broadland) were combined with money already invested with the Foundation and interest from those funds is now also used to fund assistance to theological students. (Note: all of the funds invested with the Foundation are now a part of Heartland Presbytery's Endowment Fund and the restricted fund which is funded by the Endowment interest is used to disburse grants to students.)

Authorization: moderator, Committee on Preparation for Ministry or Moderator, Scholarship Sub-Committee of Committee on Preparation for Ministry

**Church Resource Center Rental and Repair** (1986) a/c #3452. Heartland Presbytery Christian Education Funds.

Purpose: This fund is to be used for the purchase and repair of new video equipment.

Authorization: Church Resource Center Staff, moderator, Congregational Ministries.

**Church Redevelopment (KCK, Faith)** (May, 1989) a/c #3432. Churches and proceeds from property when sold.

Purpose: This fund is to be used by CD&R for mission funding grants. Churches/donors may specify a priority for use, but CD&R would make final designations.

Authorization: moderator, CD&R Division, executive presbyter

**Olathe New Church Development** (1990-Philip Hughes Memorial) a/c #3410.

Purpose: Funds are to be held until the new Olathe church is built and then transmitted to the church for purchase of pews, bibles, hymnals, communion sets (worship aids).

Authorization: CD&R Division.

**Media Fund** (1992) a/c #3456. Action of Presbytery on recommendation of Stewardship and Mission Promotion Committee.

Purpose: To accumulate funds from various promotional activities to support future media/advertising ventures of the presbytery (such as the television advertising using part of the video, “We are All Heartland Presbytery”).

Authorization: To be overseen by the Media Committee, Worship and Fellowship Division.

**Linwood Properties Fund** (1996) a/c#3429.

Established at the time of the purchase of the former Linwood Church to receive contributions and disburse expenses for future redevelopment of the property.

Authorization: Officials of the property holding corporation.

NOTE: ANNUAL INTEREST ON RESTRICTED FUNDS - Generally, interest is paid at 1/2 % below the average annualized percent of interest earned on the Custody Account at Boatmen’s Bank on funds where there is little or no activity during the year.

### ATTACHMENT #3

#### Summary of Designated Funds (11-05-96))

**New Ministries Fund** a/c #3210.

When General Mission funds received exceeded expenditures in some years, the excess at the end of the year was carried forward in the New Ministries Fund. These moneys then become the seed money for newly conceived and/or newly funded ministries.

**Presbytery Causes Fund** a/c #3216.

Funds are used to help churches when unforeseen problems arise. May be expended as grants or loans. Money is added to this fund from interest on CDs purchased from Presbytery Causes (UMB and CDC), the sale of church properties (when no other use has been specifically designated by the local church involved) and by designation of the Presbytery.

**Church Property** a/c #3221.

These are values for properties which are temporarily deeded to the Presbytery when churches close and the Presbytery plans to sell at a later time. They are separated from Land and Buildings in our Plant Fund because the intent is to only hold these properties for a short time.

**Emergency Aid to Pastors** a/c #3226.

Originally, money was transferred from Presbytery Causes Fund, to establish an Emergency Aid to Pastors Fund, a fund upon which the executive presbyter in consultation with the moderator of Committee on Ministry may draw to provide emergency assistance to pastors in Heartland Presbytery. The nature of these loans and/or grants is intended to be highly confidential and specific activity is not reported.

**Deferred Maintenance** a/c #3228.

Originally money that was not used from the office budget was transferred into this Fund to allow for major, unbudgeted expenditures when they became necessary.

## ATTACHMENT #4

### Summary of Endowment Funds (revised 11-05-96)

#### **Brown Marsh Fund.** a/c#3620.

A scholarship loan fund originated by George V. Boykins in 1970 to honor the memory of Mrs. Asilee M. Brown, a charter member of St. Paul's Church in Kansas City, Missouri and her daughter, Miss Frankie Marsh, also a long time member of the church. One-half of the original gift was to be invested for 15 years and the other half was to be made available to deserving single students maintaining a C average or above (Preference for receiving loans would be given to students who had been Presbyterian for at least five years or whose parents had been Presbyterian for at least five years. Preference was also to be given to students attending Presbyterian institutions within the bounds of the presbytery, but if they were pursuing a course of study not offered in the presbytery, they could receive loans if they attended institutions outside the presbytery). If students' grade averages dropped below C, they were to receive no further. Also, if students married, they were to have no further loans. Students who dropped out of college without finishing were to begin repayment of their loans within six months and students who received their degrees were to begin repayment after two years. The second half of the money and any additional moneys donated could be loaned at any time without the stipulation of investing for 15 years.

In 1990, in consultation with St. Paul Church, the Presbytery voted to place the corpus in the Presbyterian Foundation (PCUSA) in a permanent fund and post earnings into a restricted fund called "Heartland Candidates Scholarship Fund". The money was kept in a separate account in the Foundation so that we would be able to report to St. Paul's Session how much interest was earned and to whom scholarships were awarded. (With the agreement of St. Paul's, this became a scholarship fund instead of a loan fund.)

#### **Roy Caraway Fund.** a/c #3618.

A fund established by South Broadland Church prior to 1960 in memory of The Rev. Roy Caraway to provide interest-free loans up to a maximum of \$600 to young people preparing for full-time Christian service. Repayment was to begin 1 year after ordination or immediately upon cessation of studies in preparation for ministry. Loans could be approved by unanimous vote of at least 75% of the Preparation for Ministry Committee.

In 1990, in consultation with South Broadland Church, the presbytery voted to place the corpus in the Presbyterian Foundation (PCUSA) in a permanent fund and post earnings from the Caraway Fund into a restricted fund called "Heartland Candidates Scholarship Fund". The money was kept in a separate account so that we could report to South Broadland's Session how much interest was earned and to whom scholarships were awarded. (With the agreement of South Broadland, this became a scholarship fund instead of a loan fund.)

**HGF Candidates' Scholarships.**

According to the terms of the Heartland Growth Fund prospectus, moneys donated to this scholarship fund would be invested and only the interest earned would ever be given as scholarships. This project was fully subscribed during the Heartland Growth Fund Campaign and the corpus was placed in a permanent fund with the Presbyterian Foundation (PCUSA) in 1990 (I think). Interest paid by the Foundation is posted to the Heartland Candidates Scholarship Fund (a Restricted Fund) to be awarded by the Preparation for Ministry Committee to candidates and inquirers under care of Heartland Presbytery.

**Mary DeWitt.** a/c #3610.

During the Heartland Growth Fund Campaign, a memorial fund was set up to honor Mary DeWitt, a member of First Presbyterian Church in Independence. First Church invested this memorial money with the Foundation (PCUSA) and named the presbytery as the recipient of the interest to fund scholarships for Candidates/Inquirers of Heartland Presbytery.

The Heartland Candidates Scholarship Fund (a Restricted Fund) is overseen by the Preparation for Ministry Committee of Heartland Presbytery and Foundation interest from the above endowment funds is posted to it for scholarship distribution.

**Dess Caylor Fund for Urban Development/Redevelopment.** a/c #3622.

An endowment established in 1995 by a gift from the estate of Dess Caylor. Interest is intended for Urban Development and Redevelopment.

**Ernst Zimmer Trust for Ministerial Candidates.** a/c #3636.

Established in 1995 by a gift from the Ernst Zimmer Trust and restricted by the donor for assistance for candidates for the ministry. (Ernst and Mary Louise Zimmer were members of Westport Presbyterian Church.)

11/05/96

## **Endowment Funds for Heartland Presbytery Center**

### **Nunemaker Maintenance** - a/c #3614.

At the time Nunemaker Lodge at Heartland Presbyterian Center was completed, Miss Irene Nunemaker established a maintenance endowment for future repairs to Nunemaker Lodge. It was her hope that it would not be necessary to draw any of the money out for five years but that was not stipulated in the origination of the fund. The interest earned was to be added to the original \$50,000 for as long as it was not needed for repairs so that there would be a significantly larger amount of money in the investment. This is a permanent fund. Expenditures are authorized by the Center Board of Management.

### **Linda K. Walters-Swanner** - a/c #3616.

A memorial fund established by Westminster Presbyterian Church of Ottawa, Kansas in 1985 a year a half after Linda K. Walters Swanner was killed in a mountain climbing expedition on the Matterhorn. The principal (\$2,000) was to invested and the interest used to provide camping scholarships to those in need to attend Presbyterian Camp at Parkville. The principal was also added to until in 1991, \$2,778 was invested in a Balanced Growth Fund of the Foundation (PCUSA). Interest earned is credited to the Camp Scholarship Fund (a Restricted Account) and scholarships are authorized by the Center Board of Management.

**ATTACHMENT #5**

**In Kind Donations**

Date \_\_\_\_\_

Name of Donor \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

Description of Donation \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Approximate Value of Donation \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name of Person Receiving Donation \_\_\_\_\_

Title \_\_\_\_\_

## **ATTACHMENT #6**

### **Guidelines for Retention of Financial Records**

Retained according to GAAP.

**ATTACHMENT #7**

**Mission Transfer (Support) From Heartland Presbytery  
to Heartland Presbyterian Center**

1996 - \$140,000	2001 - \$106,666
1997 - \$133,333	2002 - \$100,000
1998 - \$126,666	2003 - \$ 93,333
1999 - \$120,000	2004 - \$ 86,666
2000 - \$113,333	2005 - \$ 80,000