

# Douglas Congregational United Church of Christ



**DOUGLAS UCC**  
A JUST WORLD FOR ALL

## Financial Procedures Handbook

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# FINANCIAL PROCEDURES HANDBOOK <sup>1</sup>

THESE FINANCIAL PROCEDURES ARE ESTABLISHED FOR THE DOUGLAS CONGREGATIONAL UNITED CHURCH OF CHRIST. THEY SHOULD BE REVIEWED AT LEAST EVERY THREE YEARS BY THE FINANCIAL OVERSIGHT COMMITTEE AND THE CHURCH COUNCIL TO CONFIRM THEIR EFFECTIVENESS AND EFFICIENCY IN PRESERVING THE FINANCIAL SECURITY OF DOUGLAS CONGREGATIONAL UNITED CHURCH OF CHRIST.

ADOPTED BY THE CHURCH COUNCIL ON \_\_\_\_\_, 2020.

## LEGAL STATUS

### United Church of Christ

Each United Church of Christ Congregation is a separate legal entity, with its own officers, its own leadership, and its own budget. Although Douglas United Church of Christ (“DUCC”) is a member of the larger UCC denomination, the DUCC Congregation is an independent fellowship, making our own decisions about how we worship, what we teach, what hymns we sing, and how we give, spend, and save our money.

Like other non-profit organizations, DUCC has its own Constitution. DUCC also has a Policy Handbook and this Financial Procedures Handbook. The Constitution defines the membership of the church, sets the date for the annual meeting, along with outlining the process for electing officers and a leadership team, which we call the Church Council. The Policy Handbook sets forth DUCC policies and the Financial Procedure Handbook describes the financial procedures that DUCC follows.

As a United Church of Christ Congregation, DUCC is also a member of the Grand West Association, the Michigan Conference, and the General Synod of the United Church of Christ as a whole. Each of these memberships includes benefits and responsibilities as we covenant with each other to be the church together. The way we organize ourselves insists that we have a “bottom-up” organizational structure rather than being subject to a “top-down” authority.

Financially, it means that we are free to determine our own methods for managing our financial resources, as long as we follow the relevant federal, state, and local laws.

### Incorporation

DUCC is an ecclesiastical non-profit corporation incorporated on February 10, 1975. Articles of Incorporation are on file in the Church office.

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<sup>1</sup> Material for the Financial Procedures Handbook sections was assembled from a variety of resources. However, a major resource was “A Church Finance Handbook for Church Treasurers and Finance Committees” created by the Massachusetts Conference of the UCC in 2018. The copyright notice is contained on each page for convenience sake.

## **BANKING**

### **Checking Account.**

DUCC maintains a checking account at TCF Bank (which by mid-year 2021 will be called Huntington Bank (formerly known as Chemical Bank), 249 Mason Street, Saugatuck, MI 49453 (269-857-2116). The Treasurer and Pastor have signing privileges and two signatures are required on checks in the amount of \$1,000.00 and more. Signatories will be changed by the Church Council as needed. Most of the DUCC bills are paid via the Bank's E-Banking website.

Monthly bank statements are accessible by the Treasurer, the Bookkeeper and UCF Liaison.

### **Credit Card.**

DUCC's credit card is only available to the Pastor. The Pastor shall provide to the Treasurer receipts for expenses charged to the church credit card. Monthly statements are received and processed by the Bookkeeper.

### **Debit Card.**

DUCC does not have a separate debit card available for congregants or officers to purchase items for the church, but the Pastor's credit card is also a debit card.

### **Safe Deposit Box.**

DUCC maintains a safe deposit box at the Church's bank. The Treasurer has the key and is authorized to access the Safe Deposit Box. The Church Council designates the signatories on the Safe Deposit Box.

### **Loans.**

DUCC does not have any outstanding loans as of December, 2020. Financial resources are available for capital building plans from the UCC National office and include:

**UCC National Office Capital Building Fund Loans.** The UCC National Office has a Cornerstone Fund that is available for churches to borrow money for capital building projects. The Cornerstone Fund offers Certificates of Deposit to local UCC churches and then leverages the funds, offering loans to churches for building projects.  
([www.cornerstonefund.org](http://www.cornerstonefund.org))

**UCC Church Building and Loan Fund.** The UCC National Office also maintains the UCC Church Building & Loan Fund to assist when buying, building, or renovating space for worship or service. ([www.cblfund.org](http://www.cblfund.org))

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## **DUCC FISCAL YEAR**

DUCC's fiscal year is from July 1 to June 30 each year.

## **MANAGING LEGAL AND FINANCIAL RISKS**

### **DUCC Insurance Coverage.**

DUCC is insured by the Insurance Board. The Insurance Board (IB) is a nonprofit corporation established by the participating Conferences of the United Church of Christ. IB administers a church property insurance and church liability insurance program serving churches and related entities within the United Church of Christ, the Christian Church (Disciples of Christ), Presbyterian Church (USA), Reformed Church in America, Evangelical Lutheran Church in America, and the Alliance of Baptists. DUCC's insurance coverage is explained below and a matrix of the dollar amount of each coverage is attached as Exhibit A.

**Criminal Theft and Fraud Coverage.** It is typical for a church congregant to ask if his/her church has purchased individual fiduciary bonds in order to obtain financial protection for officers and Congregation members handling money of the church. However, DUCC receives better protection through its insurance policy provided by the Insurance Board.

DUCC's insurance coverage includes coverage for financial crimes, theft and fraud. This coverage is beneficial because it is not limited to specific individuals as fiduciary bonds are. This insurance coverage covers all members of the Congregation handling money, not just individual officers. DUCC's commercial crime coverage requires a \$1,000 deductible and provides \$1 million dollars of coverage for the following events: employee theft, forgery or alteration, theft of money and securities, money orders and counterfeit money, computer and funds transfer fraud.

However, it is important to note that according to: "A Church Finance Handbook for Church Treasurers and Finance Committees (2018)" prepared by the Massachusetts Conference of the UCC: "In most cases, this type of insurance will only pay on a claim if the church is willing to prosecute the person who has embezzled money." This is an important point which leads to the requirement that all internal control procedures of this Handbook must be followed. To ensure coverage, the DUCC Church Council must be prepared to prosecute any church member or church officer for failure to follow procedures that results in a charge of theft or embezzlement by a church member or church leader.

**Property Insurance Coverage.** Property insurance is an important protection for church-owned buildings and their contents. While the church policy would cover the church-owned parsonage ("Rectory"), clergy who choose to live in the Rectory should purchase "tenant's insurance" to cover the personal property of the parsonage residents.

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In determining an adequate level of property insurance, the Church Council needs to consider what it would cost to rebuild church structures comparable to all the buildings presently in use, and replace all furnishings (“replacement costs”). The Insurance Board’s program offers coverage for all properties at full replacement cost. DUCC has full replacement cost coverage. This will enable DUCC, in the event of a major loss, to rebuild a structure essentially identical to that which was destroyed, including features such as ornate woodwork and stained glass.

Alternatively, the Insurance Board provides that a particular building or buildings may be insured at “functional replacement cost” if DUCC so requests. Under this option DUCC would estimate the cost that would be required to replace its existing structures with lower-cost buildings that could serve the same functions as its existing structures. This option must be specified in writing for particular buildings. The benefit payable in the event of a loss would be based on the lower values indicated. This option helps to keep the church’s insurance costs down. However, if the building were to be destroyed, the structure built to replace it would most likely look quite different than the original building.

In addition to purchasing an adequate insurance policy, it is wise for the Trustee to document, in detail, the property being insured. Documentation should include a description of each building accompanied by photographs or video, a list of furnishings, and photographs of any particularly valuable or unusual items. This documentation should be kept off the insured premises so that it would not be destroyed in the event of a fire or flood at the insured site. In order to collect under most insurance policies, the insured party must be able to document what was lost; otherwise, the insurance company may underestimate the loss and the appropriate settlement.

**Liability Insurance Coverage.** As more people turn to litigation as a way to resolve disputes and seek restitution, churches are increasingly vulnerable to lawsuits. Liability coverage was chosen with this vulnerability in mind. DUCC’s liability insurance includes coverage for good-faith actions of volunteers as well as employees, because members of church decision-making boards (trustees, parish boards, personnel committees) are quite likely to be among the targets if a church is sued. DUCC’s insurance coverage includes coverage for sexual misconduct.

Any contractor hired by the church must provide DUCC with a Certificate of Insurance showing evidence of liability insurance coverage, with limits of liability coverage. This protects the church in the event that the contractor’s actions result in damage to people or property. The Insurance Board policy covers employees, elected officers, or volunteers who perform work for the church, but not independent contractors.

**Workers Compensation Insurance Coverage.** In most states, churches are subject to workers’ compensation laws, and therefore it is required that all churches have workers’ compensation insurance for all employees and for all independent contractors who do not have their own insurance. Most health insurance programs, as well as most liability insurance policies, exclude coverage for work-related injuries. This is true



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of the Pension Boards health plan and of liability insurance purchased through the Insurance Board.

If an employee is injured while working, and DUCC has no workers' compensation insurance, DUCC must pay out of its own funds for medical treatment, lost work time, and (in the case of a disabling injury) income replacement for a period of time as required by law, and may be subject to state law penalties for failure to carry workers' compensation insurance. Even a minor injury requiring medical attention can result in substantial costs to the church.

Workers' Compensation Insurance premiums are based on estimates of employee compensation and independent contractor payments, and are paid in advance. Following the conclusion of the policy year, the insurance carrier will conduct an annual audit, either online, by phone, or in person, requesting IRS Form 941s and / or IRS 1099 forms, along with certificates of insurance for all 1099 contractors. From these, they will calculate the actual premium and will refund any overpayment or bill for any additional premiums.

Any independent contractor engaged by DUCC must be asked to provide proof of up-to-date workers' compensation insurance coverage.

**Vehicle Insurance Coverage.** If DUCC chooses to own a vehicle in the future, such as a church van, DUCC will need to purchase insurance for it. The Insurance Board offers such a policy. Be sure to purchase coverage that is adequate for any situation that you might anticipate, including collision, liability, out-of-state travel, and the operation of the vehicle by non-owner operators such as church volunteers.

If DUCC rents vans to use for occasional church trips, be sure to verify insurance for each of the drivers. Many personal auto insurance policies do not cover the rental of commercial vehicles, such as a 14- or 15-passenger van. In that case, you will want to be sure that any drivers are adequately insured when transporting people on church-sponsored trips, and fully understand the personal risk they are undertaking.

**Insurance Coverage Recap.** Exhibit A shows DUCC's Insurance Coverage in effect as of December 2020 via the Insurance Board.

### **Minimizing Risks Exposure**

While it is important to have adequate insurance, it is equally important to try to reduce the chance that DUCC will be exposed to a lawsuit in the first place. Things to consider include personnel policies, screening and supervision of volunteers and employees, evaluation of physical hazards on the premises, adoption of sexual abuse policies, etc.

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### **Minimizing Legal Risks to Church Volunteers.**

In recent years a number of lawsuits have tried to impose personal liability on volunteer officers of churches, especially those that are not incorporated. Areas of potential liability include the following:

**Liability Involving Injury to Another's Person or Property.** Examples would include negligent hiring or supervision of an employee, copyright infringement, wrongful termination of an employee, or negligent operation of a motor vehicle.

**Liability for Contracts Signed by the Officer.** If the officer signs a contract on behalf of DUCC without first being granted authority to do so by the Church Council, the officer may be held personally liable for the contract. Even if such authority has been granted, the officers must explicitly include on the document the church's name, corporate status, and the capacity in which they are signing (example: "Signed by Mary Jones, Treasurer, for Douglas UCC, a Michigan non-profit corporation") in order to avert the possibility of being held personally liable.

**Breach of Fiduciary Duty of Care.** Volunteers may be vulnerable to this charge if their inattention allows some kind of loss to occur. Church Council and Financial Oversight Committee members who are chronically absent from meetings may put themselves at particular risk in this area.

### **Willful failure to withhold payroll taxes or to pay withheld amounts to the IRS.**

This is a felony punishable by a fine of up to \$10,000 and/or imprisonment for up to five years. In addition, each officer involved can be personally liable for a penalty of 100% of the amount of tax evaded.

Of course, church volunteers who willfully act in ways that jeopardize the church or its members should not be protected from legal action. However, officers need to be confident that they are protected as long as they honorably exercise their best judgment in the interests of the church. Church officers are usually considered to be liable only for those decisions in which they are involved. If a church council member is uneasy with a decision of the council, it is wise to have this dissent recorded in the minutes of the meeting.

Article VIII of DUCC's Constitution provides immunity for council members and other persons responsible for properties of the church.

### **Use of Church Buildings**

Facility Use Schedule:

(If there is any question on ability to pay, the Pastor may waive any fees or security deposits.)

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#### Church Sanctuary

\$250.00 security deposit.  
\$100.00 for ceremonial use.  
\$ 50.00 Sacristan/Cleaning fee.

*Only Church candles and "wedding candle" use authorized. Please refrain from throwing rice, seed, confetti, etc.*

#### Friendship (Parish) Hall

\$250.00 security deposit.  
\$ 75.00 per day.  
\$ 50.00 cleaning fee.

#### Pantry Use

The intent of the church pantry is to provide a facility for church use in preparation for our church community functions where food is consumed on the premises. The pantry is never intended for commercial production or storage of food as it is not licensed for off-site public consumption nor is such off-site use covered under insurance.

#### The Parsonage Retreat House

Overnight suggested donation:  
\$75.00 per person per night.  
Please reference Policy 3-4 in the Douglas UCC Policy Handbook; for information about the mission and purpose of the Parsonage Retreat House.

#### Rules and Courtesies

Please observe quiet hours-10:00PM -8:00AM.  
Maintain a reasonable noise level at all times.  
Respect the privacy of other guests.  
Observe the "No Smoking" policy.  
No animals allowed indoors.

Churches frequently ask about the insurance implications of allowing other organizations (Scouts, twelve-step programs, exercise classes, etc.) to use their facilities. DUCC's insurance via The Insurance Board's plan includes protection for DUCC when DUCC makes its facilities available to informal interest or support groups as part of its ministry to the wider community.

It is important to require those users who represent non-profit or for-profit corporations, as well as individuals who are in business for themselves, to provide evidence that they have their own workers' compensation and liability insurance. Beyond this, DUCC should check with its insurance agent to determine the level of risk posed by the use of church buildings by other groups. (Chris Vanderwal – Worgess Agency 269-966-4101).

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If DUCC were ever to operate a pre-school or soup kitchen or other program on its premises, DUCC must discuss these activities in detail with the church's insurance agent in order to make sure that adequate coverage is in place for all aspects of DUCC's ministry and mission.

### **Protecting the Privacy of Employees and Donors.**

In conformance with the State of Michigan Identity Theft Protection Act (Act 452 of 2004), DUCC adopts the Data Security Plan attached as Exhibit B.

### **Record Retention**

The following guidelines offer suggestions for the retention of financial records:

#### **Permanent Retention:**

- a. Audited financial statements.
- b. Annual financial statements.
- c. Articles of Incorporation.
- d. Constitution.
- e. Policy Handbook (Bylaws).
- f. Financial Procedures Handbook.
- g. Correspondence that is important.
- h. Property records including but not limited to deeds, mortgages, appraisals and bills of sale.
- i. Employee payroll summary for each year.
- j. IRS correspondence.
- k. IRS 501(c)3 letter for the UCC.
- l. Restricted gift documentation (wills, bequests, etc.).
- m. Retirement and pension records.
- m. Sales tax exemption certificate.

#### **Eight years:**

- a. Bank statements.
- b. Contribution records and deposit slips.
- c. Cancelled checks.
- d. Employee payroll records.
- e. Insurance policies.
- f. Leases for equipment.
- g. Quarterly and annual payroll reports (941 or 944, W-2, 1099).
- h. Vendor payment records.

#### **Three years:**

- a. Employment applications for those not hired.
- b. Routine correspondence.

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**Day-to-day:**

Computer back-ups of financial records should be made daily or weekly and kept securely off-site to protect against computer theft, damage, or technological failure.

**Gift Log.**

A gift log shall be maintained and a record shall be made of any personal property gifts accepted by the church. In the event that the church no longer wants a personal property gift as a part of its common life, efforts will be made to return the gift to the original donor (if identifiable and contactable) who could then determine its disposition.

**Budget.**

**Budget Guidelines.** The proposed budget is presented to the Congregation by the Treasurer at the Annual Meeting for the Congregation's approval once it has been finalized.

The first task in budget preparation is to assess the resources that will be available as the approaching year begins. What funds does the church have? What restrictions have the donors specified?

Second, the church must estimate the resources needed for the next year and beyond. Questions to ask include: what long term needs are anticipated; are there roof repairs; is a building expansion being discussed; long-term ministry projects; are we actively saving money for future expenses; do we need to build up our reserves; do we have more than we need – making it possible to expand our ministry and mission; is cash flow constant throughout the year, or does income drop off during the summer months; how much of a cash reserve is recommended.

It is important to remember that the church is not a business; it is not required to make a profit every year for its owner. The church is not a person; it is not saving for retirement. The church seeks to be a faithful gathering of God's people, entrusted with resources from the past, engaged in ministry and mission in the present, and looking ahead to a vibrant future.

Non-profit organizations will have a deficit some years and a surplus other years. Rarely will the budget be exactly balanced. If a church has a surplus year after year, then perhaps there is more ministry that could be offered. If a church has a deficit year after year, then it will either have to increase income or decrease expenses in order to regain financial sustainability.

As we develop our budget, there are a number of important considerations, including:

- What level of detail is presented to the Congregation? What level of detail is voted on? If the Congregation approves a budget with three pages of line item detail, and there is no authority granted to shift between line items, then if one ministry wants to

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spend less on snacks and more on curriculum, they would need to request that change from the Church Council. Instead, if the Congregation approves a summarized budget, then the individual ministries have more flexibility to adjust their sub-accounts during the year, while staying within their total allotted funds.

- Is the budget approved before the new year begins? Technically, without an approved budget, the Treasurer doesn't have the authority to disburse any funds.
- Is there a multi-year capital budget in place? Is there a Capital Reserve established?

**Line item budget.** DUCC utilizes a line item budget which lists income and expenses, with subtotals for various types of income and expenses.

**Monitoring our Budget.** The Treasurer presents monthly reports to the Church Council monitoring our actual income and expenses and comparing them to our budget. Expenditures should be approved by the Treasurer. For some expenses, this could be a blanket approval to pay a monthly bill, while for others, specific approval should be given in writing, either with a paper form or by e-mail. A sample Request for Payment form is set forth as Exhibit C.

**Capital Planning Budget - Saving for the Future.** DUCC has a long history, thanks to the generosity of other faithful people who gathered and nurtured our communities of faith. From these ancestors in faith, we have inherited traditions, buildings, furnishings, and financial resources; it is our responsibility to provide for those who will come after us – our descendants in faith. Planning for the future involves capital projects, cash reserves, investments, and endowments.

A capital budget helps a Congregation to plan for those expenditures that don't happen often, but usually cost a significant amount of money. In accounting language, "capital" refers to anything that lasts longer than the budget period. Churches, along with most non-profit organizations, usually budget for a period of one year. Thus, a capital item is something that won't be used up during the year, such as a building, building improvements, musical instruments, computers and office equipment, bookshelves, or even church library books.

The Trustee shall develop a multi-year budget for capital expenditures, revising it each year as a part of the budgeting process. Many churches set aside a certain amount each year for capital expenditures, establishing a Capital Reserve from which planned and emergency capital projects are funded: computers and office equipment, bookshelves, or even church library books. It is helpful to develop a multi-year budget for capital expenditures, revising it each year as a part of the budgeting process. Many churches set aside a certain amount each year for capital expenditures, establishing a Capital Reserve from which planned and emergency capital projects are funded.

A capital plan is easily developed in a simple spreadsheet. First, list the projects by anticipated year. Then, obtain cost estimates and adjust them by formula for future inflation. Enter an amount to be added to the reserve in the first year, and then adjust the annual amounts by formula with the same inflation rate, and round to the nearest hundred dollars. The running balance will show how much will be available in the Capital

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Reserve as of the end of each year. Finally, increase or decrease the initial amount of the addition to the Capital Reserve so that the balance will be sufficient to cover anticipated costs, including large future costs such as roof work. In this example, approximately half of the annual allocation will eventually support the roof work needed more than twenty years in the future.

A related aspect of planning for the future involves general unrestricted cash reserves. Since the church is a non-profit organization, that doesn't mean that it doesn't ever have a profit – rather, it means that the church doesn't pay out its profits to its owners or shareholders at the end of the year. The church carries over its cumulative surpluses and deficits from year to year. The cumulative surpluses and deficits from the annual budget are called the General Fund, or in non-profit accounting terms, Unrestricted Net Assets. As a guideline, in order to maintain an adequate cash flow throughout the year and to allow for an unexpected shortfall in contributions or other income, an organization will need to have an unrestricted net asset balance equal to at least 2-3 months of expenses. If it's less than that, the Congregation would be wise to seek surplus budgets in order to replenish its reserves. It is also very important to be able to project cash reserves into the future so that the Congregation and its leadership can make decisions based on financial transparency and shared understanding. This is one of the Trustee's primary responsibilities. The Trustee can seek input from the Treasurer.

As demographics, technology, and patterns of Congregational involvement continue to shift and change, long-term financial sustainability is a concern for many Congregations. It is important not to be caught by surprise, so that there is time to respond and plan. Financial decline doesn't happen overnight, but usually develops over many years. Likewise, financial health can't be remedied with a single large donor, but may be able to be restored over time with a realistic and invigorating approach to change. When churches address these issues earlier, more options for the future remain open to them.

The Trustee with support from the Treasurer is in a unique position to guide the Congregation through this process by distilling countless details into clear and concise scenarios, so that the members can make informed decisions when they vote on important issues such as adequate staffing and compensation or the acquisition, maintenance, and selling of properties.

## **FINANCIAL OFFICERS AND FINANCIAL COMMITTEES**

The DUCC Church Council, financial committee members, financial officers, and all congregants who handle church funds of any kind or who incur debt on behalf of the Church must always be vigilant in enforcing strict financial controls in order not to lose the criminal fraud insurance coverage that DUCC currently enjoys. With this in mind, DUCC must follow all of the requirements set forth in this Financial Procedures Handbook.

The detailed job descriptions of the Financial Officers and Financial Committees are listed below.

## **Job Descriptions for Financial Officers**

### **The Financial Secretary.**

The Financial Secretary is responsible for all aspects of donations related to the weekly financial offerings to the church (manual donations on Sunday and during the week, as well as all electronic donations received throughout the week): including counting, depositing in bank, posting amounts into the Church's financial software, reporting contribution amounts to the Church Council, preparing tax statements, preparing annual donor contribution reports and keeping the donor database accurate and up to date.

**Sunday Counters/Sunday Offerings.** The Financial Secretary or her/his designee shall be responsible for ensuring that not less than two people ("Counters") of which at least one is a Church Council member are available immediately after the Sunday service for the accurate counting of cash and checks received in the weekly Sunday service offering. The Counters shall agree upon a method of counting and each will count separately according to the agreed upon procedure. The counting procedure will be designed to ensure accuracy and catch possible counting errors. Upon the completion of the counting, both Counters shall sign a tally sheet indicating the amount of loose plate donations, amount of loose checks, amount he/she counted, the date and time it was counted, and the names of the person counting. Counting shall continue until the Counters agree on the exact amount. The Counters shall both sign two tally sheets and the money shall be immediately placed in the Church safe by a Church Council member. Under no circumstances shall any loose plate cash be used for any purpose other than for depositing in the bank. The entire Sunday offering shall remain intact up to the point it is deposited in the bank.

One signed tally sheet shall be given to the Financial Secretary and one signed tally sheet shall be provided to the Treasurer.

**Contributions Received During the Week.** Any checks received during the week are stamped "for deposit only" by the Bookkeeper upon opening the mail and a tally sheet is attached to the cash and/or checks by the Financial Secretary or her/his designee and put in the Church safe to be included in the next bank deposit.

**Deposit into Church Bank Account.** The Financial Secretary or her/his designee shall take all of the contributions from the church safe as soon as possible during the week and deposit them in the Church's bank account.

The person designated to deposit the cash and checks into the Church's bank account shall confirm that the amount being deposited in the bank is the same amount indicated on the tally sheets, shall enter the same amount indicated on the tally sheets into the Church financial software (QuickBooks Online as of 2020) and shall email the deposit receipt to the Treasurer.

If the Tally Sheet totals are not the same as the Deposit Slip total, the Financial Secretary shall be immediately informed. Efforts shall be made to reconcile the difference.



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Reconciliation shall be resolved prior to the next Sunday service. The inability to reconcile the difference shall be brought to the attention of the Financial Secretary and steps shall be taken to determine the source of the discrepancy.

**Vanco E-Giving.** The UCC National office developed e-giving opportunities for UCC Congregations in partnership with Vanco. The Vanco on-line giving system allows direct transfers from a donor's bank account to DUCC's bank account and from a credit card transaction. A weekly electronic deposit, via Vanco, is available to DUCC congregants in lieu of the Sunday offering plate.

On a weekly basis, the Financial Secretary or her/his designee runs a report entitled "Weekly Activity with Detail." The Financial Secretary enters the information, by donor, into the Church's financial software, making sure the total deposit agrees with the total on the "Weekly Activity with Detail" report.

According to the Vanco website:

- One-time debit and credit card donations are processed immediately by Vanco.
- ACH (automatic clearing house transactions) and recurring debit and credit donations received by Vanco before 3 p.m. central time Monday through Friday will be processed that day.
- ACH and recurring debit/credit donations received by Vanco after 3 p.m. central time on Friday will be processed the following business day.
- Online donations are electronically deposited into DUCC's bank account within two to four business days.

In addition to online Sunday offerings, the Vanco software program has several methods of giving with varying costs:

- GivePlus+ allows DUCC to design its Vanco giving page, using elements of the DUCC website, and listing the various accounts or funds to which a donor may give, either one time or recurring, monthly or weekly.
- The Vanco Giving Plus+ app offers the same convenience for donors using smartphones.
- Vanco's pledge feature allows a church to set up online pledging, in which a donor can choose to fulfill the pledge by cash, check or online, either one-time or by setting up regular recurring payments.
- Using Give by Text, a donor can text a dollar amount to the church's give-by-text number and link their phone to their personal debit or credit card.

**Facebook/Instagram Contributions.** As of June, 2020, DUCC can receive charitable contributions via Facebook. The Financial Secretary is responsible for tracking and documenting all such contributions made to DUCC.

Facebook payouts occur bi-weekly as an ACH or direct deposit to DUCC's Bank checking account. Facebook covers payment processing fees so that 100% of donations made on Facebook are distributed to DUCC.

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Once money raised reaches the \$100 or equivalent minimum donation payout amount, it becomes eligible for a payout. Funds will roll over until the payout amount reaches the \$100 threshold. Payouts take 2 weeks to process.

Funds donated during the first to the fifteen of a month are generally paid out during the first five days of the following month. Funds donated on or after the sixteenth are generally paid out during the sixteenth to twentieth of the following month. Example: A \$100 donation made on January 1 would be paid out to DUCC between February 1-5.

Facebook can generate a Daily Transaction Report and a Payout Report.

DUCC will receive contact information for donors that opt in to receive emails from DUCC.

**Posting Deposits into QuickBooks.** The Financial Secretary shall post the Sunday offerings into the Church's financial software program and report the deposits to the Council at the Council's monthly meetings.

**Preparing and Sending Annual Contribution Statements to Congregants.** The Financial Secretary shall prepare and send letters to all congregants at the end of the year showing the individual contributions made by congregants.

### **Treasurer.**

The Treasurer is responsible for managing the budgeting process, payroll, disbursing funds, managing and forecasting cash needs, maintaining accounting records and bank reconciliations, and required tax filings for the Church. More specifically, the Treasurer is responsible for:

- Processing, paying and posting all income and expenditures for all the financial obligations of DUCC into the Church's financial software.
- Verify payroll records and related remittances to State and Federal agencies.
- Processing the bi-weekly payroll.
  - The Pastor and the Music Director receive a set salary/payment.
  - The Administrative Assistant, Bookkeeper, and Housekeeping are paid hourly on the basis of 20 hours/week.
- Preparing the necessary monthly and annual reports. These reports include the balance sheet, income and expense statement, and payroll reports as required by the government.
- Providing each ministry with a detailed quarterly accounting of the budgetary area for which they are responsible.
- Reviewing financial statements and supporting details in order to ensure the accuracy of the financial reporting of DUCC.
- Studying contribution records and financial statements monthly to "red flag" cash flow problems and is primarily responsible for anticipating cash flow shortages in the current or future months. In that event, the Financial Oversight Committee

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shall be consulted, the problem assessed, and proper steps taken to ensure the payment of essential items. The Treasurer is responsible for informing the Church Council of the situation and communicating the ministry's recommended action.

- Preparing the monthly bank reconciliation, verifying checks with invoices and deposit slips with the bank statements. Prepare W-2 forms and distribute to employees by January 31 of each year.
- Prepare W-3 form and reconcile to quarterly 941 forms and send forms into the federal government.
- File online the W-2/W-3 forms with the Social Security Administration by February 28 of each year.
- Prepare 1099-Misc/1096 forms for Independent Contractors and distribute to payees by January 31 of each calendar year and send to IRS via mail by February 28 of each year.
- Prepare the State of Michigan copies of W-2 forms by February 28 of each year.
- Report annually to the Congregation on matters related to church finances.

**Two roles are delegated by the Treasurer and report to the Treasurer:**

### **United Church Fund (UCF) Liaison.**

The United Church Fund Liaison reviews cash account and investment account statements maintained at the Church's bank and at the UCF (United Church Fund), and reports the balances to the Treasurer and Financial Oversight Committee prior to Financial Oversight Committee meetings. More specifically the United Church Fund Liaison is responsible for:

- Preparing monthly bank reconciliation for the Isabel Graham checking account at the Church's bank.
- Preparing a quarterly report for the UCF Investment Funds and reporting to the Financial Oversight Committee at their meeting.
- Making cash transfers with the Isabel Graham Fund cash account from the Church operating account at the Church's bank. Tracking UCF transfers of money into and out of the Isabel Graham Fund investment account held by UCF.

### **Bookkeeper.**

The Bookkeeper's role is to sign checks after examining and approving the related invoices and receipts and ensuring that proper authorization has been obtained from the appropriate person designated in this document or by the Church Council. The Bookkeeper is not directly involved in the related record-keeping in the Church financial software. The Bookkeeper balances the checkbook but the Treasurer reviews and approves the bank reconciliation. More specifically the Bookkeeper is responsible for:

- Processing payroll and entering those transactions into Church online financial software program.
- When the Planned Giving Committee commences operations, then entering those transactions would also be the Bookkeeper's job.
- Processing accounts payable and entering those transactions into Church online financial software program.
- Invoices for goods and services shall be sent to the Bookkeeper in the Church office immediately upon receipt. Expenses will not be reimbursed if the invoice is over 30 days old. If a person is incurring an expense on behalf of the Church, a Ministry, or an event it shall be that person's responsibility to comply with this 30-day requirement.
- Other members who are authorized to make local purchases for goods or services for the Church are to bring a copy of the invoice to the Bookkeeper at the Church office immediately after the expense is incurred.
- Members authorized to make purchases for goods or services for which they make payment and need reimbursement are to fill out a Reimbursement Request form and attach to it all receipts for reimbursement requested and submit that to the Bookkeeper. No reimbursements shall be made without a Request for Payment form (Exhibit C) and supporting invoices or receipts.
- Members and or staff authorized to request money for goods or services not invoiced such as reservations or worship guests, etc. are to fill out a Request for Payment form (Exhibit C) to be made together with supporting documentation and evidence of any pre-authorization received prior to incurring the expense.
- Bills for utilities, routine services and administrative budget expenses may be authorized by the Bookkeeper without additional authorization.
- The Bookkeeper shall enter accounts payable information into the Church's on-line financial software program weekly. Checks are computer generated, weekly, by the Bookkeeper for signature by the Treasurer. In the absence of either of these, the Pastor may sign. Some payments are made through DUCC's on-line bill payment option at the Church's bank. The same authorization and documentation rules apply.
- Manual written checks are attached to invoices and filed by month in alpha order in the vendor file. For on-line payments, the invoice is stamped posted with the date and filed the same way as with a check stub. The computer-generated check stub is attached to the invoice or payment request, stamped "posted" and filed by month in alpha order in the vendor file. Past years' records are stored for 8 years.
- Any request for a special, non-budgeted expenditure, in excess of Five Hundred Dollars (\$500.00) for any single expense or for any event expense for which multiple expenses exceed Five Hundred Dollars (\$500.00) is to be approved by the Treasurer in consultation with the Church Council.

## **Trustee**

The Trustee is responsible for ensuring that not more than every five years DUCC's property values are reviewed as part of our insurance assessment.

The Trustee must obtain proof of up-to-date workers' compensation insurance coverage from any independent contractor engaged by DUCC.

The Trustee shall also be responsible for preparing and updating the capital budget, keeping the Church up to date with upcoming major improvements and ensuring that there is a source of funding for the improvements when needed.

## **Job Descriptions for Financial Committees**

### **Grant Proposal Committee**

This Committee meets as needed and reviews and recommends to the Church Council grant money requests made to the DUCC for needy causes that are in alignment with DUCC's mission.

The grant committee receives, reviews and proposes to the Church Council the issuing of grant money in response to requests for grants made to the church. See Exhibit D for procedure to administer DUCC grants.

The source of annual grant funds is calculated by multiplying 3% times the average for the last three years of the total investment of the Isabel Graham Fund invested in the United Church Funds (exclusive of the value of the 88 Spring Street property), unless otherwise directed by the Church Council.

### **Financial Oversight Committee**

This Committee meets quarterly and oversees the investments of DUCC and reviews financial issues relating to DUCC. More specifically, the Committee's job description includes:

- Monitoring church operating finances on a regular basis.
- Advising the Council on significant financial transactions.
- Serving the role of the former Investment Advisory Committee by overseeing the investments of DUCC and review financial issues relating to DUCC.
- Providing support to the Treasurer and United Church Fund Liaison as needed.
- Establishing spending approval guidelines.
- Developing a 3-5-year operational budget plan/projection.
- Supporting the Trustee in developing a 5-year major repair and capital needs plan.
- Reporting regularly to the Council.

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**Management of DUCC Investment Funds by “United Church Funds.”** The role and responsibility of the Financial Oversight Committee with regard to DUCC’s investments is set forth in the “Douglas Congregational United Church of Christ Endowment/Asset Policy Statement” approved by the Church Council on March 25, 2020, which is part of the Policy Handbook. This policy provides guidelines as to: how church assets may be invested; who has the authority to make investment decisions within these guidelines; and what amount from the invested funds may be spent, by whom, and for what purpose.

The management of investments requires good control procedures. All investment involves some degree of risk; no protocol can fully safeguard against the possibility that an investment made in good faith may turn out in retrospect to have been a poor one.

As a result, DUCC’s invested funds are managed by the United Church Funds (“UCF”). United Church Funds provides management services to UCC churches and other faith-based organizations.

Acting as the institutional investment ministry of the UCC, UCF offers a family of managed, diversified funds that blend values-aligned investments with competitive performance. In 2020, UCF managed over \$800 million in total assets from churches across the investment spectrum – from small church reserve accounts to some of the denomination’s historic endowments. Serving as an investment partner for churches and faith-based organizations for over 100 years, UCF has an in-depth understanding of the church’s unique financial needs and goals – as well as the guiding principles and missions that inspire us.

UCF invests in companies that actively pursue sustainable and ethical environmental, social and governance business strategies. As a faith-based institutional investor, UCF favors securities of companies that demonstrate a commitment to promoting human health and dignity, environmental integrity and moral responsibility.

To ensure that the investment funds UCF offer continue to align with UCC teachings and the resolutions of General Synod, UCF’s screening policy excludes investments in companies with the following interests or characteristics: tobacco; military and nuclear weapons; coal and tar sands; firearms; private prison operation; human rights violations, including in occupied territories; negative environmental or greenhouse impact.

Quarterly financial reports provided to the Financial Oversight Committee from UCF include a full accounting of invested funds. On-line access to fund balances is always available.

The Financial Oversight Committee must be familiar with Michigan’s version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA adopted in 2006) requirements regarding the investment of Permanently Restricted Funds. Despite DUCC’s exemption from IRS reporting and annual CPA audits, churches are required

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to follow the UPMIFA, even if amounts invested are small. The 2006 amendment to the UPMIFA shifted the decisions about spending from the concept of maintaining the historic dollar amount of the original gift to the goal of preserving its purchasing power over the expected life of the fund, increasing its value to allow for inflation. UPMIFA states that the organization should determine its spending rules based on multiple factors, including:

- The expected total return from income and the appreciation of investments
- The economy and possible inflation, and
- The needs of the institution and the fund to make distributions and to preserve capital.

### **Planned Giving Committee**

This Committee, created in 2020, meets as needed and is tasked with creating and managing planned giving opportunities to DUCC through various personal estate documents and other financial mechanisms.

The Planned Giving Committee implements DUCC's program to allow for church members to make a donation to DUCC in their will or to contribute to the church through life income gifts or charitable remainder trusts that provide a stream of income to the donor during the donor's life time, and then it becomes a gift to the church after their death. Because gifts of this kind can have significant income and estate tax implications, it is important for donors to seek the advice of an independent financial planner.

**Guiding Principle:** It is not about abundance – it is about sharing.

#### **Types of Funds**

It is important to make a distinction between restricted and unrestricted resources and to save the word “endowment” for the permanently restricted portion of the invested funds, along with the associated accumulated gain/loss, so that we are sure to follow state law regarding our gain/loss on our actual endowment – but also so that we know what decisions we can and cannot make regarding our non-endowment resources.

There are some rules that apply to endowment funds but do not apply to unrestricted Church Council-designated funds. It is likely illegal to spend an entire Endowment, while unrestricted investments can be spent in their entirety.

This is not to suggest that we exhaust our unrestricted funds. On the contrary, it is a reminder that we are free to decide to save or spend any unrestricted funds – and therefore, it is crucial to have clear decision-making processes in place to safeguard the funds.

Clear, consistent definitions are crucial. “Endowment” and “invested funds” are often used interchangeably, which can lead to unfortunate confusion. DUCC's investment accounts have four types of funds within them: 1) Endowment Funds;

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2) Church Council-Designated Funds; 3) Donor Designated Funds; and 4) Unrestricted Funds.

Endowment Funds are defined as funds given by a donor with the stipulation that only the income is to be spent. The original donation amount of the funds is to be invested in perpetuity or for a specified period of time. These are also called “Permanently Restricted” net assets or funds. DUCC has created the Legacy Fund as part of its Planned Giving Funds as the only true endowment fund held by DUCC. It is used to ensure that DUCC will continue to live out its mission well into the future. Earnings on investments but not principal can be used by DUCC. Endowment Funds are also sometimes referred to as Permanently Restricted funds.

Church Council-Designated Funds are funds that the donor has not restricted, but that the Church Council has voted to use in a certain way, for example, by placing them in one of the investment accounts described below. These funds may be used for any purpose within the mission of the church.

The Isabel Graham Fund is a Church Council-Directed Fund. Isabel Graham was born in 1871 in Douglas, Michigan. Her father built the DUCC church building which was completed in 1882. The pulpit used today was also built by Isabel’s father. Much of her adult life was spent in Chicago as a teacher but later in life she returned home to Douglas. In her Will, she left \$5,000 to this Church with a stipulation that the Church could use the interest but not the principal until after her heirs passed away, but Isabel never married. Isabel shared what she had.

As a result of holding onto and investing the principal, Isabel’s \$5,000 gift has grown to over \$1 million dollars. The interest generates approximately \$30,000 a year and that money is used by DUCC to contribute to those charities in our community in need of support during the year. Isabel’s gift is the greatest example of why Planned Giving is a gift worth contemplating. 60 plus years after her death in 1954, her gift is funding \$30,000+ in annual charitable contributions from this church to needy organizations in Isabel’s and our community.

Donor Designated Funds are funds that the donor has restricted by directing the funds into one of the specified funds listed below. These funds are sometimes referred to as Temporarily Restricted funds in which all of the donor’s funds may be spent, but only for a specific purpose or at a specific time.

DUCC has five Donor-Directed Funds. The designation by a donor that funds are to be placed in one these funds will be honored. The designation of monies into one or more of these funds can be designated and restricted by the donor.



- **Building Fund.** Used for capital improvements to the DUCC properties, and unexpected emergencies. Donors ensure the DUCC Congregation has a place in the community to call home.
- **Music Fund.** Music enriches our worship and our spiritual lives. Used for attracting and retaining talented musical directors and enabling DUCC to continue to sponsor musical programs. It allows DUCC to continue to promote the use and enjoyment of music in our church services.
- **Pastoral Support Fund.** Used for attracting, supporting and maintaining qualified pastors and other personnel for DUCC's growing Congregation. This fund will also support DUCC pastoral activities such as Stephen's Ministry.
- **Technology Fund.** Used for keeping current with technological changes for Church services, and communicating with DUCC Congregation and the greater community. Having the most recent technological advances is not the goal. But technology is the tool by which our church community remains strong and connected: a proven lifeline via a remote internet connection when congregants are out of town.
- **Community Outreach Fund.** Used for enabling DUCC members to live our shared mission to help others. Outreach is love in action: necessary to maintain our vision of a just world. This fund will help the Congregation advocate for and support those in need via ministries like Christian Neighbors, Congregational Care, and financial support in emergency situations such as housing, utilities and groceries.

Unrestricted Funds are general operating funds that are present in the investment account on a short-term basis.

### **Accounting for Fundraising, Gifts and Donations Received by DUCC.**

If DUCC receives a contribution for a specific purpose, the church is required by law to honor the donor's restrictions and keep track of the funds until they are used for that purpose.

However, many churches do not have an adequate system in place for monitoring these donor-restricted funds. Unlike their secular non-profit counterparts, churches and religious organizations are not required to have annual audits and are exempt from most external reporting requirements. Therefore, many have not kept up with best practices for non-profit accounting. And yet, the distinction between funds is essential for understanding the church's financial resources and long-term financial sustainability.

In 1993, the Financial Accounting Standards Board issued their Statement FASB 116, which standardized non-profit financial reporting by consolidating various kinds of funds (general operating, restricted, capital, endowment, etc.) and naming them based on whether or not the contributions included any donor restrictions and whether those restrictions were temporary or permanent. This resulted in three types of funds. A contribution may be either:

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- **Unrestricted** - the funds may be used for any purpose within the mission of the organization; or
- **Temporarily Restricted** - the donor's funds may all be spent, but only for a specific purpose or at a specific time. Note that contributions may be restricted either by purpose (a contribution for the Music Fund) or by time (a contribution for next year); or
- **Permanently Restricted** - the donor has stipulated that the funds must be invested in perpetuity, with the income used for either unrestricted or temporarily restricted purposes.

A church council cannot restrict funds - only a donor may do so. If the Council sets aside unrestricted funds for a specific purpose, the funds should be listed as "Council Designated Funds," which would be a subcategory of the Unrestricted Funds. In this case, the Council can also vote to remove the designation at a future time. The only way to remove a donor restriction is to ask the donor to release the restriction, or to ask a court to do so. Since this distinction is so important in non-profit accounting, it is helpful to save the word "restricted" for donor-restricted funds and use other words such as "designated" or "reserve" for actions taken by the Church Council.

In 2009, the accounting rules were re-organized and renumbered, and in 2016, the classifications were further combined and renamed so that financial statements are now only required to show two categories: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions. However, a non-profit organization must still be able to report on the nature of any restrictions in the notes that accompany their financial statements, and therefore must still be able to distinguish between temporarily and permanently restricted Funds.

**Memorial Funds.** DUCC receives Memorial offerings given in honor of its members that have died. These memorials are either designated or undesignated as determined by the surviving family members.

### **Church Council.**

The Council meets monthly and makes final decisions on all financial issues presented to it as well as all other issues related to DUCC.

### **TAX STATUS**

**Federal Exemption Status.** Although DUCC incorporated in Michigan, recognition of the organization is granted at the federal level for two purposes: receiving contributions and employing individuals or independent contractors.

**Federal Employer Identification Number (FEIN).** DUCC has its own federal Employer Identification Number (EIN) in order to open bank accounts, report employee payroll taxes, file 1099 forms, or obtain a state sales tax exemption. The same EIN is

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used by the IRS, the Social Security Administration, and the state. DUCC's FEIN number is: \_\_\_\_\_.

**Federal Income Tax Exemption – 501(c) 3 status.** The Internal Revenue Service issued a ruling, dated June 10, 1964, which as subsequently amended, grants 501(c) 3 status and blanket federal income tax exemption to the United Church of Christ and all member churches. The IRS group exemption number for the United Church of Christ is 1665.

More specifically, DUCC's tax exemption ID # is 1793. To document the exempt status of DUCC, copy DUCC's tax exemption letter along with the page of the United Church of Christ Yearbook & Directory or UCC DataHub on which the DUCC is listed. (Google UCC DataHub) The Yearbook & Directory is available annually from the UCC Center for Analytics, Research and Data. This will satisfy most grant makers, tax authorities and others who may be interested. If you need further documentation, contact the Michigan Conference office for assistance. (517-332-3511, Bob Heisler) [conference@michucc.org](mailto:conference@michucc.org).

**Federal Excise Tax.** Religious organizations are not exempt from federal excise taxes such as those charged on your monthly telephone bills.

**State Income Tax.** All local UCC churches are exempt from state income tax by virtue of the federal income tax exemption.

**Property Tax.** The church buildings and a reasonable amount of the surrounding land is exempt from local property taxes provided these properties are being used exclusively for religious purposes.

**Federal and State Unemployment Tax.** Churches are exempt from federal and state unemployment taxes.

## TAX REPORTING REQUIREMENTS

**Employment Eligibility Verification Form.** Current law requires all employers, including churches, to obtain proof of a prospective employee's identity and legal right to work in the United States prior to hiring. A federal form I-9 Employment Eligibility Verification (available at [www.uscis.gov](http://www.uscis.gov)) must be completed, verified, and kept on file for each employee. The form must be available for inspection by authorized U.S. Government officials (e.g., Department of Homeland Security, Immigration and Customs Enforcement, Department of Labor or the Office of Special Counsel).

**Federal Tax Withholding Form W-4.** It is also necessary for each new lay employee to complete a federal tax withholding form W-4, which instructs the employer regarding how much federal income tax to withhold from the employee's compensation. W-4 forms are available from the IRS at [www.irs.gov](http://www.irs.gov), and a withholding calculator for taxpayers is available at [www.irs.gov/w4app](http://www.irs.gov/w4app).

A clergy person may complete a W-4 form voluntarily.

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DUCC does not withhold federal taxes from the Pastor's salary.

**State of Michigan Withholding Form MI-W4.** The State of Michigan MI-W4 form is required and is available at [www.michigan.gov/documents/taxes/MI-W4\\_370050\\_7.pdf](http://www.michigan.gov/documents/taxes/MI-W4_370050_7.pdf).

The federal W-4 and the State MI-W4 forms are not identical and both should be completed.

**Michigan New Hire Reporting Form.** A New Hire Reporting form is required to be filed by Michigan state law within twenty days of hire, in order to ensure compliance with child support orders. The State of Michigan New Hire Reporting form is available from: [https://www.mi-newhire.com/downloads/MI\\_FORM.pdf](https://www.mi-newhire.com/downloads/MI_FORM.pdf)

**W-3 Form.** Prepare W-3 form and reconcile to quarterly 941 forms and send forms into the federal government. File online the W-2/W-3 forms with Social Security Administration and State of Michigan by February 28 of each year.

**1099-Misc/1096 Forms.** Prepare 1099-Misc/1096 forms for Independent Contractors and distribute to payees by January 31 of each calendar year and send to IRS via mail by February 28 of each year.

**Form 8283 (Gifts of Property.)** If DUCC receives a gift of property valued at \$5,000 or more it must file this form. (Source: MI Conference Handout)

**Form 8282 (Sale of, Exchange, or Disposal of Gift).** If within two years after receiving a gift of property valued at \$5,000 or more, it is sold, exchanged or otherwise disposed of by DUCC, the church must file this form.

**Sales, Use and Withholding Tax Quarterly Returns / Annual Return.** Quarterly or annual report may be required to report and pay sales tax relating to the sale of materials, such as sermon tapes or books and the state withholding taxes withheld from employee's checks.

**Non-profit Corporate Annual Report.** As an incorporated church, DUCC must file annual reports to renew their non-profit status for a nominal fee filed with the Department of Consumer & Industry Services, Corporation and Land Development Bureau.

**Tax Implications and Employee Compensation.** A number of federal and state requirements must be met regarding pay rates, overtime and safety considerations. A personnel checklist for each employee should be maintained to keep track of forms and benefits offered or declined.

DUCC must pay the higher of the state or federal minimum wage. DUCC must comply with overtime laws as well, generally paying 150% of the hourly rate for any hours over 40 worked in a week. The Pastor at DUCC is the only exempt employee.

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**Regularity of paychecks.** Hourly employees are paid bi-weekly. Salaried employees are paid semi-monthly.

**Payroll Taxes.** DUCC is required to withhold and remit payroll taxes. But requirements for clergy differ from lay employees. IRS Circular E is published annually and contains detailed instructions as to how to withhold and remit federal payroll taxes. The 2020 IRS Circular E is available at [www.irs.gov](http://www.irs.gov)

Every employer in Michigan who is required to withhold federal income tax under the Internal Revenue Code, must be registered for and withhold Michigan income tax. Non-profit organizations that are exempt from income tax, such as charitable, religious and governmental organizations, must withhold tax from compensation paid to their employees. State of Michigan forms can be found at:  
[https://www.michigan.gov/taxes/0,4676,7-238-43519\\_43531\\_75250-512839--,00.html](https://www.michigan.gov/taxes/0,4676,7-238-43519_43531_75250-512839--,00.html)

### **Taxes to Withhold from Clergy**

**Clergy are Employees.** Clergy are considered to be employees for income tax purposes and to be self-employed for social security and Medicare purposes. According to IRS Publication 517, available at [www.irs.gov](http://www.irs.gov), DUCC may not withhold or pay social security or Medicare taxes for an ordained, licensed or commissioned clergy. Instead DUCC may provide for a “Social Security allowance” of one-half of the rate of self-employment tax, which rate is currently 15.3%. In 2020 DUCC pays the Pastor 7.56% as a taxable addition to salary.

The Pastor is then responsible to pay all social security taxes through SECA (Self Employment Contributions Act) rather than FICA (Federal Insurance Contributions Act). Both Acts generate contributions to the same retirement program managed by the Social Security Administration.

**Clergy Options to Pay Self-Employment Taxes.** Clergy are responsible for paying all of their federal and state income taxes. There are three options among which the clergy may choose:

- Clergy are responsible to pay estimated taxes due quarterly April 15, June 15, September 15 and January 15.
- Clergy may elect voluntary withholding, increasing the amount of federal withholding sufficiently to cover the SECA taxes. In 2020, the Pastor has not made that election. Under no circumstances should FICA or Medicare be withheld from clergy employed by a church.
- DUCC may escrow some part of a clergy’s pay and issue it to clergy upon request or in advance of the due dates. The clergy should determine the amount of the after-tax income to be withheld.

Further information about clergy taxes are available on the UCC National Pension Boards website at [www.pbuccc.org](http://www.pbuccc.org)

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**Clergy Housing.** Federal law has exempted the value of clergy housing from federal and some state income taxes, provided certain guidelines are followed. Clergy shall still pay self-employment tax (Social Security and Medicare) on the parsonage value or housing allowance amount.

**Guidelines for clergy who rent or own their homes.** Clergy who rent or own a home may request a housing allowance based on the expenses directly related to renting or owning, maintaining and furnishing this home. In order for this exclusion to be allowed, a rental or housing allowance must be designated in advance and in writing by the Church Council. The amount requested and excluded is then exempt from income taxes and should be omitted from Box 1 compensation reported on the clergy's W-2 form.

Clergy who rent a home should estimate anticipated expenses including rent, repairs, furnishings, renter's insurance, and all utilities. Clergy who own or will be purchasing a home should estimate anticipated expenses including the down payment and legal fees associated with the purchase of a home, mortgage and interest payments, condominium fees, utilities, repairs, furnishing, real estate taxes and homeowner's insurance. Clergy may request that the total of these amounts be designated as housing allowance unless, in the clergy's estimation, the total exceeds the fair rental value of the home, in which case the clergy's responsibility is to request the fair rental value only. Also, as with a rental allowance, the housing allowance cannot exceed the total compensation paid to clergy, but can be as much as 100% of cash compensation.

**IRS Requirements for designating housing allowances.** DUCC has designated a housing allowance paid to the Pastor. A housing allowance must be designated in advance and in writing, by the Church Council. It cannot be retroactive. It is not permissible for clergy to declare a housing allowance that exceeds the "fair rental value" of the home, including utilities and furnishings. It is not the job of the church to worry about the fair rental value of the property. If clergy is audited by the IRS, it will be the clergy's responsibility to negotiate with the auditor concerning a reasonable fair rental value to assign to the home.

A sample format for a housing allowance resolution to be adopted by the Church Council is attached as Exhibit E.

**Budgeted vs Actual Housing Allowance.** The designation of a housing allowance does not result in any additional cost to the church. However, it can result in a significant income tax benefit for the clergy. After the church determines the total of compensation for the year, the clergy should then indicate the amount to be designated as the housing allowance. It is the clergy's responsibility to retain proper records and, if necessary, prove to the IRS that amounts received as housing allowance were in fact spent on housing. If the housing allowance amount included in the church budget differs from the amount requested by the clergy and voted in advance by the Church Council, it is the

latter amount that should be used in calculating the amounts to report on the clergy's W-2.

Housing allowances are tax-deferred and usually placed in an IRA or by making excess payments to the clergy's retirement account with the UCC Pensions Board. However, the law sets limits as to how much can be contributed on a tax-free basis so it is recommended that clergy consult with the Pensions Board or a tax accountant before doing so. If the equity allowance is contributed to the clergy's annuity fund account, that money is inaccessible until retirement. If the equity allowance funds are deposited into an IRA, these funds are subject to penalty if withdrawn before retirement. For a full discussion of clergy housing allowances, see Hammar, 2018 Church and Clergy Tax Guide (pp. 239-281) which is published every year.

**Receiving Contributions.** In addition to the exemption from corporate income tax, the 501(c) 3 status of DUCC also allows those who make charitable contributions to the church to receive a federal income tax reduction if they itemize the deductions on their federal income tax return.

**Contributions from Individuals.** Contributions from members and friends are the primary source of income for most local churches. Such contributions are usually tax-deductible. To be deductible, a contribution must satisfy the following six conditions. The contribution must be:

1. a gift of cash or property,
2. claimed as a deduction in the year in which the contribution is made,
3. unconditional and without personal benefit to the donor,
4. made "to or for the use of" a qualified charity,
5. within the allowable legal limits, and
6. properly substantiated.

For the IRS, it is the date of the check and the date that the church receives the contribution that matters, even if it is payment of a prepaid pledge for a future year. In the case of a mailed check, the postmark determines the date of receipt.

**Determining the IRS Deduction Year**

**IRS deduction year**

Checks dated in December 2020 and received in December 2020	2020
Checks dated in December 2020, postmarked in 2020 and received by church in January 2021	2020
Checks dated in December 2020 and received in offering in January 2021	2021
Checks dated in December 2020, postmarked in 2021	

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and received by church in January 2021 2021

Checks dated in January 2021  
and received in offering in December 2020 2021

The third requirement – that a contribution be unconditional – means that fees for specific services do not constitute tax-deductible contributions. For example, if your church charges fees for the use of its facilities for weddings or other events, those who pay such fees may not claim a tax deduction for the fees. This unconditional requirement does not mean that every gift must be unrestricted, however. If a contribution is given to purchase Bibles, it is considered a donor-restricted contribution, but is still “unconditional” since the Bibles are for the church and not for the donor’s personal use.

The fourth of these requirements is important in considering contributions designated for particular purposes. A contribution restricted for the Capital Fund or to purchase a new piano is tax-deductible. Payments made directly to individual ministers or individuals in need are not tax-deductible. Likewise, a contribution given to DUCC with the stipulation that it be passed along to a particular individual will not generally be deductible. The IRS assumes, in such instances, that the contribution is made to benefit a particular individual rather than the programs and projects of the church.

Item six concerns substantiation of contributions. As of January 1, 1994, donors must receive written acknowledgement from the Treasurer in order to substantiate individual contributions of \$250 or more. Cancelled checks no longer constitute sufficient documentation for these large contributions. Whether emailed or mailed, the written acknowledgement must include the donor’s name and an itemized list of each contribution of \$250 or more. Check numbers and dates will help to distinguish between multiple checks of the same amount. Also, as of January 1, 2007, a cash contribution of any amount must be documented by a receipt or statement. The letter or statement must also include a statement to the donor, such as the following:

Pursuant to Internal Revenue Code requirements for substantiation of charitable contributions, other than “intangible religious benefits,” no goods or services were provided in return for these tax-deductible contributions.

The only circumstance under which this statement should be omitted is if the donor in fact received tangible goods or services in exchange for the contribution. In this case, the goods and services should be listed along with a fair estimate of their value. The amount of the charitable contribution is then the difference between the amount given to the church and the value of the goods or services received in exchange. Note that services typically offered to church members and friends – such as attendance at, pastoral guidance, and participation in fellowship and mission opportunities – are not considered by the IRS to be tangible goods or services.

Finally, the acknowledgement must be received by the donor(s) before they file their tax return. Since contributors may file tax returns as early as late January for the preceding



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year, it is advisable to provide a statement for the preceding calendar year as early as possible in January.

## **NON-COMPENSATION PAYMENTS TO EMPLOYEES.**

### **Reimbursement of Employee Expenses.**

According to the IRS, any payment to an employee volunteer that is not a reimbursement with proper documentation is reportable taxable income. It is incumbent on the Church, the employee, and the congregant to be sure receipts are provided to the Church in a timely manner. Failure to provide receipts results in the Church having to report undocumented payments as taxable income to the recipient.

The best way to handle employee's expenses is to establish what is known as an "accountable reimbursement arrangement." Under this kind of arrangement, an employee is reimbursed for amounts spent on business-related expenses, such as travel, training events, books, subscriptions, vestments, and professional dues. Amounts reimbursed to an employee do not constitute income for tax purposes and are not reported on the employee's W-2 form. Likewise, they are not deducted by the employee as a business expense on the individual's tax return.

In order for an employee's business expense to be reimbursable under an accountable arrangement, a few requirements must be met:

- The expenses are reasonable in amount.
- Receipts must accompany the documentation for all expenses (NOTE: this applies to any reimbursement request, including those from volunteers.)
- The expenses must be substantiated within 60 days. "Substantiation" includes a description of each expense including the amount, date, place, and business purpose of the expense.
- Any excess reimbursement must be returned to the employer within 120 days after the expense was incurred.
  - "Excess reimbursement" refers to the amount paid out in advance of an actual purchase that is not spent.
- A report must be sent to DUCC indicating any amount not spent and the actual money must be returned within 120 days after the event.
- In order to substantiate their business expenses, employees should keep an itemized log or worksheet showing each expense incurred and listing the date, starting location, destination, purpose of the trip and the number of miles travelled.
- Mileage is reimbursed by DUCC at the IRS rate in effect from time to time (\$0.57.5 cents per mile for 2020). The rate is variable and can be found at [www.irs.gov](http://www.irs.gov) or by googling "IRS Mileage Rate."

An accountable reimbursement arrangement should be adopted as a written policy, approved by the Church Council. The policy should indicate the types of expenses that

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will be reimbursed to employees, and state clearly that reimbursements are not a part of any employee's salary or wages. A sample policy is:

“Douglas Congregational United Church of Christ hereby establishes an accountable plan to reimburse its employees for business expenses incurred in the course of their work.

Substantiated expenses are to be reported to the Treasurer on a regular basis (at least every other month) and will be reimbursed by the Treasurer. Substantiation must include the date, place, amount, and business purpose of each expense. Travel mileage will be reimbursed at the rate allowed by the IRS. Any cash advance must be accounted for and any excess returned to the church within 120 days of the advance.

Expenses that may be reimbursed include the costs of automobile mileage and tolls, lodging and meals, supplies, books and periodicals, continuing education and training events, and dues for membership in professional associations.

Line items for the reimbursement of business expenses will be established in the church operating budget each year. These reimbursements are not to be considered part of any employee's salary; rather, they are operating expenses of the church.”

It is important for the church to retain the logs or worksheets and receipts submitted by employees under an accountable reimbursement plan (as well as those submitted by church members) for at least 8 years as they will be needed in the event that the church or one of its employees or a member is audited.

#### **Pastor's Discretionary Fund: Tax Implications.**

DUCC has a budgeted amount set aside for the discretionary use of the Pastor in response to needs and crises of individuals or families in the Congregation or community. If not properly established and documented, Pastor's funds can result in additional income tax liability for the Pastor, and the contributions made to such funds may not be tax exempt.

#### **Personal Assistance.**

A payment to an employee for personal assistance, for example to pay for unforeseen medical expenses, is also taxable income, and recorded as indicated above.

#### **Other Federal and State Regulations and Statutes.**

DUCC is subject to both federal and state regulations, including:

- The Fair Labor Standards Act; and
- The Occupational Safety and Health Act (OSHA).

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- It is less clear that a church with a small staff needs to post the Equal Employment Opportunity postings since for the most part they do not apply.
- The Civil Rights Act of 1964, with the exception that discrimination on the basis of religion is allowed for certain institutions.
- The Americans with Disabilities Act and the Equal Pay Act when DUCC has 15 or more employees.
- The Age Discrimination and Employment Act if and when it has more than 20 employees.
- The Family and Medical Leave Act and to offer health benefits to eligible employees or pay a penalty when it has 50 or more employees
- Poster Compliance. By law, employers must post certain information regarding the rights of employees.

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**EXHIBIT A**  
**TABLE OF INSURANCE COVERAGES**

**DUCC INSURANCE COVERAGES**

Prepared by Bob Kenny 4/7/2020 for FOC  
Policy Period: 1/2020 -1/2021

Premium \$5,668.00

Insurance Agent: Chris Vanderwel - Worgess Agency 269-966-4110  
Memorandum # PKU 0051277-17 / K006300  
Ins Agent Policy # is PKU 0051277-17; UCC Policy # is K006300

**POLICY COVERAGES**

Limits of Coverage	Deductible	
	2020	2021

**COMMERCIAL PROPERTY**

PROPERTIES	BUILDINGS	CONTENTS	Blanket Limit/Total Value	2020	2021
56 Wall St	Main Church/Bldg	Value	\$1,238,881	\$1,000	\$2,500
69 Wall St	Parsonage		\$0		
56 Wall St	Cemetery		\$0		
88 Spring	Office/mtg		\$222,854		
			\$201,630+		
			\$21,224		
			CONTENTS		

**Blanket Limit Of \$1,461,735 Includes:**  
building ordinance, stained glass, appurtenant structures, outdoor objects/structures including cemeteries, equipment, mechanical breakdown, computer equipment, leasehold interest

**Scheduled Fine Arts a**

Chalis set; sterling silver. Gold vermeil with 35 diamonds (approx 0.06 carots)

\$2,000	\$1,000	\$2,500
---------	---------	---------

**Scheduled Commercial Articles & Misc Equipment a**

Schimmel Grand Piano

\$25,000	\$1,000	\$2,500
----------	---------	---------

a = Fine Arts and Piano Insured through Inland Marine Insurance Company - administered through UCC Insurance Board

**COMMERCIAL CRIME COVERAGES**

Employee Theft	\$1,000,000	\$1,000	\$2,500
Forgery or Alteration	\$1,000,000		
Theft of Money & Securities	\$1,000,000		
Money Orders & Counterfeit Money	\$1,000,000		
Computer & Funds Transfer Fraud	\$1,000,000		

**POLICY COVERAGES**

**GENERAL COMMERCIAL LIABILITY COVERAGE**

	Limits of Coverage	Deductible	Deductible
Each Occurrence Limit	\$2,000,000	\$1,000	\$2,500
Damage to Premises Rented to You	\$500,000 any one premise		
Medical Expense Limit	\$10,000 any one person		
Personal & Advertising Injury Limit	\$2,000,000		
Products, Completed Operations Aggregate Limit	\$4,000,000		
General Aggregate Limit	\$4,000,000		
Included in General Aggregate Limit:			
Nurses Professional Liability*			
Cemetery Professional Liability			
Employee Benefit Liability (Claims Made)*			
Retroactive Date: 1/1/1993			
Privacy Breach Protection*	\$100,000 each occur \$500 deducti		??
	\$100,000 aggregate		

**CRISIS RESPONSE AND CRISIS MANAGEMENT COVERAGES**

Crisis Response Limit of Insurance	\$50,000 per participant		\$2,500
Crisis Management Limit of Insurance	\$50,000 per participant		
Crisis Response and Crisis Management Combined	\$50,000 aggregate per participant		

**PROFESSIONAL LIABILITY COVERAGES**

Pastoral Counseling Liability & Sexual Misconduct Liability	\$3,000,000 each loss		\$2,500
Pastoral Counseling Liability (Claims Made)*			
retroactive date: 8/1/2011			
Sexual Misconduct Liability (Claims Made)*	\$2,000,000 each victim		
retroactive date: 8/1/2011			

**DIRECTORS AND OFFICERS LIABILITY COVERAGE**

Directors & Officers Liability (Claims Made)*	\$3,000,000 each loss		\$2,500
Including Employment Practices Liability	\$4,500,000 annual limit (Subject to aggregation)		
retroactive date: 1/1/1993			

**POLICY COVERAGES**

Limits of Coverage 2020 Deductil 2021 Deductible

**SPECIAL COVERAGES**

Flood	??	??
Earth Movement	3% of stated values at each location and for each occ	
Hurricane & Named Storm	3% of stated values at each location and for each occ	
Business income including: Extra Expense	Actual Loss up to \$500,000	
Tuition & Fees (1 year from date of restoration)		
Upgrade to Green Coverage	Up to \$50,000	
Terrorism Coverage		
Unscheduled Fine Art	\$25,000	
Valuable Papers & Records	\$25,000	
Accounts Receivables	\$25,000	
Electronic Data & Media	\$25,000	

**COMMERCIAL AUTOMOBILE (NON-OWNED)**

Hired & Non-owned automobile liability*	\$2,000,000 any one accident
Hired Automobile Physical Damage*	\$50,000 per vehicle
(up to \$100,000 limit avail on request)	\$1,000 deductible per occurrence
Owned, Licensed Trailers Absent a poor unit-liability*	\$2,000,000 any one accident
physical damage	\$50,000 each trailer
	\$1,000 deductible per occurrence

\* These automobile coverages apply excess of any other valid and collectible insurance and are included in the GCL General Aggregate  
 \* Indicates coverages included in the Commercial General Liability General Aggregate Limit (per participant)

## EXHIBIT B

### WRITTEN INFORMATION/DATA SECURITY PLAN

#### DOUGLAS UNITED CHURCH OF CHRIST

Douglas UCC adopts this procedure for the protection of personal information entrusted to the Church by employees, volunteer, donors, independent contractors, or anyone associated with the church.

These procedures apply any time an individual's name is kept along with a Social Security number, passport number, driver's license number, state-issued identification card number, or banking information, including a financial account number or credit or debit card number.

In general, information collected and maintained will be limited to what is really necessary, and will be kept only as long as necessary, according to records retention requirements for employment and financial records.

Protected information should be accessible only to those current employees and volunteers who need it in order to do their jobs.

Any paper records containing this information will be kept in locked containers as follows:

- Personnel files and payroll records, including I-9s, W-4s, state forms, direct deposit forms are kept in a locked cabinet in the Church office and only \_\_\_\_\_ shall have access to these files.
- Criminal Offender Record Information forms are kept in a locked cabinet in the Church office and only \_\_\_\_\_ shall have access to these files.
- Paper copies of contributions records and deposits are kept in a locked cabinet in the Church office and only \_\_\_\_\_ shall have access to these files.
- Electronic information is kept in the \_\_\_\_\_'s office computer files. These are password protected and only \_\_\_\_\_ shall have access to the password and the files.

The following third-party service providers have provided their WISPs (wireless Internet service provider), which are kept on file in the Church office.

- Payroll company: \_\_\_\_\_
- On-line contribution providers:
  - Vanco
  - Facebook
  - UCC Pension Boards

Any protected information may only be sent across public networks or stored on laptops or portable devices if it has been encrypted.

All computers maintain reasonably up-to-date firewall protection, operating system security patches, and malware and virus-protection software set to receive current updates on a regular basis. All church computers and networks are monitored by:



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\_\_\_\_\_. This procedure is overseen by \_\_\_\_\_ in  
his/her position as \_\_\_\_\_.

Annually in \_\_\_\_\_ of each year, the \_\_\_\_\_ Committee will assess risks to the  
security of this information and make recommendations to limit such risks.

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**EXHIBIT C**  
**REQUEST FOR PAYMENT**

Pay to: \_\_\_\_\_

Address, if not on file: \_\_\_\_\_  
\_\_\_\_\_

Check to be mailed \_\_\_\_ or given to \_\_\_\_\_

Date needed: \_\_\_\_\_

ITEM	AMOUNT	ACCOUNT	APPROVAL
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Please attach receipts or for mileage reimbursement the date and the beginning and ending odometer readings.

TOTAL: \_\_\_\_\_

## EXHIBIT D

### GRANT FUND ADMINISTRATION PROCEDURE

#### DUCC GRANTS

a. Publicizing to potential grant recipients

At least quarterly, a general call for applications to receive a DUCC Grant will be made. Methods for publicizing opportunities to apply for a DUCC Grant may include, but are not limited to:

- Printed announcements in the Church Service Folder and newsletters.
- Verbal announcements in conjunction to our weekly worship service(s).
- Notifications in local newspapers and social media.
- Direct mail to potential applicants.
- Word of mouth.

b. Eligibility

Submission of a completed Grant Proposal Form and Terms and Conditions Agreement is required prior to being considered for a grant. While Douglas UCC encourages all to apply for assistance, priority will be given to not-for-profit 501(c)(3) organizations that serve our local community and do not have access to other funding sources.

c. Prayerful consideration and guidance

All those applying for assistance will be included on our congregation's prayer list so that we might call upon the Holy Spirit's aid for their work and guidance for our process of discernment.

d. Grant Amounts

The Treasurer will make known to the Church Council the balance earmarked for Mission and Outreach and the amount available for distribution. The actual amount given to grant recipients will be determined by the Church Council with regard to these basic guidelines:

- Current dollar amount available for distribution
- Number of requests under consideration
- Amount of each request
- Whether the request is a one-time need or on-going
- Other sources of assistance available to the requesting entity

If the total amount of all disbursements for the designated quarter falls short of the amount available for giving, excess funds will remain in the Church Operating Account and is available for distribution the following quarter. At the end of the fiscal year, if a balance remains, that amount will be given to Our Church's Wider Mission.

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e. Schedule of giving

Donations to applicants are made on a quarterly basis.

f. Schedule for submitting applications

Potential recipients may submit applications at any time. Previous recipients must reapply for consideration annually.

g. Access to grant applications and forms

Applications are available from the Church Moderator or her/his designee, the Pastor and the church office.

h. Reporting to the congregation

A report, listing the gifts made to recipients, will be made to the congregation in conjunction with the quarterly schedule of giving. A written summary of all activities for the year will be included in the Church Annual Report.

Review of these guidelines and procedures

To assure adherence to and practical use of these guidelines and procedures, the Church Moderator, Treasurer and Pastor shall make every effort to review these Guidelines and Procedures bi-annually.

## **Procedure for Approving DUCC Grants for Mission and Outreach**

### **Grant Approval Process**

I. Sending out applications

Upon request from a potential grant recipient or, as the result of a Church Member's nomination, the Church Moderator or his/her designee will provide the applicant with the following.

1. Grant Proposal Form
2. Agreement to Terms and Conditions
3. Request for Funding Instructions
4. Mission Statement of Douglas Congregational UCC

II. Receiving applications

Grant Applications are submitted to the Church Grant Proposal Committee for initial review with regard to completeness, clarity, and consistency with the Church's Mission Statement. Applicants submitting incomplete, unclear, or non-consistent proposals will be contacted as soon as possible so that corrections can be made in a timely fashion.

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III. Council review of applications

At the beginning of each quarter (January, April, July, and October), the Church Council will review the current applications. This activity will be recorded in the minutes.

IV. First notification to the congregation

The following Sunday, the congregation assembled will be informed that the Church Council is reviewing grant applications. The names of organization(s) requesting assistance will be added to our prayer list printed in the Sunday bulletin.

V. Discernment and approval/denial of grant proposals

At the next regular meeting, or at a special meeting of the Church Council, a decision will be made regarding the approval or denial of each grant proposal. If the proposal is approved, the amount to be given--whether the full amount requested or a partial amount--will be decided. The Treasurer is then instructed to make the payment to the recipient. This information will be recorded in the minutes.

The Church Moderator or her/his designee will inform the applicant of the Church Council's decision.

VI. Second notification to the congregation

At the following Sunday Worship Service, the congregation assembled will be informed of the grants given that quarter. The information should include the name of the organization, the nature of the proposal and the amount given. This information will also be announced in the e-Epistle and any other platform deemed appropriate.

VII. Special exceptions

Where immediate action is needed, such as in the case of emergency relief or other crisis, the Church Council has authority to modify these procedures.

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## Douglas Congregational United Church of Christ

### To all those applying for a Douglas UCC Grant:

While Douglas UCC encourages all to apply for assistance, priority will be given to not-for-profit 501(c)(3) organizations that serve our local community and do not have access to other funding sources.

Donations to applicants are made on a quarterly basis and applicants must reapply for consideration annually.

#### Request for funding instructions

1. Please use the enclosed Grant Proposal Form along with the Agreement to Terms and Conditions when making your request.
2. Any additional documents or information submitted should be typed and on 8.5 x 11 paper.
3. Narratives should be concise and to the point.
4. Include the name of a contact person, with address, e-mail and phone number.
5. Completed applications may be submitted at any time to:  
Douglas Congregational UCC Attention: Grant Proposal Committee PO Box 519,  
Douglas MI 49406

Each application will be reviewed as to how well the organization/individual describes the needs of the target population and how they address those needs. If funds are requested for a specific project or program, then consideration will be given as to how well the project or program aligns with the Mission Statement of Douglas Congregational United Church of Christ. Consideration will also be given as to how critical a monetary gift from Douglas Congregational UCC is to the overall operation of the requesting organization or project.

Members of Church Council will read each Grant Proposal Form and will use the following criteria when considering each application.

- That the organization/individuals adequately describe how it, in general, meets the needs of its target population
- That the organization's/individual's project aligns with the DUCC Mission Statement and the needs of the target population
- That the organization adequately describes how it will use DUCC donations in its general fund to accomplish its objectives
- How critical funding from DUCC is to accomplishing the stated objectives

The completed application form is your grant request. By submitting the form, you are requesting to be considered by members of DUCC Church Council to receive money from Douglas Congregational UCC.

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**Douglas Congregational United Church of Christ  
DUCC Grant Proposals  
Agreement to Terms and Conditions**

By completing and submitting your application, you agree to be included on our congregation's prayer list, so that we might call upon the Holy Spirit's guidance for your work and for our discernment.

If chosen as a grant recipient, you will agree to the following terms and conditions:

1. You will only use the funds given by Douglas Congregational UCC for the purposes described in the application.
2. Douglas Congregational UCC may use your name in its own advertising and publicity as a recipient of funds, as a result of the DUCC grant.
3. Douglas Congregational UCC reserves the right to audit any organization or person that receives funding to determine whether the funds were used as described in the application.
4. You will allow Douglas Congregational UCC to list your name on its website as a recipient of a DUCC grant.

Please sign this document below, indicating acceptance of the aforementioned terms and conditions. If signing for an organization, you acknowledge that your organization is a registered 501(c)(3) charitable organization.

Signature

Date

Organization requesting funds

Federal ID number

Please submit this form along with your completed Grant Proposal Form.

Grant Proposal for Douglas Congregational  
United Church of Christ  
P. O. Box 519, Douglas Michigan 49406  
Tel. (269) 857 – 2085      Email: [pastor@douglasucc.org](mailto:pastor@douglasucc.org)

Name of applying organization:

\_\_\_\_\_

Contact person\*:

\_\_\_\_\_

Address:

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\_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_ Date of application: \_\_\_\_\_

\*If you are not a member of Douglas UCC, please explain your relationship to the church.

Provide contact information for someone besides yourself who could be contacted for additional information about your organization or project.

Describe the project, organization and/or program to be funded

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Identify leadership of your proposal and any relationship to Douglas UCC.

Identify the amount requested.

Is the total amount required at one time? If not, what is the timing of the requested payments?

Is funding being sought for more than one year? If so, elaborate.

From what other sources are you receiving funds for this project or have you applied to for funding?

Douglas Congregational UCC supports causes which are consistent with its Mission Statement. Please describe how your proposal relates to, expresses, conforms to, or resonates with that Mission Statement.

Please submit this form along with the signed and dated Terms and Conditions Agreement.



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**EXHIBIT E**

**SAMPLE FORMAT FOR A HOUSING  
ALLOWANCE RESOLUTION**

“I make a motion that beginning \_\_\_1, 202\_\_, the housing allowance paid to the Pastor shall be \$\_\_\_00 annually or \$\_\_\_ monthly. This amount shall be designated as a housing allowance pursuant to Section 107 of the Internal Revenue Code. Furthermore, the designation of \$\_\_\_\_\_ as an annual housing allowance shall apply to 20\_\_ and to all future years unless otherwise provided.”