

OPP 3.3 – DISBURSEMENTS AND CASH MANAGEMENT

PURPOSE: To provide the Treasurer general guidance, policy and procedures for disbursement of funds and management of cash resources of the church.

POLICY

It is the policy of Round Rock Christian Church to pay our obligations to vendors and creditors promptly avoiding late fees and penalties.

The Treasurer establishes and maintains the necessary checking, savings, short term investment accounts, and permanent fund accounts with reputable financial institutions for depositing and managing cash assets of the church. Within the boundaries defined in this OPP, the Treasurer is tasked with managing those cash assets and properly accounting for them.

The principles of separation of duties, checks and balances and transparency of transactions are to rule in determining the appropriateness of disbursement and cash management procedures.

DISBURSEMENT OF FUNDS

Regular Bill Paying

The Treasurer should always strive to pay all bills and invoices on time to avoid late fees and penalties. Should such fees or penalties be assessed, the Treasurer should contact the vendor and see if those fees can be reduced or waived.

All bills and invoices received via US Mail at the church will be placed in the Treasurer's box in the church office. The Treasurer is responsible for collecting the contents of the Treasurer's box at least once per week, and preferably more often. It is important that all bills and invoices be paid promptly, which cannot be done if they are allowed to sit in the Treasurer's box for long periods of time. In general, it is recommended to pay the bills immediately as they arrive.

When paying a bill either by check or debit/credit card the transaction must be recorded in the church financial software, currently Quick Books. The Treasurer should use the check printing capability of the church financial software to issue checks.

Methods of Payment

When a bill arrives it may be paid using either the Debit Card, Credit Card, or by writing a check. If paying by Debit or Credit Card (preferred) simply call the vendor or log in to their web site, and provide the necessary information. Checks are only required to have the signature of the Treasurer. For more guidance on debit and credit card policy and procedures see RRCC OPP 3.5 – Debit Card / Credit Card Policy.

There are times when it is not possible to make a purchase using the church's debit or credit card. Sometimes staff or members make purchases on the church's behalf and use their own funds for payment. The purchaser submits a voucher with approval signature along with the appropriate receipt to the Treasurer. The voucher should show the name of the person who will receive the reimbursement. Upon receipt of the voucher and receipt, the Treasurer will issue a

reimbursement check to the purchaser. No reimbursements will be made without the proper voucher and receipt documentation.

In the interest of minimizing the number of checks written, the Treasurer will attempt to aggregate reimbursement requests so that only a single check is written. Staff will receive reimbursements as part of their normal paychecks. Therefore, staff should make sure that any reimbursement requests are submitted to the Treasurer before the end of their current payroll cycle. Members will receive reimbursement checks at the end of the month, or sooner if the Treasurer has time or if the amount of the reimbursement is significant (e.g. larger than \$100.)

End of Month Payments for Outreach, Bluebonnet Area, and Christian Church in the Southwest

RRCC makes payments to a number of local charitable organizations as well as to the Area and Regional denomination organizations. Authorization for these payments are normally by approval of a budget line in the annual budget but may be by specific action of the Guiding Board or by designated gift from a donor. These payments can be made monthly or quarterly, at the Treasurer's discretion. Should the church's financial situation be such that making these payments would cause a financial hardship or insolvency, then the Treasurer should consult with the Administrative Team and Guiding Board for agreement to suspend or postpone payments. If such consultation cannot be done in a timely manner, then the Treasurer has the authority to postpone, but not suspend these payments.

Payments can be made to these organizations using whatever method of payment (credit/debit card, EFT, check, etc.) is permitted by the organization. The payment to the Bluebonnet Area must be accompanied by the Disciples Mission Giving Remittance Report, which shows the contributions to various areas. The Special Sunday offerings and any other denominational giving projects are paid through the Bluebonnet Area. A sample of this report is included as Attachment A to this OPP.

Some amounts paid to the Bluebonnet Area may be set in the RRCC annual budget as a percentage of Unrestricted Offerings. When this is the case, the Treasurer must calculate the amount of the Unrestricted Offerings using the church financial software, and then calculate the dollar amounts of the separate offerings.

Property Insurance Payments

The church maintains property and liability insurance. The Treasurer is authorized to change the frequency and method of payment of the associated insurance premiums as necessary. The Administrative Team Trustee's are responsible for proposing changes to the insurance carrier and policy coverage limits and securing approval of changes from the Administrative Team. Any changes should be communicated to the Treasurer in a timely fashion.

CASH MANAGEMENT

Cash Management refers to the collection, concentration and disbursement of dollars or cash resources. The term "Cash Accounts" refers to accounts with financial institutions where actual

dollars or funds are deposited for use in financial transactions, for investment purposes or for safekeeping.

Cash Accounts

For the purposes of managing its cash resources, RRCC maintains the following types of Cash Accounts with financial institutions:

- **Checking Account.** The main purpose of the Checking Account is to enable the disbursement of cash to pay bills and other obligations from cash deposits.
- **Savings Account.** The main purpose of the Savings Account is to provide an interest bearing, on demand, deposit account for cash that will be needed in the short term.
- **Short Term Investment Account.** The main purpose of a Short Term Investment Account is to provide a place to deposit or invest large amounts or lump sums of cash for short terms at better than savings account interest rates. Cash in this type of account should be expected to be unavailable on demand but be generally available at the end of defined a investment term that is less than one year. The account can also provide a means to accept donations of securities to the church and a means to convert those donated securities into cash or to pass them to a Permanent Fund Account as appropriate.
- **Permanent Fund Account.** These accounts are the long term investment accounts for the church. It is expected that cash resources placed in this account will be invested in mutual fund style securities that grow over time. The types of securities invested in may be in any security type determined as a prudent investment by the Permanent Fund Trustee's. RRCC normally maintains at least one Permanent Fund Account with the Christian Church Foundation or Church Extension. These organizations are general ministries of the Christian Church (Disciples of Christ) that manage permanent funds on behalf of congregations and/or invests in and finances buildings and facilities for the Christian Church. The Permanent Fund Trustees may direct the Treasurer to establish Permanent Fund Accounts with other financial institutions after consultation with the Administrative Team and with the approval of the Guiding Board. (See OPP 3.8 – Permanent Fund for guidance related to the Permanent Fund).

The sum of the balances in the Cash Accounts represents the total of RRCC cash assets. The balances in the various Cash Accounts will vary from day-to-day and funds can generally be transferred from one account to another to enable bill payment or maximize short term earned interest rates.

The Administrative Team is required to determine, and the Treasurer is responsible for implementing, prudent controls for access to and transaction authorization for all Cash Accounts. This includes controls on electronic access to accounts. As a general principle two person authorization for transactions or access to Cash Accounts is best, however this may not be practical.

Single person access and transaction authorization on Cash Accounts may be established when there are reporting requirements, transparency procedures and transaction dollar limits established and in place that are designed to reduce risk of fraud or abuse through immediate visibility and regular oversight of Cash Account transactions. These controls may include (but

are not limited to) dollar limits on authority for transaction size, automatic notifications or automatic holds on electronic transactions by dollar size, and daily, weekly or monthly transaction reporting requirements to the Administrative Team and/or the Guiding Board.

Regardless of the controls implemented, at a minimum the account statements for all Cash Accounts must be published and available for review by the Administrative Team monthly. This includes making available the complete list of transactions on Cash Accounts for the month. See OPP 3.10 – Financial Reporting for more on financial controls for oversight and reporting.

In order to manage the cash resources of the church, the Treasurer has the authority to decide when or if to transfer funds among the various Cash Accounts. The exception is the Permanent Fund Account. The Treasurer transfers funds in or out of the Permanent Fund Account only at the direction of the Permanent Fund Trustee's. The Treasurer will normally automatically deposit Donations explicitly designated for the Permanent Fund into a designated Permanent Fund Account. (For more on the Permanent Fund management see the policy and procedures outlined in RRCC OPP 3.8 – PERMANENT FUND.)

The value of the church buildings, land and other assets should be included in the church balance sheet as an asset in the category of Land, Building and Equipment Fund. Conversely any mortgage or lien on that property should be listed as a long term liability. The difference between the value of the buildings and land minus any mortgage or lien should be concurrently listed as equity on the balance sheet. With this method the principle and interest components of a mortgage can be tracked on a monthly basis as well as the cash paid against principle and interest components of a mortgage.

Special Policy for the Short Term Investment Accounts

Asset allocation within Short Term Investment Accounts is the responsibility of the Administrative Team. The Treasurer provides advice and recommendations for the asset allocations and if deemed necessary is authorized to consult professional financial counselors for this purpose.

In general, the length of time specific amounts of cash are expected to be invested in the Short Term Investment Account is twelve months or less.

As a general rule, short term cash investments should be allocated only to money market based securities instruments. The Administrative Team is authorized to use Mutual Funds or hybrid securities that are wholly invested in money market securities instruments designed for short term cash investments. Stocks or Bond securities and their hybrids are not appropriate vehicles for the Short Term Investment Accounts.

DEFINITIONS

Short Term: A period of one year or less.

Long Term: A period of greater than one year.

Deposit Account: A deposit account is a checking account, savings account, money market account or time deposit account at a banking institution that allows money to be deposited and withdrawn by the account holder. Deposit accounts may or may not be interest bearing. Banks are normally subject to prudential regulation which has the purpose of reducing the risk of failure of the bank. It may also have the purpose of reducing the extent of depositor losses in the event of bank failure. Bank deposits are also normally insured by a deposit insurance scheme such as the FDIC or NCUA.

Money Market: The money market is a component of the financial markets for assets involved in short-term borrowing and lending with original maturities of generally one year or shorter time frames. Trading in the money markets involves Treasury bills, commercial paper, bankers' acceptances, certificates of deposit, federal funds, and short-lived mortgage and asset-backed securities.

Securities: A security is a fungible, negotiable instrument representing financial value. Securities are broadly categorized into debt securities (such as banknotes, bonds and debentures) and equity securities, e.g., common stocks; and derivative contracts, such as forwards, futures, options and swaps.

Certificates of Deposit (or CD's): A certificate of deposit is a time deposit, a financial product commonly offered to consumers by banks, thrift institutions, and credit unions. CDs are similar to savings accounts in that they are insured and thus virtually risk-free. CDs are insured by the FDIC for banks or by the NCUA for credit unions. They are different from savings accounts in that the CD has a specific, fixed term (often three months, six months, or one to five years), and usually have a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest. In exchange for keeping the money on deposit for the agreed-on term, institutions usually grant higher interest rates than they do on deposit accounts from which money may be withdrawn on demand. CDs are considered to be money market instruments.

Treasury bills (or T-Bills): A marketable security sold directly by the US Government that mature in one year or less. They do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available to U.S. investors.

Commercial Paper: An unsecured promissory note with a fixed maturity of 1 to 270 days. Commercial Paper is a money-market security issued (sold) by large banks and corporations to get money to meet short term debt obligations (for example, payroll), and is only backed by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment dates than bonds. Typically, the longer the maturity on a note, the higher the interest rate the issuing institution must pay. Defaults on high quality commercial paper are rare. Commercial paper is considered to be a money market instrument.

Stock: stock or capital stock of a business entity represents the original capital paid into or invested in the business by its founders. The stock of a business is divided into shares. Stock typically takes the form of shares of either common stock or preferred stock. As a unit of ownership, common stock typically carries voting rights that can be exercised in corporate decisions. Preferred stock differs from common stock in that it typically does not carry voting rights but is legally entitled to receive a certain level of dividend payments before any dividends can be issued to other shareholders. A shareholder (or stockholder) is an individual or company (including a corporation) that legally owns one or more shares of stock in a company. Generally ownership of stock is considered a long term investment in a company's equity. Stocks are not considered to be money market instruments.

Bonds: A bond is a debt security, in which the authorized issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest (the coupon) and/or to repay the principal at a later date, termed maturity. A bond is a formal contract to repay borrowed money with interest at fixed intervals. Thus a bond is like a loan: the *issuer* is the borrower (debtor), the *holder* is the lender (creditor), and the *coupon* is the interest. Bonds provide the borrower with external funds to finance long-term investments, or, in the case of government bonds, to finance current expenditure. Bonds must be repaid at fixed intervals over a period of time. Bonds are not considered to be money market instruments.

Mutual Fund: A professionally managed type of collective investment that pools money from many investors and invests typically in investment securities (stocks, bonds, short-term money market instruments, other mutual funds, other securities, and/or commodities such as precious metals).

AUTHORITY: *Section IV, B, 5 and Section VI, A, 1 of the Bylaws of Round Rock Christian Church. The Administrative Team is entrusted with the financial resources of the church. The Treasurer is responsible for payment of all accounts of the congregation as authorized by budget or special action of the Guiding Board and providing accurate records of all expenditures.*

EFFECTIVE DATE

November 11, 2010

LAST REVIEW DATE

November 11, 2010

Attachment A – Example of Disciples Mission Giving Remittance Report

Disciples Mission Giving Remittance Report

for ministries in the Bluebonnet Area/LRGVD of the Christian Church (Disciples of Christ) in the Southwest

| | | |
|---|----------------|------|
| Round Rock Christian Church | Round Rock | |
| CONGREGATION | CITY | DATE |
| For outreach funds received during the month(s) of: | April | 2010 |
| | MONTH(S) | YEAR |
| Paul Maybaum | (512) 244-3260 | |
| PERSON COMPLETING THIS FORM | PHONE | |

| How the Congregation Received the Money | |
|---|--------------------|
| Church Offering | \$ 1,291.46 |
| Disciples Women/CWF | |
| Disciples Men/CMF | |
| Church School | |
| Youth | |
| Individual(s) | |
| Memorial Gift(s) | |
| Other | |
| Other | |
| Other | |
| TOTAL RECEIVED | \$ 1,291.46 |

| | |
|-------------------------------------|-------------|
| Check # | 14222 |
| Amount Enclosed | \$ 1,291.46 |
| (same as totals above and at right) | |
| Check Date | 25-Apr-10 |

| FOR BBA OFFICE USE ONLY |
|-------------------------|
| Date Received |

| How the Money is Designated to be Spent | |
|---|--------------------|
| Bluebonnet Area/LRGVD Operational Fund | \$ 263.88 |
| Disciples Conference Center (DCCI) Operational Fund | \$ 41.67 |
| Disciples Outreach to the Mentally Ill | |
| Inman Christian Center | |
| Southwest Good Samaritan Ministries Inc. | |
| <u>New Church Development:</u> | |
| A. Underdesignated | \$ 65.97 |
| B. Specify: | |
| Disciples Mission Fund | \$ 134.94 |
| Central Pastrol Office for Hispanic Ministries | |
| Hispanic Southwest Convention | |
| Other | |
| Easter Offering | \$ 785.00 |
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| TOTAL DESIGNATED: | \$ 1,291.46 |

Please make check payable to: Bluebonnet Area/LRGVD of the Christian Church (DOC)
 1744 West Gramercy Place
 San Antonio TX 78201-5001