

**The Episcopal Diocese of East Carolina
Financial Guidelines and Procedures
Approved by Executive Council May 16, 2015**

The leadership of the Diocese including the Executive Council, Standing Committee, Finance Committee, Trustees, Treasurer, Bishop and employees shall exercise wise and prudent stewardship over the funds entrusted to it.

Section 1 - Fiscal Year and Method of Accounting

The fiscal year of the church shall be the calendar year. The Constitution and Canons for the Government of the Protestant Episcopal Church in the U.S.A.: Title 1, Canon 7: "Of Business Methods in Church Affairs" shall be followed in the fiscal affairs of the church. The books shall be maintained on the accrual method of accounting (except for pledge payments which will be reported on the cash basis).

Section 2 - Bank Accounts

The Diocese shall maintain checking and savings accounts as necessary to conduct business of the Diocese while minimizing FDIC insurance financial institution risk. A checking account will be maintained for foreign travel which can be accessed by a debit card. The following persons shall be designated as the signatories on each account: Bishop, Diocesan Administrator, Executive Assistant to the Bishop, Canon to the Ordinary, Treasurer and any others designated by the Executive Council. Two signatures are required for all checks over the amount of \$2500. The following procedures will be established to strengthen internal controls over the disbursement process:

1. Checks will never be signed by the person who prepares the check.
2. The monthly bank reconciliations will be prepared by the Treasurer who will also look at the cancelled checks returned with each monthly statement.
3. The Treasurer will have online access to the ACS accounting software.

All funds for special groups and events will be identified as designated funds in the Diocesan accounting system. No other groups may establish additional checking accounts except the following:

1. The Diocese shall maintain one checking account for the Bishop's Discretionary Fund for which the Bishop and Diocesan Administrator are the authorized signers.
2. The Diocese shall maintain one checking account for Trustee expenses and investment accounts as necessary to meet specific needs of restricted funds.

Section 3 – Credit Cards

The Diocese issues credit cards to certain employees including the Bishop, Executive Assistant to the Bishop, Diocesan Administrator, Canon to the Ordinary and Program Officer for Youth with varying limits based on specific needs. Credit cards are for business use only and personal use is prohibited. In the case of travel where a spouse may attend a conference with the employee and it is impractical to separate business and personal expenses, the employee must upon return from business travel, immediately reimburse the Diocese for any personal travel expenses. Employees must submit credit card receipts to the Diocesan Administrator each month to be reconciled against the monthly statements. Failure to abide by these procedures will be cause for immediate dismissal.

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Section 4 - The Finance Committee

The Finance Committee shall consist of the Treasurer, Assistant Treasurer and additional members, one lay person and one clergy person representing each Deanery of the Diocese, appointed by the Bishop. The members should have expertise or experience in budgeting, financial management or accounting. The committee shall advise the Bishop, Executive Council and the Convention on the financial affairs of the Diocese. The Finance Committee shall conduct any hearings scheduled for discussion and consideration of the annual budget and shall recommend changes, amendments and revisions for Convention's consideration.[Canon I.1.4e]

Section 5 - Treasurer

The Treasurer shall be elected by the Convention to serve a 1-year term. The Treasurer shall perform all duties as described in Canon I.5.1-2.

Section 6 - Budget

The Finance Committee's recommended budget shall be presented to the Executive Council in November for its approval and referral to the Diocesan Convention for final approval. In compiling the budget, the Treasurer and/or Finance Committee shall ask for input from the Bishop and chairs of all diocesan committees.

The Finance Committee may approve budget adjustments between line items that change the total of a department by no more than 10%. Any changes to the overall total of the budget must be approved by Executive Council. Salaries are to be paid to employees as provided in the original budget. Any changes to salaries during the year are to be approved by the Executive Council as recommended by the Finance Committee.

Section 7 - Receipts

Parish pledge payments, contributions, and any other payments shall be receipted and summarized by the Financial Administrative Assistant on a prescribed form. The Diocesan Administrator prepares the deposit slip and reviews the deposit before it is entered in ACS by the Financial Administrative Assistant. Bank deposits will be made as needed, but no less than once a week.

Any undesignated gifts to the Diocese will be applied to the operating budget as "other operating income."

Registration and conference fees for all Diocesan sponsored events will be received directly by Diocesan office (no payments will be mailed to individuals responsible for an event).

The Diocese maintains a number of designated funds to account for special contributions and activities. Contributions may be made to existing designated funds. The addition of any new designated accounts] requires the Treasurer's approval.

Contribution statements are required to be sent to parishes and Trinity & Beyond contributors in April, July, October, November and the end of year. These statements show in detail all contributions. A personal follow-up to parishes who have not met their pledge by December 15 will be made to assure that all viable pledges are received by December 31. Any other contributions will be acknowledged when received.

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Section 8 - Disbursements

All disbursements by the Diocese are to be paid with pre numbered checks used in sequence. Documentation for disbursements includes previously approved original invoices. Invoices are to be approved by an authorized individual such as a committee chair responsible for a diocesan program. Recurring expenses including telephone, utilities, computer support, approved contracts and salaries and benefits may be paid by the Diocesan Administrator after review and based on the approved budget. Parishioners will be reimbursed for previously approved expenses advanced on behalf of the Diocese (based on budget approval) after submitting a request for reimbursement form accompanied by receipts. The original vendor's invoice and documentation is to be cancelled at the time of payment to avoid duplicate payment.

Reimbursement for approved business use of a personal vehicle by Diocesan staff shall be at the prevailing IRS business mileage reimbursement rate.

Signing blank checks is prohibited, using a signature stamp is prohibited, and all supporting documentation is required when checks are presented for signature. All voided checks are to be properly cancelled and retained.

Section 9 - Journal Entries

Journal entries offer a special opportunity to make adjustments to the accounting records. An appropriate explanation and supporting documentation is required on all journal entries. The Treasurer will review and approve all journal entries each month.

Section 10 - Bank Reconciliations

All bank accounts are to be reconciled within 7 days of receipt of the bank statement by the Treasurer. The Treasurer should pay particular attention to cancelled checks, outstanding checks and any unusual reconciling entries. The Treasurer should verify that the reconciled balance agrees with the financial records.

Section 11 - Investments

From time to time the Diocese may have idle funds available to be invested. To the greatest extent possible these will be maintained in an interest bearing account.

Section 12- Property and Equipment

A detailed inventory of all property, furniture, fixtures and equipment will be maintained showing the date acquired, detailed description and cost at time of purchase or fair market value on the date of donation. Records for real property will be maintained regardless of cost and records for furniture, fixtures and equipment in excess of \$ 5,000 will be maintained.

Section 13 – Bishop's Discretionary Fund

The Bishop's Discretionary Fund shall be funded by contributions from individual parishes, individual contributions and existing designated funds. Throughout the year special appeals may be made for this fund. These funds will be transferred as needed to the Bishop's Discretionary Fund checking account from the Diocesan operating account.

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Monies in this account are to be expended at the discretion of the Bishop as governed by Chapter 5 of the "Manual of Business Methods in Church Affairs." These funds are not to be used for operating expenses of The Diocese.

The annual distribution from the William and Phyllis Walker Fund (which is designated for the Bishop's Discretionary Fund) is limited to the income earned each year including dividends, interest and capital gain distributions. In the event the funds are not needed to meet current needs of the Bishop's Discretionary Fund they are to remain invested and be withdrawn quarterly as needed to meet expenses. Unspent income in one year can be carried over to the subsequent year.

Section 14 - Gifts of Stocks and Other Marketable Securities

Gifts of stocks and other marketable securities donated to the Diocese for a designated purpose will be sold immediately upon receipt and the proceeds applied to the purpose designated by the donor. Proceeds are applied based on the average fair market value of the securities on the date of the gift. This section shall not apply to funds managed by the Trustees.

Section 15- Computer System and Back-Up Procedures

The Diocese utilizes ACS software for maintaining people and financial records. A back-up of the files is prepared at least weekly and maintained off premises.

Section 16– Annual Audit

The Diocese shall have an audit performed of its accounting records each year. The auditor shall be recommended by the Finance Committee and approved by the Executive Council. The auditor will report the audit results back to the Finance Committee and Executive Council.

Section 17 – Trustees

The Trustees hold title to and oversee the use of real property on behalf of the Diocese as well as manage some designated funds of the Diocese. The Trustees assets and investments are to be included in the audit of the Diocese.

Section 18 – Trinity Center

Trinity Center is a mission program of the Diocese, operating under the same federal tax exemption and tax identification number. A Board of Managers chosen in accordance with title IV, Canon 3.1 oversees the day to day operations as outlined in the Canons, under the authority of the Annual Convention and Executive Council. The Board of Managers shall have an annual audit performed of its accounting records each year. The auditor's report shall be submitted to Executive Council by September 1.

Section 19– Foundation of The Episcopal Diocese of East Carolina

The Foundation of The Episcopal Diocese of East Carolina is a separate non-profit organization governed by its own bylaws and board of directors.