

## **CONFERENCE FINANCIAL POLICIES**

*SUBMITTED BY: Rev. Dr. M. Kent Millard, President*

### **Indiana Conference of the United Methodist Church Conference Financial Policies**

#### **General Provisions**

- A. ALL CHURCHES (including New Church Starts and Merged Congregations) WILL BE ASKED TO TITHE THEIR INCOME TO THE ANNUAL CONFERENCE. AT A MINIMUM, A TITHE WOULD BE COMPRISED OF THESE ITEMS;
  1. Income from identified and unidentified contributors.
  2. Pledged or unpledged income.
  3. Undesignated interest and dividend income.
  4. Income received from building use fees.
  5. Income received from fundraisers and programs in support of the operating budget.
  6. Income from capital campaigns, pass-through giving and tuition-based ministries is not included in the tithing calculation.
- B. ALL CHURCHES (including New Church Starts and Merged Congregations) WILL BE ASKED TO CONTRIBUTE a % of the church income identified in item IA 1-5 to fund the District Ministries. This % will be determined by the Districts and adopted by the District Conference.
- C. Tithe income received over and above the set Tithe Income budget in a fiscal year is to be disbursed as follows:
  1. 50% of the excess tithe income is to be sent to pay General Church apportionments up to 100%.
  2. 50% of the excess tithe income is to be allocated by the Council on Finance and Administration and reported at the subsequent Annual Conference Session.
- D. GENERAL FUND.

The General Fund is established to provide financial stability for the operation of the Indiana Conference. Its primary purpose is to provide the working capital for daily operation, allow responsible budgeting by providing an interim allocations source, plus is a source of funds for unexpected exposures or opportunities arising between sessions. This fund is an accumulation of net profits or losses from prior years.
- E. RESERVE FUND.

The Reserve Fund was established as a financial protection fund to absorb significant and unexpected opportunities and exposures beyond the capacities of the budget and the General Fund. The fund is a source of capital expenditures for staff housing and a depository for capital funds from the sale of corporate assets.

There will be a line in the budget to support the Reserve Fund. This asking continues until the Reserve Fund Balance equals \$1,000,000. Should there be a surplus the amount will be transferred to the General Fund and used according to the guidelines of this fund.
- F. FISCAL YEAR.

The fiscal year shall be the calendar year.

  1. Payments from churches received after January 15<sup>th</sup> each year, shall be credited to the following year's tithing records. Churches may remit their gifts by electronic funds transfer.
  2. Requisitions for year-end disbursements should be sent to the Conference Treasurer's Office by January 15<sup>th</sup> each year. Only requisitions for expenses that

were incurred prior to the end of the fiscal year will be recorded in that fiscal year. Expenses that were incurred after the close of the fiscal year will be recorded in the subsequent year.

- G. We urge the continuation of the support of General Advance Specials and affirm paragraph 812 of the 2008 *Discipline* that reads: "The World Service Fund is basic in the financial program of the United Methodist Church. World Service on apportionment represents the minimum needs of the general agencies of the Church. Payment in full of these apportionments by local churches and annual conferences is the first benevolent responsibility of the Church."
- H. The Total Proposed Budget will be presented early in the Annual Conference Session. The Total Proposed Budget will be acted upon after all agencies have made their reports to the Annual Conference. If there are proposed changes to the Total Proposed Budget, these items shall be referred to the Council on Finance and Administration and action postponed until the Total Proposed Budget is presented.
- I. The Annual Conference goal is to pay General Church Apportionments 100%.
- J. Financial requests coming to the Council on Finance and Administration between sessions of Annual Conference shall be considered by the appropriate committee of the Council before being acted upon by the Council.
- K. The Council on Finance & Administration shall be responsible to ensure that actual expenditures stay within limits defined by the Council on Finance & Administration and the Annual Conference, and within the broad limitation of actual amounts received. Between sessions of Annual Conference, the Council on Finance & Administration shall have the authority to take appropriate actions in response to any unexpected events that impact the Annual Conference financially.

### **Conference Funds**

#### **A. TREASURER'S COMPLETE REPORT AND AUDIT.**

The Conference Treasurer shall furnish on a form established by this Council an itemized report of balances, receipts, and disbursements during the year.

#### **B. SIGNIFICANT ACCOUNTING POLICIES.**

The Indiana Conference follows the requirements of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-For-Profit Organizations*. Under FASB Statement No. 117, the Conference is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The accounts of the Indiana Conference are maintained on the accrual basis in accordance with the principles of fund accounting and generally accepted accounting principles (GAAP). Separate accounts are maintained for each fund; however, the financial statements will be prepared on a basis that shows the financial position and changes in net assets of the Conference in total. Funds with similar characteristics will be combined for financial statement presentation.

(Note of Explanation: The objective of accrual basis accounting is to ensure that events that change the Annual Conference's financial statements are recorded in the periods in which the events occur, rather than only in the periods in which, as a result of these events, the Conference receives or pays cash. For example, using the accrual basis to determine net income means recognizing revenues when earned rather than when cash is received, and recognizing expenses when incurred rather than when paid.)

A summary of the other significant accounting policies utilized by the Annual Conference is reported in the audited Financial Statements in the section titled Notes to the Financial Statements.

C. BUDGET REQUESTS.

The Conference Leadership Table will submit a complete request for the agencies and boards under its jurisdiction; this includes the Board of Ordained Ministry. In accordance with paragraph 635 of the 2008 Discipline, should the Board of Ordained Ministry and its staff, after working through the Leadership Table, find they need to make a further direct request to CF&A, the Council will be agreeable to hear such a request.

D. NEW ASKINGS.

New financial askings during Annual Conference Session must be referred to the Council on Finance and Administration prior to a decision being made by the Annual Conference.

E. CONFERENCE TREASURY.

The Conference treasury shall be continued for all Conference Boards, Divisions, Commissions, and Committees, receiving budgeted funds and all bills shall be paid on requisitions.

The following shall apply when determining who has authority to authorize the payment of requisitions and vendor invoices.

1. Staff shall have the authority to authorize (by their own one signature) the following, provided that such expense does not overspend the respective group's budget and that the expense is a valid expense of the group and is in harmony with the group's mission and purpose:
  - a. Valid vendor invoices of \$1000 or less.
  - b. Requisitions for payment of \$1000 or less.
2. A Conference Director shall individually have the authority to authorize (by their own one signature) the following:
  - a. Valid vendor invoices and requisitions for payment provided that such expense does not overspend the respective group's budget and that the expense is a valid expense of the group and are in harmony with the group's mission and purpose.
3. Committees shall have the authority to authorize the following:
  - a. Valid vendor invoices and requisitions for payment between \$1000 and \$5000, by the authority of two signatures – Chairperson, Vice Chairperson, Secretary, or Staff.
  - b. Valid vendor invoices and requisitions for payment greater than \$5000 by authority of two signatures – Chairperson, Vice Chairperson, Secretary, or Staff; and, a copy of the committee's minutes where it was approved.
4. In all cases vendor invoices and requisitions for payment may not surpass the committee's approved budget.

F. CHECK SIGNING.

The Conference Treasurer shall be authorized to sign checks for the Conference funds. In the absence of the Treasurer, an additional person shall be authorized to sign checks.

G. DEPOSITORIES.

Depositories of the Indiana Conference shall be subject to the direction of the Executive Committee of the Council on Finance and Administration.

H. INVESTMENTS.

All apportioned funds held by the Council on Finance and Administration shall be invested at its direction, and interest, accrued from these investments shall be used by the Council on Finance and Administration, and the principal sum shall be requisitioned by the boards and agencies as needed.

The Executive Committee of the Council on Finance and Administration, along with the Conference Treasurer, shall be empowered to invest funds in United States

Securities, United States Agencies, savings accounts and certificates of deposits in authorized "Federally Insured Financial Institutions", debt instruments of corporations whose activities are not in conflict with the United Methodist Social Principles and which bear a rating of "A" or higher from Moody's Investment Rating Service, or in funds offered by the Indiana Foundation.

Interest credit will be allocated each quarter to any non-apportioned fund that resides in the Annual Conference treasury, has a fund balance of more than \$75,000 at the end of the quarter, and is not already receiving interest from other specific investments. In addition, interest credit will also be allocated each quarter to any endowment or quasi-endowment fund (functioning as an endowment) that resides in the Annual Conference treasury, has a fund balance of more than \$5,000 at the end of the quarter, and is not already receiving interest from other specific investments. This interest credit will be the local prime rate of interest to be calculated quarterly.

The Indiana Conference follows the requirements of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations* or as subsequently amended by FASB. Under FASB Statement No. 124, the Conference is required to report information regarding its investments at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or if sold immediately after receipt, at the amount of sales proceeds received.

I. CAPITAL ASSETS.

Capital assets of the Conference are held by the Indiana Conference of the United Methodist, Inc. Board of Trustees. In the Indiana Conference financial statements the value of fixed assets is stated at cost less accumulated depreciation or fair value at date of donation. The cost of property and equipment purchased in excess of \$2,500 is capitalized. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset.

J. UNEXPENDED BUDGET FUNDS.

Unexpended budgeted funds of Conference Boards, Committees, and Commissions shall revert to the General Fund at the close of each fiscal year with the exception of those funds approved by CF&A and designated funds.

K. CARRY-OVER BUDGET ITEMS.

Carry-over budget items should be considered on a case-by-case basis as a general fund encumbrance in unusual circumstances and not to exceed six months carry-over. A vote of CF&A approval will be required for \$5,000 or more. Less than \$5,000 must be approved through the authorization of the appropriate Director and the Treasurer.

L. OVER-EXPENDING BUDGETS.

The Conference Treasurer has no authority to honor any requisition that would cause an over-expenditure of any budget category in the Conference Budget. It can only occur with the approval of the Executive Committee of CF&A.

M. GENERAL FUND.

The Executive Committee of the Council on Finance and Administration shall have the power to draw upon the General Fund for emergency disbursement, subject to ratification by the Council on Finance and Administration.

N. RESERVE FUND.

Between sessions of the Annual Conference, the funds may be used upon approval of the Council on Finance and Administration and the Leadership Table with notification to the Annual Conference at the next session.

O. DESIGNATED FUNDS.

Designated funds are funds which come from gifts that have been designated for a specific purpose. These funds shall be carried forward and shall be used to build funds for a program or project over multiple years. Designated Fund accounts shall be funded at a rate determined annually by the Council of Finance and Administration. CF&A shall review these accounts annually to determine if sufficient funds are available to underwrite the programs. Upon completion of the program or project, if there is a balance in the designated fund, those monies shall revert to the General Fund. Should monies accumulate in a particular designated fund and at some point in the future the Indiana Conference determines there is no longer a need for that fund, those monies shall revert to the General Fund and the specific fund account shall be eliminated. Decisions on funding for new designated funds shall be made by the Council on Finance and Administration on the basis of cash available for the funding at year end.

P. RESTRICTED FUNDS.

Restricted Funds are funds which have been restricted by the source, the donor, the General Church or through Special Offerings. These funds shall be carried forward from one fiscal year to subsequent fiscal years until they are depleted or re-designated by the donor. If, at some point in the future the Indiana Conference determines there is no longer a need for a particular fund, the donor, or in the absence of the donor, the Council on Finance and Administration shall recommend to the Indiana Annual Conference how the balance in that fund shall be disbursed. Restricted funds shall be fully funded. Funds shall be set aside in a separate fund and invested. Specific restricted funds shall not earn interest for those funds unless required by the donor at the time the fund is or was established. Interest earned on the pool of invested Restricted Funds shall revert to the Restricted Fund pool until it becomes fully funded. At such time the Restricted Fund becomes and remains fully funded, the earnings shall revert to the Conference General Fund unless otherwise specified by the donor.

Q. BONDING.

A blanket fidelity bond of \$1,000,000 shall be secured to cover all employed personnel in the Conference Treasurer's office.

R. AUDITING.

All agencies receiving financial support from Conference benevolences or from any other authorized Conference-wide appeal shall submit an annual audit to the Council on Finance and Administration. Such audit shall cover their total operation and be prepared by a Certified Public Accountant or Public Auditor.

S. BORROWING AUTHORITY (Book of Discipline para. 613.10)

The Annual Conference Treasurer shall have borrowing authority with the prior approval of the Executive Committee of the Council on Finance and Administration up to \$400,000.

### **Offerings and Solicitations**

A. APPROVALS.

It is required by the Conference that groups desiring to solicit funds from churches in the Indiana Conference shall appear before the appropriate agency of the Conference Council on Finance and Administration annually, and may be required to submit budgets, annual audit, and aims for approval before proceeding.

B. We recommend that all Disciplinary Special Offerings be supported in the manner prescribed by the *Discipline*.

C. No Indiana Conference mailing list shall be furnished to any agency for the purpose of solicitation without prior consent of the Council on Finance and Administration and the Annual Conference.

- D. Local churches are not to be asked to receive more than one special offering per calendar month. Such special offerings include those requested by the General Church, Area, Conference and District. Clear emergencies, such as natural disaster relief, shall be an exception to this rule.
- E. Special offerings taken during Annual Conference Session shall be determined by the Leadership Table with approval of CF&A and reported to the Sessions Committee.

### ***Expense Allowance***

#### **A. BOARD EXPENSE.**

All Conference Boards, Divisions, Commissions, and Committees receiving budget funds shall allow for travel reimbursement for laity only and retired clergy not serving a local church based on the IRS rate for charitable travel. Clergy serving in these groups are to be reimbursed for travel by the ministry to which they are appointed. No meal reimbursements will be made. An allowance of \$45.00 per night for hotel will be allowed. Also, sitters for children and dependent adults shall be paid at the rate of \$4.00 per hour to a maximum of 10 hours per day.

#### **B. PER DIEM DEADLINE.**

No per diem or other expenses incurred due to the Conference session shall be paid if not submitted to the Director of Connectional Ministries or Conference Treasurer within 30 days following adjournment of the Conference. Annual Conference session per diem will be made only to retirees not serving a church and district equalizing members. To supplement a person's meal expenses, \$3.50 for breakfast, \$4.50 for lunch, \$6.50 for dinner will be allowed as well as the hotel and babysitting allowance in item (A) above.

### ***District Superintendents and Directors***

The salary for superintendents and directors for 2011 is \$100,800. The annual adjustment of this salary is indexed to the Conference Average Compensation annual differential. Annual Housing Allowance will be paid at a rate of \$18,600 to be reviewed by CF&A annually. For clergy holding these positions, salary that is designated as housing exclusion according to IRS Code 107 shall be reported and approved annually by CF&A. No Conference staff, including District Superintendents and Directors, shall receive honorariums for services provided to United Methodist churches in the Indiana Conference or agencies of the Indiana Conference. Vehicle policies are found in the Conference operations policies.

### ***Moving Policies***

- A. Persons eligible for conference-paid moves include itinerant clergy within Indiana, district superintendents, conference professional staff, and special appointments fully funded by the Indiana Conference.
- B. The total amount allowed for each move will be determined each year by the Council on Finance & Administration and recommended to the Annual Conference. The amount recommended for 2010 is \$3,100. An amount of \$800 will be added to this total for intra-state moves in excess of 250 miles. Total packing costs, supplies and labor, may not exceed \$500, inclusive within the amount allowed for the total move.
- C. The person to be moved is responsible for obtaining two bids from licensed movers and selecting the mover using the conference approved process.
- D. Self-moves are approved for seminary students. Eligible expenses include the cost of truck rental, equipment, packing materials (\$500 limit applies), fuel cost/mileage and labor. Receipts must be submitted for reimbursement.
- E. The Conference will pay for the first move of a surviving spouse within one year

- after the death of an active clergy person using limits for the year of death.
- F. Insurance will be provided up to the limits obtainable by the Conference.
  - G. Special consideration will be given for some circumstances.
  - H. Any situation not covered under this policy will be referred to the Council on Finance and Administration.

***Equitable Compensation***

- A. *Minimum salary for Full-Time Elders appointed to serve a local church be set at 60% of the DAC (Denominational Average Compensation) as calculated annually by the General Board of Pension and Health Benefits.*
- B. *Minimum salary for Full-Time Associate and Probationary Members appointed to serve a local church be set at 58% of the DAC (Denominational Average Compensation) as calculated annually by the General Board of Pension and Health Benefits.*

**Minimum salary for Full-Time Local Pastors appointed to serve a local church be set at 55% of the DAC (Denominational Average Compensation) as calculated annually by the General Board of Pension and Health Benefits.**