

TITLE: Fiscal Policies	NUMBER: C-1
APPROVED: 11/9/2021	

FISCAL POLICIES

BACKGROUND:

This policy provides the needed structure for fiscal matters and is based on sound business practices and past experience.

POLICY:

1. **BALANCED BUDGET.** The Vestry annually adopts a balanced budget. A balanced budget is defined as one in which budgeted expenditures do not exceed a realistic estimate of anticipated receipts to the General Fund plus any cash balance available at the beginning of the year after providing for the cash balance described below under "Operating Reserve."
2. **CASH TRANSACTIONS.** Cash transactions are accomplished through the General Fund and the fund accounts identified below. It is not to be inferred that the use of any such accounts necessitates the establishment of separate bank accounts or any change in the banking system. Except as specifically authorized by the Vestry, there will be no separate treasuries for any Parish committees or organizations whose activities are funded by the General Fund. Any money accumulated by these groups is deposited in the General Fund and made available for expenditure (by the group) by crediting the amount to the group's line-item budget.
3. **DEPOSITORIES FOR FUNDS.** Parish funds are deposited in financial institutions under conditions prescribed in national and Diocesan canons, and to yield the best possible return with due consideration to safety and to availability of funds when needed.
4. **STOCKS AND OTHER SECURITIES.** Contributions of stocks and other securities are welcomed and encouraged. Depending on the nature of the securities, the Vestry may convert them to cash.
5. **FUNDS FOR SPECIAL ACTIVITIES.** To satisfy audit and Federal tax codes for tax-exempt corporations, groups collecting monies for activities such as retreats, study courses, special events, etc., will deposit said monies into official Parish accounts (usually the General Fund). In order to satisfy the audit requirements, payments for these activities are disbursed by the Treasurer through the Parish accounts.

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POLICY/PROCEDURE (cont.):

6. **OPERATING RESERVE.** In order to prevent a deficit in cash flow, sufficient reserve funds must be available at the beginning of each year. The amount currently recommended is at least 10% of the annual operating budget. Future financial trends may indicate the need for a larger amount or for a smaller amount. (The need for a smaller reserve in the future, however, is less likely since the growth of the budget tends to place a greater strain on the cash flow and the operating reserve can be difficult to increase at a later date after it has been reduced.) If the cash remaining in the General Fund at the end of the year is less than necessary for the operating reserve, then the budget for the coming year is adjusted to provide the replenishment needed.

7. **CAPITAL REVOLVING FUND.** An appropriate amount of money is set aside to provide for capital expenditures and extraordinary maintenance expenses that are of a non-recurring nature, so that the general Parish program budget is protected from unanticipated expenditures of the type cited. (Capital expenditures are defined as those normally capitalized in the asset accounts according to generally accepted accounting principles.) As expenditures are made from this fund, provisions for replenishment are included in the budget for succeeding years.

8. **RESTRICTED FUNDS.** The Vestry may from time to time authorize other special funds (like the Capital Revolving Fund) which are segregated from the General Fund (operating fund). Such funds are for clearly identified purposes and are ordinarily the kinds of funds for which contributions are solicited. Balances in Restricted Funds carry over from year to year.

Temporarily Restricted

Funds are prudently invested to obtain a high return, yet meet a requirement that the money be readily available.

Permanently Restricted.

Endowment Funds. The Vestry may authorize the establishment of a permanently restricted fund for a specific purpose. Currently the following permanently restricted funds have been established:

The **Endowment Fund**, the income from which is used “for the general purposes of St. Stephen’s Episcopal Church as the Vestry from time to time decides.” Since the time of its inception, the income from this fund has been used for the general purposes. (The principal is currently

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invested in a trust fund - the Episcopal Endowment Corporation, SunTrust Bank, Chattanooga.)

The **Heritage Fund** is used by the Vestry to expand the mission and ministry of the church in ways that the operating budget has not been able to support. Programs that can be supported are evangelism projects, special new outreach projects, seed money to start new ministries, and special new education projects. The principal is currently invested in a trust fund - the Episcopal Endowment Corporation, Sun Trust Bank, Chattanooga.

The **Memorial Garden Endowment Fund** is used by the Memorial Garden committee to meet ongoing needs of the Memorial Garden. The principal must remain intact.

9. **SEGREGATION OF DUTIES.** The following matrix establishes responsibilities for ensuring effective accountability of the management of receipt and disbursement of funds:

FUNCTION	REPOSNSIBLE PARTIES
Counting and Depositing	Counters
Posting	Business Manager
Check Signing	Treasurer and Wardens
Reconciliation	Treasurer and Finance Committee

Counting and Depositing. This function includes counting the Sunday collection plus any other funds collected during the week, entering the data into St. Stephen's Contributions database and physically depositing funds in the bank in accordance with the procedures detailed in the Counters Manual (Current Version). This includes generating periodic contribution statements for parishioner's records. Counters are volunteers that work in pairs on a rotation that assures the pairing is not consistent and that pair members are not related.

Posting. This function includes all the bookkeeping, including journal entries and preparation of disbursements, writing checks, collecting and filing vouchers and other documentation that authorizes the disbursement. The Business Manager is a paid position.

Check Signing. Checks are signed by two people. The Business Manager and the Wardens are authorized signers.

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Reconciliation. Reconciling bank statements with the data in our general ledger accounts is a responsibility of the Treasurer and one or more members of the Finance Committee.