

ACCOUNTING/FINACE CONTROLS & PROCEDURES

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INVESTMENT CONTROLS/PROCEDURES

STATEMENT OF PURPOSE

It is the policy of Thornapple Valley Church (TVC) to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of TVC.

SCOPE OF POLICY

This investment policy applies to all financial assets of TVC. These assets are accounted for in the various funds of TVC and include the general fund and any other funds that may be established by the Lead Pastor, the funds will be listed in the financial reports provided to the Board of Directors.

INVESTMENT OBJECTIVES

The primary objectives, in priority order, of TVC's investment activities shall be:

- Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall portfolio.
- Integrity – The investments will be made with institutions whose stated values do not obviously conflict with the values of TVC.
- Diversification – The investments will be diversified by account or security type or institution in order that potential losses on individual investments do not exceed the income generated from the remainder of the portfolio.
- Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Return on Investment – The investment portfolio shall be designed with the objective of obtaining a market average rate of return during budgetary and economic cycles while considering investment risk constrains and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives.

DELEGATION OF AUTHORITY TO MAKE INVESTMENTS

Management responsibility for the investment program is hereby delegated to the Lead Pastor (subject to the overall review of the Board of Directors). The Lead Pastor shall establish written procedures and internal controls, as necessary to supplement this policy statement, for the operation of the investment program. When the Lead Pastor is not available the Board of Directors shall assume the duties. Procedures shall, if appropriate, include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire

transfer agreements, collateral/depository agreements and banking service contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Lead Pastor. The Lead Pastor shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate staff members.

LIST OF AUTHORIZED INVESTMENTS

TVC is limited to the following investments:

Certificates of deposit, savings accounts, or deposit accounts of a federal or state chartered financial institution whose deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC). When not in compliance with the requirement to stay within FDIC insurance limits, as is the case currently, a plan will be developed that will, over a reasonable period, bring deposited amounts under FDIC insurance limits.

STATEMENT CONCERNING CUSTODY OF RECORDS

All evidence of deposit accounts shall be shared with the board of directors at their first meeting following the opening of the account and then shall be maintained in the files of TVC by the Finance Department.

STANDARD OF PRUDENCE

The Lead Pastor shall make such investments and only such investments as a prudent person would make in dealing with the property of another having in view the preservation of the principle and the amount and the regularity of the income to be derived.

STATEMENT OF ETHICS

The Lead Pastor, Board members, and staff involved in the investment of funds shall refrain from personal business activity that could conflict with the proper execution and management of TVC's investments or that could impair their ability to make impartial investment decisions.

INVESTMENT ACTIVITY REPORT

The Finance Department shall provide a monthly report to the Board detailing the investment portfolio of TVC and any transactions that have occurred since their last meeting.

SIGNATURES

The Lead Pastor and the Executive Assistant are hereby designated as eligible signors for all investment documents. These designees must be listed as signors on each account with the signature of any one of them required to transact business on the account.

ELIGIBLE DEPOSITORIES

TVC funds may be deposited with any bank on the approved depository list provided that the account will be fully insured by the FDIC. The Board of Directors will consider designating a financial institution as an Approved Depository after review of their most recent financial statement, Community Reinvestment Act Statement and Bauer Financial Rating. Prior to any account being established, at least three quotes will be obtained from Approved Depositories detailing the interest rate and any significant fees that will apply to the account. Funds will be deposited in an approved depository by the Lead Pastor after the quotes are reviewed. Banks with offices in Barry County will be given priority consideration.

APPROVED DEPOSITORIES

Commercial Bank

Highpoint Bank

Charles Schwab (Formerly TD Ameritrade)

POLICY FOR THE SALE AND DONATION OF CHURCH ASSETS- CONTROLS/PROCEDURES

CHURCH ASSETS

A “church asset” is any asset of value that was purchased by, or donated to, Thornapple Valley Church (TVC). This policy will address all such assets with the exception of goods that are purchased for the church store, or goods that are purchased as part of a ministry initiative, with the intent of selling those goods to church attenders or the community. The intent of this policy is to provide guidelines for the sale of church assets that are no longer needed, but still have monetary value. It is also the intent of this policy to ensure that there is no personal financial gain for the staff member and attender that may be involved in the sale of church assets.

POLICY STATEMENT

It is the policy of TVC that the sale of church assets occurs in such a way as to avoid, even the appearance of a conflict of interest or “favoritism”.

GUIDELINES

Sale of church assets can be conducted by TVC staff, unrelated third-party vendors, and by church attenders. Before any sale can be made it must be approved by a direct.

Sales conducted by 3rd parties will not be communicated to church family. The 3rd party will be authorized to sell the asset(s) without reference to TVC. In the case of utilizing the services of a 3rd party, a contractual agreement will be made between TVC and the 3rd party stipulating that the TVC name is not used in any advertising or promotion of the asset. In that agreement the price range will be set at or near a fair market value, and vendor fees will also be stipulated.

Sales made by staff and attenders must be completed in such a way as to keep the seller anonymous during the sale process. Sales that give “friends, family or key volunteers” first opportunity to purchase an asset are prohibited by this policy. 100% of the sale price will be reimbursed to the general fund of TVC unless authorized by the Lead Team. As with 3rd party sellers, the price set for an item being sold should be near fair market value.

No statement of policy can address all situations which may create an appearance of favoritism. As with the Conflict of Interest Policy, the church must rely on the character, integrity, and judgment of its staff members to avoid those situations which may create the appearance of favoritism or privilege. In situations not specifically addressed in this policy, or in instances in which staff members need additional guidance or explanation regarding a particular situation, they are encouraged to consult their immediate direct, who will bring it to the Missions Support Team for review.

CASH TRANSFERS CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk in areas of cash transfers. The objective of these controls is to make sure that the transfers are authorized by the Lead Pastor and that the transfers are properly documented in the monthly close folder.

BANK TRANSFERS

The main reason we transfer cash from bank to bank is because we are only insured up to \$250K at Highpoint Community Bank. Therefore, from time to time our cash balance exceeds that limit and we need to process a cash transfer . . . Highpoint Community Bank to Commercial Bank. On the flip side, in some cases we need to move funds from Commercial Bank to fund our disbursement bank account at Highpoint Community bank. In either case, the Director of Business Office will send an email to the Lead Pastor and Executive Assistant requesting the transfer and documenting the reason for the transfer. Once the Director of Business Office receives the approval from the Lead Pastor, the transfer can be processed. This email documentation will be filed with the monthly close folder.

INVESTMENT TRANSFERS:

We would transfer cash out of our investment fund to of our main disbursement banking account if needed for run the business expenses and/or a large capital investment. We would transfer cash in if it were determined we had an excess cash in our banking accounts that was not needed to run the short term run the business.

In both scenarios above, an analysis will be prepared by the Director of Business Office supporting the need for the transfer out or in. This analysis will be sent to the Lead Pastor for approval. In addition, this will also be sent to the board to inform them of the transfer. All emails and/or documentation will be filed in the monthly close folder.

CASH DISBUREMENT CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk around cash disbursements. The objectives of these controls are to make sure that the money spent is authorized and appropriate to the budget.

CHECK WRITING

- A two-person rule: The basic premise is that one staff person creates the check and another signs the check. The point of this process is to verify that the documentation and purpose of each check are valid within the context of the budget.
- The Finance Administrator (FA) creates checks using QuickBooks, based on invoices, expense reports, or recurring payments.
- The checks are delivered, by the FA, with expense reports, invoices, QuickBooks check summary lists, and any supportive documentation to the Executive Assistant. The documentation always includes the department and account from which the money will be used.
- The Executive Assistant or one of the Executive Pastors reviews each check, compares the check against the documentation and signs them personally once the following are verified:
 - The expense is supported with a valid receipt, invoice, or other externally generated pieces of documentation.
 - The expense has been assigned to the appropriate budget department and account.
 - Expense forms are complete and signed by the direct of the staff person responsible for the department and accounts.
 - Expense forms using budgets that are outside of the ministry area of the staff person are initialed by the owner of that budget owner.
- Exceptions:
 - There are occasionally (rarely) checks needed after hours or without advance notice. After a review of the request is made, if it is still needed, the authorized staff member may create and sign the check. Currently, the Lead Pastor is the only person authorized to do this. When this happens the FA is notified in person and/or in writing the next business day, as well as receiving the appropriate supportive documentation. They will then input the information into QuickBooks.
 - Occasionally, in the absence of a receipt, the staff person submits a missing receipt form with the items purchased and their costs. These items will be reviewed and any trends in missing receipts addressed by the finance department, with the staff person responsible.
- Checks to signors: Any checks payable to the check signor, typically the Executive Assistant, are created in the Finance Department and signed by an Executive Pastor. All the other expense controls still apply. This process is done to make sure that no person can review their own expense justifications.

For additional information on the detailed procedures surrounding the “cash disbursement” area, please refer to the “cash disbursement procedures” attached.

CASH RECEIPTS CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk around cash receipts. The objectives of these controls are to make sure that the money received is recorded accurately in the general ledger and Shelby.

Every Sunday (all locations), offerings are counted at each church location. In Hastings during each service, the offering is brought to the usher office, counted, and recorded on a summary sheet. Three ushers are designated to count the offering- 2 counters and 1 watcher. One counter is counting the checks while the other counts the cash. Once they have both finished their count, they count the opposite element to double check each other's work. During this entire process, the watcher is vigilant that the other ushers count with integrity. Then the money is locked in the safe located in the offering office. In Delton & Middleville the offering is counted on Sunday and recorded on a summary sheet. Then the offering is locked in a fireproof safe and placed in the "traveling suitcase" that is dropped off at the Hastings church to the Finance Department directly after service.

Every Monday, the funds are counted by two individuals. The money is never counted with one person. Both individuals go retrieve the Hastings offering that is in the Hastings offering office and bring it back to the Finance office. Both individuals unlock the Delton & Middleville safes. Then they proceed to sort and count.

After the count, the funds are recorded into Shelby Arena by church family (if noted) for accurate donation tracking. In addition, if the donation is noted for a "designated fund", it will be also be recorded properly into Shelby and general ledger. The total funds for that week's offering is recorded in total to the general ledger. Credit cards, easy tithe and ACH's are also recorded in Shelby & QuickBooks each week.

Each week, the general ledger and Shelby are tied out by general ledger account to determine the two systems agree. In addition, a final tie out of Shelby & QuickBooks is done at each month end.

For additional information on the detailed procedures surrounding the "cash receipts" area, please refer to the "cash receipt procedures" attached.

FINANCE/FINANCIAL STATEMENTS CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk in misstated financial statements. The objectives of these controls are to make sure that the financial statements reflect an accurate current financial condition of the church.

FINANCIAL STATEMENT CONTROLS

- Each month the Director of Finance records all necessary entries into QuickBooks. He reviews the financial statements at the end of the month to determine if the individual general ledger accounts are deemed reasonable.
- The second Tuesday after month end the outside accountant reviews the financial statements to determine if the financial statements are accurate. This includes multiple analytical reviews . . . current month vs. prior month, run rates for the year by month, YTD figures and review of actual to budget. In addition, the balance sheet accounts are reviewed to determine if any prepaid/accruals need to be adjusted. In addition, all cash/investment accounts are agreed to the month end statement and/or the monthly reconciliation.
- Once the review is final, the financial statements are downloaded, and the fund balance report is completed. Both reports are sent to the Lead Pastor and the Board of Directors each month prior to the monthly board meeting.
- These reports noted above, and any supporting documentation related to the month end close is filed in the month end close folder.

EXPENSE FORMS & RECEIPTS

- All staff and volunteers that spend money assigned to their ministry, in the budget, must submit expense forms and supporting documentation to be reimbursed.
- Expense forms must include the department and account numbers. In addition, they must be signed by the direct of the staff person that is responsible for the given department budget
- Checks are written, using QuickBooks, when the bookkeeping department receives the expense form and the supporting documentation (i.e. receipts).

BANK RECONCILIATION

- This is completed monthly and is in place to ensure the integrity of checks that were processed and to validate the entries in QuickBooks.
- Bank statements are received in the finance department on monthly basis.
- Using the bank statement and a physical copy of the checks (if necessary) the check number and amounts are compared to the amounts found in QuickBooks bank reconciliation module.
- Any discrepancies are investigated until the source is found and corrected.
- Bank reconciliations are prepared by the Finance Administrator and reviewed by the Director of Business Office.

PETTY CASH CONTROLS

- When funds are needed to make small purchases, petty cash can be used as an advance. The controls used are designed to make sure that no funds are taken without tracking and without assurance that the funds used are budgeted.
- Petty cash is administered entirely by bookkeeping staff. When the supply of petty cash is needed, a check is created in QuickBooks in the name of one of the bookkeepers. The check is reviewed, signed, and recorded in accord with standard check writing procedures. The journal entry moves funds from HCB to petty cash.

- When a staff member or volunteer is given petty cash, the following information is recorded in the Petty Cash form (stored with the petty cash) in a safe:
 - Who received the cash?
 - The amount
 - The department, account number and purpose
- Receipts and change are collected from the person who received funds, and the exact amounts are added to the Petty Cash form
- On a quarterly basis, QuickBooks is updated with the information obtained on the petty cash form. The expenses would be booked and the petty cash account would be adjusted accordingly. If petty cash is low, the process would start over as noted above.

RESTRICTED (DESIGNATED) FUND EXPENSE PROCEDURE

- A project number is assigned to each Designated Fund for tracking through QuickBooks
- Any checks issued against the Designated Fund must be approved by the direct of the staff person making the purchase
- The check is issued with a project number for that fund and signed by the Executive Assistant
- Reporting and tracking any expenses or income to a specific fund is done through QuickBooks with a project number monthly.

CAPITAL EXPENSE PROCEDURE

- The capital expense to be acquired must be approved by the Board and or by a Dept Head
- An invoice or contract is submitted to the Accounting Department for payment
- The invoice or contract is kept in a separate file for capital expense record keeping
- The general ledger has a separate account for capital expenses purchased

RECURRING EXPENSES:

- 403B
- Missionaries-every other month
- Cell Phone Allowances
- Guidestone Employee Premiums
- Annual insurance premiums on buildings/vehicles and worker's compensation
- Monthly utility expense-all locations and intern house
- Shelby annual subscription

OTHER ITEMS

- Budget Generated and approved by board-see below for additional information
- Finance Administrator schedules payments and write checks according
- Checks submitted to Executive Assistant and/or Executive Pastor for review and signature

For additional information on the detailed procedures surrounding the "finance/financial" area, please refer to the "finance/financial procedures" attached.

PAYROLL CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk around payroll disbursements, new hires, termination of employees, housing allowance calculated properly and FICA match calculated properly. The objectives of these controls are to make sure that the employees are paid on a timely basis and the payment is accurate and reviewed on a biweekly basis. In addition, making sure new employee hires and employee terminations are done on a timely basis and payroll systems is adjusted appropriately.

BIWEEKLY DISBURSEMENTS

Payroll at TVC is paid on a biweekly basis. Each payroll run (dates are summarized at the beginning of each calendar year), the accounting department accesses the timecards that are maintained via Quickbooks Workforce. This summarizes each employees' hours worked for the last two weeks. In addition, it tracks vacation and sick time per employee. The Finance administrator processes the payroll each week via QB payroll system. Employees that are paid on an hourly basis, their hours are entered into the payroll run on a biweekly basis. The estimated payments per employee are compared to the prior payroll run to determine each employee's pay is reasonable. The payroll is then reviewed by the Director of Business Office and processed. Payroll needs to be submitted on the Tuesday of the week the payroll is due to be paid. Employees get paid every other Thursday. The payroll run is printed and reviewed by the Director of Business Office.

NEW HIRES

The following items need to be complete when TVC hires a new employment:

- a. FORMS: All new hires need the following forms before their first payroll: W4, MI W4, I9, Direct Deposit Form.
- b. MICHIGAN NEW HIRE FORM: Once the employee has completed the I 9 Form then you now have all the information to complete the MI New Hire form by going to mi-newhire.com
- c. Add employee to the QB Payroll Full Service.

TERMINATION OF EMPLOYEE:

The following items need to be complete when an employee departs employment at TVC:

- a. Remove from payroll
- b. Discontinue phone allowances
- c. Remove signing authority if applicable
- d. Discontinue benefits if staff was over 35hrs.
- e. Review severance plans
- f. Obtain all receipts from purchases

HOUSING ALLOWANCE:

On an annual basis (December), each pastor will update their housing allowance worksheet. New information will be uploaded into payroll system for the first payroll disbursement in the new calendar year. Housing allowance is part of the employee's wage so total housing

allowance should be deducted from their taxable wage when entered into the payroll system. So housing allowance plus wage should equal their total pay.

Any new hires that qualify for the housing allowance should complete the housing allowance worksheet at the time hire. It will be loaded into the payroll as noted above.

FICA MATCH:

Employees that are eligible for housing allowance are also exempt from social security tax. So since the church is not paying this tax for the employee, TVC pays each employee additional income from the church for the employer portion of FICA (7.65%). This is only employees that are eligible for housing allowance.

For additional information on the detailed procedures surrounding the "employee controls" area, please refer to the "payroll procedures" attached.

SEVERANCE PACKAGE CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk around the administration of employee severance. The objective of these controls is to make sure employee severance is calculated and reviewed.

If an employee is terminated or chooses to depart on their own, TVC has the right to offer that employee a severance package. The severance package will be determined and approved by the Lead Pastor and the Board. Once the severance package details are approved, the Director of Business Office will update the severance contract. In addition, they will also summarize the cash payout expected from the severance. All documents will be reviewed by the Lead Pastor and Board prior to granting the employee the severance package.

ANNUAL BENEFIT STATEMENTS CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk around the administration of annual benefit statements to employees. The objective of these controls is to make sure employees are aware of any changes to their wage, vacation, and/or sick time.

After the budget has been approved by the Lead Pastor and Board, the accounting department will summarize a list of changes to each employee's pay. Each year a benefit statement is provided to the employee around the middle of September. Prior year benefits statement should be acquired and updated for the following items:

- a. Salary/wage
- b. Vacation time

- c. Sick days
- d. Max Sunday's

Once updated, the benefit statement should be sent to the employee. Employee should review. A signed copy of the benefit statement should file into their employee file. Ninety

HEALTHCARE BENEFITS CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk around the administration of healthcare insurance. The objective of these controls is to make sure healthcare insurance administration and annual renewal is completed and reviewed.

ANNUAL RENEWAL:

Each year in October our insurance administrator sends us details on changes to current insurance plans and adjusted premiums for TVC. We are required by law to communicate these changes and give the employee an opportunity to make changes to their current insurance election. All this information is communicated to the employee via email or hardcopy.

Once the revised elections are received, the accounting department submits any changes to the insurance administrator for processing. In addition, based on the new rates, the accounting department provides the employees with their new payroll deductions based on the new premiums. These new deductions are loaded into the payroll system at the beginning of the new calendar year. All payroll changes are made by the Director of Business Office and reviewed by the Finance Administrator.

CHANGES TO ELECTION/TERMINATION OF EMPLOYEE

Per law, once you make an insurance election that election is valid for the calendar year unless there is a qualifying life event. In the past, our insurance administrator has made exceptions but not often. If there is a qualifying life event, the proper paperwork will be completed and submitted by the accounting department.

If an employee voluntarily leaves or employment is terminated, the termination of benefits will be made on the last day of employment. The accounting department will make this change via the employer portal.

EMPLOYEE BENEFIT HANDBOOK

On an annual basis, the employee benefit handbook should be updated for rate and/or coverage plan changes.

ANNUAL BUDGET CONTROLS & PROCEDURES

The following controls are in place at TVC and serve to minimize risk around the Annual Budget. The objective of these controls is to make sure a budget is completed on an annual basis and is approved by the TVC Board.

GIVING BUDGET

In the month of July/August, we analyze the giving trends for the current year and the past few years. Evaluate the current trends and determine what the giving amount will be for the following year. Usually what we finished the current year is the giving amount for the following year. However, there are many situation that would cause this to be different: 1) one time gifts that could be excluded to reduce the giving budget for the following year 2) government shut downs that may impact our ability to have service 3) giving trending is down and we feel our giving will not be at the levels of the current year and etc. The Lead Pastor and Director of Business Office determine the appropriate giving budget based on the above.

EXPENSE BUDGET (EXCLUDING SALARIES & HEALTH INSURANCE)

In the month of July, each department head receives a template from the accounting department with their current YTD spending and budget from current year. Each department head needs to submit a budget amount for each general ledger account they manage and/or direct reports manage. Any increase from their current year budget and/or their run rate needs to be explained in detail. Each template is reviewed the accounting department for reasonableness. Any changes made by the accounting department is discussed in detail with the department head.

SALARIES BUDGET

In August, a summary of all current employee wages is prepared. Salary increases are based on the Executive Team. The increases are incorporated into the above summary to determine the salary wage budget. In addition, the taxes, housing allowance and FICA match are also calculated based increased salaries. An Employee benefit for each employee is created (see payroll controls above for additional information).

The Lead Pastor also evaluates an additional hire that will be occurring during the next fiscal year. These salaries are added to the above spreadsheet.

HEALTHCARE BUDGET

In August, the accounting department will evaluate employees that are currently getting healthcare insurance and any new employees that be added to insurance for the upcoming year. We usually expect approximately a 3% each year. However, we will reach out to our administrator to get their opinion on how much they are expecting the annual premium to increase.

BOARD APPROVAL

Once the budget is approved by the Lead Pastor, a detailed package is provided to the TVC Board. This budget gets approved in September and is documented in the board minutes.

