

**UNITY OF LEHIGH VALLEY  
ACCOUNTING AND FINANCE POLICIES  
AND PROCEDURES MANUAL**

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## 1.00 INTRODUCTION

The following manual is a description of the accounting system and responsibilities for the Administrator, Senior Minister and Board of Unity of Lehigh Valley. Unity of Lehigh Valley is a church incorporated in Pennsylvania and operating under the umbrella of the a 501(c)(3) tax-exempt status of The Association of Unity Churches International. Unity of Lehigh Valley is registered with the Secretary of State in Pennsylvania with an October 31 year-end and will follow IRS guidelines for churches and religious organizations.

## 2.00 CHART OF ACCOUNTS

### 2.01 Assets

Checking.....1000  
Accounts Receivable .....1200  
Land & Building .....1500s  
Furniture & Equipment.....1520s

### 2.02 Liabilities

Accounts Payable.....2000  
Payroll Liabilities .....2100

### 2.03 Net Assets (Fund Balance)

Open Equity Balance (GF) .....3000  
Building Fund .....3300  
Education Fund .....3400  
Capital Improvements Fund....3500  
Inheritance Fund .....3600  
Miscellaneous Fund.....3700  
Interest Reserve Fund.....3800

### 2.04 Revenues

Offerings.....4000  
Interest Income.....4100  
Miscellaneous Income .....4200  
Fundraisers.....4210  
Events/Classes.....4220  
Building Fund Income .....4300  
Bookstore Income.....4400  
Capital Improvements Income 4500  
Memorials Income 4600  
Rentals Income 4700  
Interest Reserve Income 4800

### 2.05 Expenses

Personnel Expenses ..... 5000-5041  
Office/Ministry Expenses ..... 5042-5055  
Building Expenses..... 5061-5070  
Administration Expenses..... 5071-5079  
Outreach..... 5081-5085  
Mortgage ..... 5091-5092  
Miscellaneous ..... 5200  
Tithing and Giving.....5300  
Other Fund Expenses ..... 5400-5800

### 2.06 Cost Centers

General Fund  
Administration  
Facilities  
Ministries (with subclasses)  
Personnel  
Building Fund  
Education Fund  
Capital Improvements Fund  
Memorials Fund  
Tithing and Giving

## **3.00 ACCOUNTING PRINCIPLES & PROCEDURES**

### **3.10 Policies**

Unity of Lehigh Valley uses the cash basis of accounting during the fiscal year November 1 through October 31 to record all cash receipts and disbursements in QuickBooks. At the end of the fiscal year, entries will be recorded in QuickBooks to adjust the mortgage and any other liabilities to actual and record any carryover of restricted funds (e.g. building fund) to the next year.

### **3.20 Procedures**

#### **3.21 Revenue Recognition**

Offerings, donations and other income is recorded when received.

#### **3.22 Matching of Revenues and Expenses**

Expenses are recorded when they are disbursed.

The organization records transactions in QuickBooks on the cash basis of accounting during fiscal year.

#### **3.23 Fixed Assets and Depreciation**

During the fiscal year all property and equipment will be recorded as an expense.

If the church enters a large building fund project all expenses will be recorded in a separate expense account during the fiscal year and then be capitalized at the end of the year.

No depreciation will be recorded.

#### **3.24 Donated Materials and Services**

Generally donated materials, assets and services will not be recorded in the accounting records. Stock contributions will be redeemed as soon as possible after notification by the contributor. The amount of the contribution will be credited to the contributor's account, in accordance with IRS directives.

ULV will accept donations of non-cash items that can be used productively by church activities or easily converted to cash. The church reserves the right to reject any non-cash item which the Finance Committee elects not to accept for any reason. The church will formally acknowledge receipt of non-cash items accepted, but will provide no estimated value or actual value of the item (IRS rules require that the amount be determined by the donor, subject to the approval of the IRS).

In accordance with IRS regulations, no value of the time and service contributed by an individual to the Church or any of its activities will be posted to the donor's record of contributions.

### **3.25 Financial Reports**

The Board receives Financial Reports every month from the Treasurer. The reports include a report on income and expense vs. budget YTD and a report on cash balances in the various funds. Reports and supporting documentation are maintained by fiscal year.

## **4.00 CASH DISBURSEMENTS**

### **4.10 Policies**

The positions authorized to sign checks are: Senior Minister, the Administrator, Board Chairman, and Board Treasurer. Although the Senior Minister is an authorized signor, it should be rare that the Senior Minister is the primary signature on any cash disbursements. The Administrator will facilitate updated signature cards when there is a change in the persons authorized to sign checks.

The Board Treasurer and President are authorized to sign checks for the day-to-day expenses and for other cash disbursements under \$500. Two signatures shall be required for expenses greater than \$500 other than agreed upon payroll amounts. Anyone signing a check must review and initial the supporting invoice or other documentation. No person shall sign a check made out to themselves.

The Administrator will maintain the accounts payable system. Prior to payment, the Administrator will code each invoice, prepare the checks and organize the documentation.

Unity of Lehigh Valley reimburses staff using an accounting reimbursement plan as outlined in IRS guidelines.

The Administrator will determine payroll amounts based on timesheets and authorized rates. The Administrator will prepare the payroll information for the payroll service.

### **4.20 Procedures**

#### **4.21 Capital Acquisitions**

Capital acquisitions over \$1,000 to be used by various ministries such as computers, a/v equipment or furniture must be pre-approved by the Board before the items are ordered in order to assess adequate cash flow, budget, and competitive pricing.

#### **4.22 Payment Procedures for Invoices and Reimbursements**

Mail is received and opened by the Administrator.

The Administrator pays bills twice a month. After the Administrator cuts the checks, the Administrator gives the invoices, reimbursements and support documentation to the Senior Minister for approval to pay. The checks and invoices are made available for signature by the Board Treasurer or President. The signed checks are returned to the Administrator for mailing and all invoices and reimbursements are to be filed alphabetically by vendor and fiscal year.

Auto-debit payments shall be presented annually for board approval. Monthly confirmations of payment will be placed with the invoices for review and filing. Invoices routinely paid by EFT (electronic fund transfer) but not on an auto-debit schedule may be initiated by the Administrator after review by the senior minister. Documentation of payment will be filed with the invoices.

#### **4.23 Credit Cards**

The Administrator will maintain a record of all ULV credit cards and authorized users. All credit card bills are reviewed by the Senior Minister before payment. Ministry leaders who use the credit cards will keep receipts of all expenses occurring on the credit card and submit to the Administrator. The Board decides credit limits. No personal charges will be allowed on the credit cards. To the extent possible, no balance shall be carried on any credit card account and incurred charges will be paid on a monthly basis.

#### **4.24 Payroll Procedures**

Payroll is processed once a month. The Administrator prepares the timesheets and forwards to the Senior Minister for review and approval and then sends the timesheet information to the payroll service. The payroll service processes the payroll and initiates the electronic transfer of funds to cover payroll and payroll taxes from the church's checking account. The Senior Minister receives the payroll reports from the payroll service and signs off on the payroll register and fees. The Administrator records the payroll transactions in QuickBooks using the payroll register.

The pay rates used to prepare payroll will be based on board minutes, including the approved budget and contract documents. The salary for the Senior Minister will be based on board minutes and contract documents.

#### **4.25 Petty Cash**

Unity of Lehigh Valley may designate petty cash accounts to support ongoing expenses as deemed appropriate. Petty cash accounts should not exceed \$50 total. A ministry leader shall be designated as responsible for the petty cash

account of any ministry account established. All disbursements from the petty cash account must be supported with receipts in compliance with the reimbursement policies of ULV. If the account is exhausted, receipts may be submitted to support the disbursements and the account will be replenished. All income received from events or fundraisers related to that ministry area are to be turned in to the church in compliance with the Event Policy and Cash Receipts policies and must not be co-mingled with petty cash. A cash box used for making change at events, fundraisers or the bookstore should account for opening and closing amounts but is not considered a petty cash account.

#### **4.26 Disbursements from Restricted Funds**

Funds received and set aside as Designated Gifts, as outlined in section 11.00 are subject to the donor's intent. Prior to a disbursement, the board or the Executive Committee of the board will review and vote on the specific request for funds. The request should be in writing and approval should be recorded in the board minutes. Specific funds, such as the Education Fund, may develop application forms to expedite the process.

### **5.00 CASH RECEIPTS**

#### **5.10 Policies**

The Administrator opens the mail and puts any checks that are received during the week into the locked drawer.

Ministry leaders, who receive funds during the week for events or items, total up the funds and give them to the Administrator.

After the Sunday service, the counting team made up of two people, not being related, count the offerings. Once the offerings are counted and recorded on the envelope, it is initialed by the counters, sealed and the deposit goes into the locked drawer.

The bank deposit is taken to the bank on Tuesday morning by the Administrator.

The keys to the locked drawer are in the possession of the Administrator and the Senior Minister.

All money received will be credited to the revenue account applicable to the donor's stated purpose as indicated on the offering envelope or memo line of the check. All receipts with no donor specification or restriction will be credited to the general operating fund and used for current operating expenses. All receipts in which the donor specifies a use other than the Church's activities or Trust funds will be deposited in the Church's bank account and then passed on to the intended recipient promptly.

#### **5.20 Procedures (see also Counting Procedure in Administration Manual)**

Counting –

The counting team opens all giving envelopes and reconciles the amount of the cash offering with what is written on the front of the giving envelope. Only envelopes with identified giver names for cash and credit are retained. The team makes a copy of all checks and records the name and amount on the accounting envelope.

Once all the money is taken from envelopes and organized, the team counts it. At least two people must sign off on the count. All checks are endorsed for deposit only. The money and checks are put in a sealed envelope and put in the locked drawer. On Tuesday the Administrator will record the offerings and make the deposit.

Administrator -

The administrator inputs all of the contribution information from the offerings into QuickBooks, the accounting software and generates the deposit slip. Any miscellaneous funds that have come in during the week (i.e. event income, classes, coffee and bookstore income) are also organized and recorded and deposited.

### **5.30 Donor Acknowledgments**

Any individual contribution of \$250 or greater will be acknowledged in writing. Annual statements of contributions will be provided to each donor. Additional statements may be generated at the discretion of the Senior Minister. All donor acknowledgments shall include the required IRS language: "We acknowledge that these gifts were given without coercion and that no tangible benefit was received by the donor in exchange for the contribution."

## **6.00 BANK RECONCILIATION**

### **6.10 Policies**

The bank statement is forwarded to Administrator.

The bank statements are to be reconciled to the general ledger by the Administrator on a monthly basis. The Senior Minister will sign off on the bank reconciliation.

Each month the Board Treasurer will go on line to the church's checking and savings accounts and review the last month's transactions and scanned copies of the cancelled checks for any discrepancies in signatures, payees, transfers or irregular amounts.

### **6.20 Procedures**

Upon receiving the bank statement, the Administrator prepares the monthly bank reconciliation in QuickBooks. The bank reconciliations will reconcile the bank balance to the general ledger balance. A journal entry will need to be posted each month for items on the bank statements that are not already recorded in the general ledger. These reconciling items may include: interest earned, service charges, NSF checks, direct deposits and other debit or credit memos.

After the general ledger is reconciled to the bank statement, the monthly bank statement and the actual reconciliation form are filed in the bank reconciliation file.

## **7.00 END OF MONTH ACCOUNTING PROCEDURES**

### **7.10 Policies**

The Administrator prepares the monthly financial statements

The Senior Minister and Board Treasurer approve the financial statements before being sent to the Board.

The Board reviews the monthly financial statements and discusses any concerns or questions with the Administrator and the Senior Minister.

### **7.20 Procedures**

Upon completion of the monthly bank reconciliation, the Administrator will print various reports for ministry leaders, the Senior Minister and the Board using QuickBooks and Excel.

Ministry leaders –

Ministry leaders will receive a print out of YTD actual expenses vs. budget. Ministry leaders may also ask for the detailed general ledger showing all transactions occurring under their ministry.

Senior Minister –

The Senior Minister will review the printouts of YTD actual expenses vs. budget to ensure that the ministry is staying within budget. The Senior Minister and Board Treasurer will also receive from the Administrator, Excel reports: Cash and Debt Balances and General Fund Actual to Budget. The Senior Minister may ask for any other reports deemed necessary, from the Administrator.

Board –

The Board receives the Treasurer's report on a monthly basis, including such reports as the Senior Minister and Treasurer deem appropriate. The Board may request other reports as necessary.

The Administrator will keep a copy of each month's Excel reports with the backup information from QuickBooks attached.

## **8.00 END OF YEAR ACCOUNTING PROCEDURES**

### **8.10 Policies**

The Administrator prepares the year-end financial statements. There is no difference in preparing the year-end financial statements as the other months.

### **8.20 Procedures**

After the final year-end reports have been distributed the following entries must be recorded in QuickBooks. The Administrator enters the new board approved fiscal year's budget into QuickBooks and initiates the new year record keeping.

### **8.21 Annual Audit**

The Board must recommend the scope of an annual assessment of the financial statements each year, consistent with the Bylaws of ULV. The Treasurer is responsible to supervise the conduct of the annual assessment and report back to the Board regarding any comments and recommendations.

The Senior Minister and Administrator will be responsible for making available the necessary financial information to conduct the annual assessment.

The audit results will be available to the Board Finance Committee and upon request to any congregation member.

## **9.00 INVESTMENTS**

### **9.10 Policies**

Cash not needed for immediate working capital or as compensated balances for service charges will be transferred to interest bearing investments, unless the funds are designated for a particular account. Unity of Lehigh Valley will try to keep at least one month of general fund operating budget on hand in a checking or money market account.

Unity of Lehigh Valley will insure that all of its deposit accounts are maintained at a financial institution that is covered by the maximum FDIC insurance.

The Finance Committee of the Board should make an annual evaluation of the current economic conditions and the needs of ULV and make recommendations for fund investments. The Finance Committee should evaluate the investments on a quarterly basis to monitor investment strategy success. It is ultimately up to the Board to make investment decisions.

Any stock gifts received by Unity of Lehigh Valley will be immediately sold, the revenue to flow as designated by the donor.

## **9.20 Procedures**

Unity of Lehigh Valley may maintain its cash balances in checking accounts, savings accounts, money market accounts or certificates of deposit. The Senior Minister will initiate the transfer of funds or setting up accounts based on the projected cash flow requirements and budgets of Unity of Lehigh Valley.

Surplus cash in the general fund, greater than one month of general fund operating budget may be transferred to another fund by the Senior Minister with the approval of the Board. Recommendations may be sought from the Finance Committee prior to fund investment.

# **10.00 DEBT**

## **10.10 Policies**

Board approval is required for incurring any debt of Unity of Lehigh Valley other than operating trade payables and budgeted payroll payables. The Senior Minister will be authorized to negotiate such debt as needed by the Board.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The Senior Minister will periodically review these covenants and report to the Board if there are any violations or potential violations of the covenants. Two or more bids shall be sought for any debt incurred for building improvement or repair in excess of \$200 that is not required on an emergency basis.

## **10.20 Procedures**

The Senior Minister and Board President and Board Treasurer will sign any debt agreements after receiving full Board approval.

The Administrator will report the current debt balance on the Excel report Cash and Debt Balances produced for the Senior Minister and Board on a monthly basis.

The Senior Minister may pay down additional principal on the debt balance with the approval of the Board.

## **10.21 Bid Process and Documentation**

The Administrator may solicit bids from various companies and contractors capable of performing the service needed. Bids shall be submitted in writing for review by the Senior Minister and if appropriate, the Board. Bids shall document the nature and extent of the improvement or repair, an estimate of labor and materials and a completion date (or specified time from start date). Bid documents should include acknowledgement that the contractor is responsible for obtaining any permits or licenses necessary for the work and that the contractor is licensed, bonded and carries adequate worker's compensation insurance. Bids will be reviewed for price, assessment of quality

of work and any history of timeliness of work completion. Once a decision is made, all bid documents shall be retained for 2 years and the winning bid document shall be retained as proof of the agreement for a period of 7 years.

## **11.00 RESERVES AND DESIGNATED GIFTS**

### **11.10 Policies**

Unity of Lehigh Valley will build and maintain an operating reserve to assist in maintaining financial stability. The target for the operating reserve will be two months of general operating expenses with an initial reserve of one month.

Unity of Lehigh Valley will allow designated gifts from the congregation for specific Board approved purposes (i.e. building fund, education fund).

The Board may designate surplus general fund income of Unity of Lehigh Valley for specific purposes, upon recommendation by the Senior Minister.

### **11.20 Procedures**

During the annual budget preparation, upon recommendation by the Senior Minister, the Board will review the operating reserve and set a target for funds to be set aside that year, if necessary. The Senior Minister will be responsible to maintain the operating reserve.

Designated gifts will be received from the congregation and recorded in QuickBooks in separate funds from the general fund. Disbursements from these funds will be in alignment with the intent of the designated fund, and in compliance with the procedure set out in section 4.26.

## **12.00 INTERNAL CONTROLS**

### **12.10 Policies**

The review of internal controls is one of the most important procedures the Board has for fulfilling its fiduciary responsibilities to Unity of Lehigh Valley.

The Senior Minister and Board Treasurer in consultation with the Administrator establish internal controls pertaining to the accounting records and separation of duties.

The annual assessment of the financial records should include a review of current internal controls in place.

### **12.20 Procedures**

Whenever there is a change in administrative personnel or a change in the operating structure of Unity of Lehigh Valley, the Treasurer and Senior Minister will meet to determine that the internal control system continues to meet the needs of Unity of

Lehigh Valley. If appropriate, the changes will be reflected in this accounting and finance policies and procedures manual.

There should be segregation of duties within the accounting cycle to the greatest extent possible.

## **13.00 BUDGETING**

### **13.10 Policies**

Unity of Lehigh Valley Board is responsible for approving the annual budget.

The Treasurer is responsible for guiding the budget process and for recommending to the Board and the membership the annual budget.

The Senior Minister and Administrator will be responsible for preparing the proposed budget with the assistance of the ministry leadership.

### **13.20 Procedures**

The budgeting process will begin in August for the following fiscal year beginning November 1. This will allow for nine months of results to be used in planning the budget.

All budget documents will be submitted to the Senior Minister for consolidation into an overall church budget. The Senior Minister will then review this to determine if there are any obvious areas that may need to be reworked. The collated budget will be entered in QuickBooks and submitted to the Board by the end of August for review and feedback at the September board meeting. Any further revisions will be made and the budget presented to the Board by the beginning of October for review and final approval. The church membership will review the budget at its annual meeting in October.

## **14.00 COMPUTER AUTHORIZATIONS AND BACKUP**

### **14.10 Policies**

The accounting computer and software will have access controlled by passwords. The Administrator will be given an administrative password and will control which other personnel will be given passwords. The Senior Minister will be aware of the administrative password.

The QuickBooks data file will be backed up on a regular basis. Back-up files will be maintained in a secure manner.

QuickBooks software will be upgraded every three years in order to stay up to date with current support and technology.

## **14.20 Procedures**

### **14.21 Passwords**

The Administrator will maintain a record of all authorized users and the level of password access each user has. Passwords will be changed when there are changes in personnel with access.

### **14.22 Backup**

The back up procedures are designed to maintain records of various periods until that period is closed.

The Administrator will ensure that the appropriate backups are made and maintained. The Administrator will provide the Senior Minister, the President and Treasurer of the Board with information regarding the location and regularity of back-up information.

## **15.00 ACCESS TO RECORDS AND RECORD RETENTION**

### **15.10 Policies**

The records of Unity of Lehigh Valley are generally open to public inspection due to IRS rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the Senior Minister. Questions in this area are to be resolved by the Senior Minister. If the answer to a request is unclear the Senior Minister may contact Unity of Lehigh Valley's attorney for a consultation.

Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.

### **15.20 Procedures**

#### **15.21 IRS Forms**

Payroll tax forms are not public information and will not be released.

The IRS determination letter for the Association of Unity Churches International, which ULV operates under, is available to anyone upon request for a free review in our office.

#### **15.22 Personnel Records**

All requests for personnel records, job references and credit inquiries will be referred to the Senior Minister.

### **15.23 Financial Information**

Financial statements and other financial information is regularly distributed to Unity of Lehigh Valley employees and the Board. Financial reports that are part of the routine Board minutes may be available to congregation members. Any requests for additional information must be approved by the Senior Minister.

### **15.24 Records Retention**

A schedule of record retention follows. Any discarding of records should follow this schedule. However, prior to discarding of records, the permission of the Senior Minister and Administrator are required to ensure that they have no reason that an exception should be made to the policy. All discarded documents are to be shredded or sent to our recycling company, which has a confidentiality agreement with us.

For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires three years after the later of the due date of the return or the date filed. While there are a few exceptions to this rule, the three-year period normally should be adequate.

For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Unfortunately, there are not specific standards that will cover all situations. The following are some of the factors that should be considered:

- Federal, state, and local statutes and regulations
- Industry requirements or standards
- Potential claims or litigation
- Contract requirements

**P** means records should be kept permanently

\* Retention period begins with settlement of claims, disposal of asset, termination of contract, etc.

\*\* Some should be kept longer, e.g. checks for tax payments should be kept with the tax returns, checks for asset acquisitions should be kept with bill of sale, etc.

\*\*\* Legal and important correspondence should be kept as long as the documents to which they relate.

## RECORD RETENTION SCHEDULE

Type of Retention Period Record (Years)

Accident reports & claims .....	7*	Insurance policies & records .....	4
Appraisals .....	P	Internal reports, memos, work orders, etc. ....	2
Articles of incorporation, by laws ....	P	Inventory records .....	4
Assets records .....	7*	Invoices	
Bank statements, reconciliations.....	4	Fixed assets .....	7
Bills of sale-assets.....	7*	Sales & general expenses .....	4
Budgets & projections .....	2	Leases .....	7*
Cancelled checks – general .....	4**	Ledgers & journals	
Capital stock & bond records.....	P	Cash receipts & disbursements ...	P
Charts of accounts .....	P	General ledger, journal entries ....	P
Check vouchers, stubs.....	4	Payroll journal .....	4
Contracts & agreements .....	7*	Purchases & sales .....	7
Correspondence		Subsidiary ledgers (receivables, payables, etc.).....	7
Credit and collection.....	7	Licenses.....	4*
Routine with customers or vendors.	1	Minute books.....	P
Other .....	4***	Mortgages.....	7*
Credit memos .....	4	Notes.....	7*
Damage and theft reports.....	7	Pension & profitsharing records.....	P
Deeds .....	P	Petty cash records .....	4
Deposit slips .....	4	Purchase orders, invoices .....	4
Depreciation schedules.....	7*	Receiving reports.....	4
Employee records		Repair & maintenance records .....	4
Contracts .....	7*	Sales records & cash register tapes	4
Disability, unemployment claims...	7	Shipping reports .....	4
Employment applications .....	4	Tax returns and related records	
Expense reports.....	4	Income .....	P
Personnel files .....	7*	Payroll .....	4
Time reports, earnings records.....	4	Sales and use.....	4
Withholding & exemption certificates (W-2, W-4, etc.).....	4*	Union contracts .....	P
Financial reports			
Annual, audited .....	P		
Interim.....	4		
Freight bills, bills of lading .....	4		

## **16.00 MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL**

### **16.10 Policies**

The accounting and finance policies and procedures manual is important to the accounting function of Unity of Lehigh Valley.

The Senior Minister is responsible for maintaining the manual.

All proposed changes must be approved by the by the Senior Minister.

The policies and procedure manual will be dated with the date of each approved revision.

### **16.20 Procedures**

Periodically the Senior Minister, the Administrator and the Board Treasurer will review the manual and formulate proposed changes. The Senior Minister must approve all changes in writing.

Whenever changes to the accounting procedures are made, a review of the accounting policies and procedures manual will be made by the Senior Minister to determine if a revision is required.

The revised manual will reflect the revision date and will be available to the Administrator, Senior Minister and Board Treasurer electronically. A paper copy will be maintained and available for review by the Board and any congregation member.

## **17.00 PROPERTIES AND EQUIPMENT INVENTORY**

### **17.10 Policies**

An inventory of all property and equipment will be maintained. The inventory document will contain sufficient information for insurance requirements and should be updated annually. An annual physical inventory of bookstore property will be completed and documented.

### **17.20 Procedures**

The Board may authorize a video or photographic record of each ministry space to provide evidence of condition of equipment and include any newly acquired property and equipment.