

operating revenues, the council or subcommittee shall consult with the Board of Trustees by no later than September 15 in advance of final approval of the budget as to whether the anticipated endowment or other capital fund will be available for the proposed use for the fiscal year in question.

## **T-12. CHECK WRITING AND DISBURSEMENT CONTROLS**

The safeguarding of assets is a basic management requirement for all organizations, whether large or small, profit seeking or not-for-profit. Within the Presbytery of Detroit, the overall responsibility for the day-to-day financial control is assigned to the Financial Administrator who reports to the Executive Presbyter and the Corporate Treasurer.

The Financial Administrator, assisted by the Financial Assistant, maintains the accounting records by recording all income and expense transactions, prepares vouchers for disbursement requests, generates payroll and disbursement checks for authorized signatures and prepares financial reports.

### **Voucher Approval**

Request for disbursements require completion of a Voucher request. This document lists the Work Group\ Description\ Payee and Amount Requested and is accompanied by the original vendor invoice\expense report. The approver, who is generally the Ministry Committee Chair, submits Vouchers to the Financial Assistant for Processing.

The Financial Administrator will review all voucher requests for budgeted funds availability and the applicable general ledger coding before checks are written.

### **Check Signing**

The Financial Assistant will prepare checks on the basis of an approved voucher request. Voucher requests received by Monday at 5:00 PM will be processed for payment and checks issued for approved signatures by 12:00 PM each Wednesday.

All checks up to \$ 1,000 will be signed by the Executive Presbyter, or in his or her absence, any of the authorized signatories. A second signature, one of either the Treasurer, President or Corporate Secretary will be required for checks over \$1,000.

### **EFT Transfers**

The Financial Administrator is authorized to initiate the following transfers: Bi-weekly payroll (for direct deposit employees), Bi-weekly Federal withholding\FICA\Medicare deposit, Monthly Board of Pension Dues

### **Interbank Transfers**

The Financial Administrator is authorized to transfer funds between cash accounts of the Detroit Presbytery, and shall maintain a log of such transfers.

*Reported to Presbytery 9/23/09*

## **T-13 VOLUNTEER DRIVER GUIDELINES. Made P-23 4/22/14**

## **T-14 ON APPROVING CONTRACTS GREATER THAN \$10,000**

Any contract where there is an obligation of \$25,000 or more shall be reviewed by the Trustees and outside counsel.

*Reported to Presbytery 8/25/09. Amended 9/27/16*

## **T-15 SALES CONTRACTS FOR THE SALE OF BUILDINGS**

1. Broker Listing Agreements. Listing agreements with a broker should be reviewed by counsel before being signed, because there are many items which brokers do not include in their forms which can be added to protect a seller. Attached is a draft Rider with various provisions which should be considered by Presbytery and/or the local church before signing a listing agreement, and which should be incorporated into the listing agreement as appropriate to the particular transaction.
  - a. Broker commissions can vary from 3% to 7%. Meeting with several different brokers may result in savings on the commission.
  - b. Varying "broker protection periods" can be negotiated.
  - c. The various requirements for purchase agreements (please see Item 2 below) should be included in the broker's listing agreement.
  - d. If the seller has been negotiating with a particular party already, consider excluding that party from the broker's commission, entirely or in part.
2. Sales Contract/Purchase Agreement. The sales contract should be submitted for attorney review before being signed by the Presbytery or the church. Once a church has signed an agreement, it's much harder for Presbytery to get changes made. Particular considerations which should be considered in connection with a sales agreement are:
  - a. Allocation of Purchase Price. If both real estate and personal property (easily movable property) are being sold together, the agreement should allocate the aggregate purchase price between realty and personalty. Real estate sales involve a transfer tax which is usually paid by the seller, unless the contract provides differently. If the price for personal property is separately stated, there is currently no transfer tax on personal property. In addition, if a land contract is used for financing, a different remedy must be used to take back the personal property.
  - b. What is not being Sold? If the seller wants to keep any components of the building (stained glass, for example), the sales contract should expressly exclude those items.
  - c. Inventory of What is Being Sold. A detailed inventory of the personal property (easily movable property) that is being sold along with the real estate should be prepared and attached as an exhibit to the purchase agreement. If the broker is expected to prepare this inventory, the price for that work should be negotiated and agreed on up front. This should be done before the purchase agreement is signed, so that both parties know for sure just what is being sold.
  - d. Carrying Costs. If the due diligence period is going to be longer than 60 days, or if delays arise for which the Buyer seeks extensions, the seller should consider getting the prospective buyer to pay additional nonrefundable fees for extending the agreement. If the building is empty, the seller may also want to get the buyer to pay upfront all or a negotiated part of security costs, utilities, and other carrying costs during the period before closing.
  - e. Land Contract Sale? If the sale is proposed to be a land contract sale, please see Item 3 below.
  - f. Financing Commitment. If the buyer is getting third party financing, a binding commitment from the lender should be reviewed before the agreement is signed. Evidence that the buyer has the money for the down payment should also be reviewed before the agreement is signed.

- g. Is there Debt owed to Presbytery, Synod or General Assembly? This would be good to check out upfront, so the selling church is aware of the required payment.
3. Land Contracts/Seller Financing. If a land contract sale (or other seller financing) is proposed, the following should be included in the Sales Contract/Purchase Agreement:
- a. Financing Document Prep Fees. The buyer should pay the costs incurred by Presbytery and/or the local congregation for drafting the land contract or other Seller financing documents.
    - i. Financing documents include: land contract, memo of land contract, deed in escrow agreement, land contract discharge documents, borrowing resolutions, etc. Borrowers pay these costs for mortgage lenders, and a seller is taking a risk when accepting an installment sale rather than cash up front.
    - ii. A nonrefundable flat fee should be charged to the buyer up front in the Sales Agreement, and this fee should be paid to Seller when the Sales Contract/Purchase Agreement is signed.
  - b. Due Diligence Requirements. Due diligence should either be done before the sales agreement is signed, or as a contingency to Seller's obligation to close. Due diligence review can include: review of financial statements, confirmation of bank holdings and investment holdings, name search in debtor databases, review of credit reports; reviewing credit references acceptable to seller & seller's attorney; reviewing payment timeliness on other debt obligations of the buyer. The costs of obtaining credit reports and other information and reviewing it should be charged upfront to the buyer.
  - c. Amortization Statement. An amortization statement should be attached as an exhibit to the purchase agreement/sales contract.
  - d. Monitoring of Land Contract. After the land contract is signed, the seller and/or Presbytery must be prepared to carefully monitor the following until final payment is made:
    - i. Are the monthly payments made timely?
    - ii. Is insurance being maintained by the buyer?
    - iii. Are taxes being paid (if applicable)?
    - iv. Did the buyer obtain tax exemption for their use of the property? (If not, taxes may be unnecessarily assessed which, if not paid, could result in tax foreclosure.)
    - v. Is the property being properly maintained by the buyer? Inspections by the seller and/or Presbytery should be done regularly.

*Reported to Presbytery 11/24/09*

#### **T-16 ON NEW CHURCH DEVELOPMENT ACCOUNTING**

All disbursements to an organizing pastor or a new church development shall be made through the Presbytery's financial procedures until the new church development is chartered.

*Reported to the Presbytery 6/26/12*

#### **T-17 Policy Statement for Cash and Line of Credit**

In the normal business operations of the Presbytery of Detroit cash and cash equivalents are kept in Bank checking and money market accounts.