



To: Green Level Baptist Church Membership

From: The Finance Committee

Re: Annual Internal Review for 2019

The purpose of the Finance Committee is to help the membership of Green Level Baptist Church to be good stewards of the many financial blessings the church has been given as we use those blessing to minister to others. 2 Corinthians 9:7 tells us God loves a cheerful giver. Green Level is blessed with a congregation filled with cheerful givers.

Following is the Annual Internal Review for 2019. The church's Constitution states in Article VII, Section 1, C12: *The Trustees, in cooperation with the Finance Committee, shall be responsible for ensuring that an internal financial review is conducted annually, and a written report is provided to this church.*

This document includes reviews of the following:

- Church bank accounts including check signing
- General Cash Fund and Restricted Funds
- Fund disbursement and deposit procedures including online giving
- Giving statements
- Party contracts
- Credit card use and sales tax reimbursement

There were no major issues and only a few recommendations generated in this internal review.

Please feel free to contact any member of the Finance Committee with any questions. Contact information is available on Breeze or at the church office.

Trudi D'Ambrosio, Treasurer
Amy Owen, Assistant Treasurer
Luke Lathan, Chairman of the Deacons
Kenneth Ragland, Sunday School Director
Wayne Roberts, At-large Member

Summary overview of church banking accounts: The following Balance Sheet information is found on the second page of the Financial Monthly Reports.

Accounts info from Monthly Financial Statements	Balance Overview		Total 2019 Interest Credited	Purpose of the Account
	2018 Dec 31	2019 Dec 31		
Southern Bank Checking Acct 2922 APY (annual % yield)=0	\$0.00	\$72,890.81	\$0.00	Checking account opened in January 2019 as main checking account for deposit of weekly offering checks and paying bills, payroll and approved benevolences. Opening the account with Southern Bank reduced loan interest from 4.57% to 4.25%
Southern Bank Reserve Acct 1333 APY=varying	\$0.00	\$469,625.25	\$12,919.78	Interest bearing money market account. Opened in January 2019 to hold and draw interest on funds transferred from BB&T accounts.
BBT Checking 3863 APY = 0%	\$171,730.86	\$12,019.18	N/A	Checking account for deposit of weekly cash offerings and paying BB&T church credit card via funds transfer between accounts.
BBT Reserve Acct 7767 APY = 0.75%	\$1,624,314.99	\$35,615.87	\$2,586.25	Interest bearing money market account. Opened in March of 2016. A balance of at least \$35,000 is held to avoid fees for use of BBT Checking 3863 as cash deposit account.
BBT Renovation Acct 2480 APY = 0.75%	\$682,908.17	\$0.00	\$691.01	This account was established prior to Raise Up Reach Out (RURO) and was closed March 2019. Bank funds were moved to Southern Bank Money Market account.
BBT Investment Money Mkt 6201	\$0	\$0	N/A	For receiving gifts of donated investment stocks or other financial security instruments which are immediately sold.
Merrill Lynch Scholarship Account	\$165,538.34	\$192,667.26	\$ 0 Dividend re-investment	A portfolio of mutual funds established as a Restricted Account for funding annual university scholarships for eligible church members from the annual market increase in the overall fund.

To take advantage of a lower loan interest rate and zero fees on banking services during the duration of the loan, two Southern Bank accounts were opened in January of 2019: a checking account and an interest-bearing money market account. Because Southern Bank does not have any branches in the area, offering checks are scanned in weekly. Cash offerings are deposited into the existing BBT Southern Bank account. These cash deposits are used to pay the monthly BBT Credit Card bill via transfer. The BBT Reserve money market account was kept open with a balance of at least \$35,000 to prevent fees on the BBT checking account.

Total Assets Summary from Monthly Balance Sheet (includes Sales Tax as Other Receivables):

- 2018 Year End Financial Assets Balance (December 2018 Report): \$2,645,616.72
- 2019 Year End Financial Assets Balance (December 2019 Report): \$818,369.95

Total Financial Assets Net Difference 2018 – 2019 End-of-Year	Decrease of \$1,827.246.77
---	----------------------------

Total Assets Summary Recommendations:

Total Financial Assets Net Difference between 2018 and 2019 is negative due to spending of Raise Up Reach Out and Renovations restricted funds on new building. Total Financial Assets on Monthly Balance sheet do not adequately reflect total assets such as land and buildings. It is recommended Building and Land assets and corresponding liabilities be added to the Monthly Balance Sheet. Note: This recommendation had been approved by the Finance Committee.

Check Signing Authority

Accounts	Check Signers	Checks and Balance Notes
Southern Bank Checking Acct 2922	Treasurer, Assist.Treasurer and Trustees as backup	Only trustees have authority to add/delete check signers as well as add other accounts as needed by contacting Southern Bank and properly identifying themselves. These actions must be performed by an active trustee before their term of service expires.
Southern Bank Reserve Acct 1333	None-there is no checkbook	Account funds needing to be dispersed are transferred to Southern Bank checking via online banking. Likewise, deposits to this account are transferred from Southern Bank checking to this account via online banking. All transfers are monitored by the Accountant vendor on monthly account statements which are used for monthly reconciliation and financial reports reviewed by the church congregation.
BBT Checking Acct 3863	Treasurer, Assist.Treasurer and Trustees as backup	Only trustees have authority to add/delete check signers as well as add other accounts as needed by contacting BB&T and properly identifying themselves. These actions must be performed by an active trustee before their term of service expires.
BBT Reserve Acct 7767	None-there is no checkbook	Account funds needing to be dispersed are transferred to BBT checking via online banking. Likewise, deposits to this account are transferred from BBT checking to this account via online banking. All transfers are monitored by the Accountant vendor on monthly account statements which are used for monthly reconciliation and financial reports reviewed by the church congregation.
BBT Investment Acct 6201	None-there is no checkbook	Donated investment stocks are deposited into this account by donor's broker. The treasurer or assistant treasurer authorizes sale of stock. Proceeds from sale are deposited into Checking account (3863). All transfers are monitored by the Accountant vendor on monthly account statements which are used for monthly reconciliation and financial reports reviewed by the church congregation.
Merrill Lynch Scholarship Account	Trustees only	The scholarship checks are generated by Merrill Lynch at the request of the trustees and sent directly to the schools of the scholarship recipients. This account is not connected with the church ACS software system in any way.

The Standard Operating Procedures require the treasurer to review check images for unusual signatures annually in February. Check images are included with the bank statements and are reviewed monthly. All checks reviewed had a valid signature.

It should be noted, most checks are generated online through Southern Bank checking. The checks are generated by Southern Bank and mailed, at no cost, from Southern Bank. The Account vendor submits the approved requested payments using the Southern Bank website. The requests are approved by the treasurer and, if required, the appropriate committee chair. A report of Southern Bank generated checks is generated each week. This report is reviewed and verified against check requests by the assistant treasurer.

Review of General Fund Cash

The General Fund Cash value is reported on the first page of every Monthly Finance Report and is the Total Cash Balance of all financial accounts minus the Designated Funds that are already promised to be disbursed in a particular manner. The Designated Funds are made up of Temporary Restricted Accounts and the Permanent Restricted Account (GLBC Scholarship Fund) found on the last page of the Monthly Finance Report. For a simple example, if the Total Cash Balance were \$100 which included \$40 designated for Cemetery Fund, and if there were no other Restricted Accounts, the General Fund Cash would be \$60.

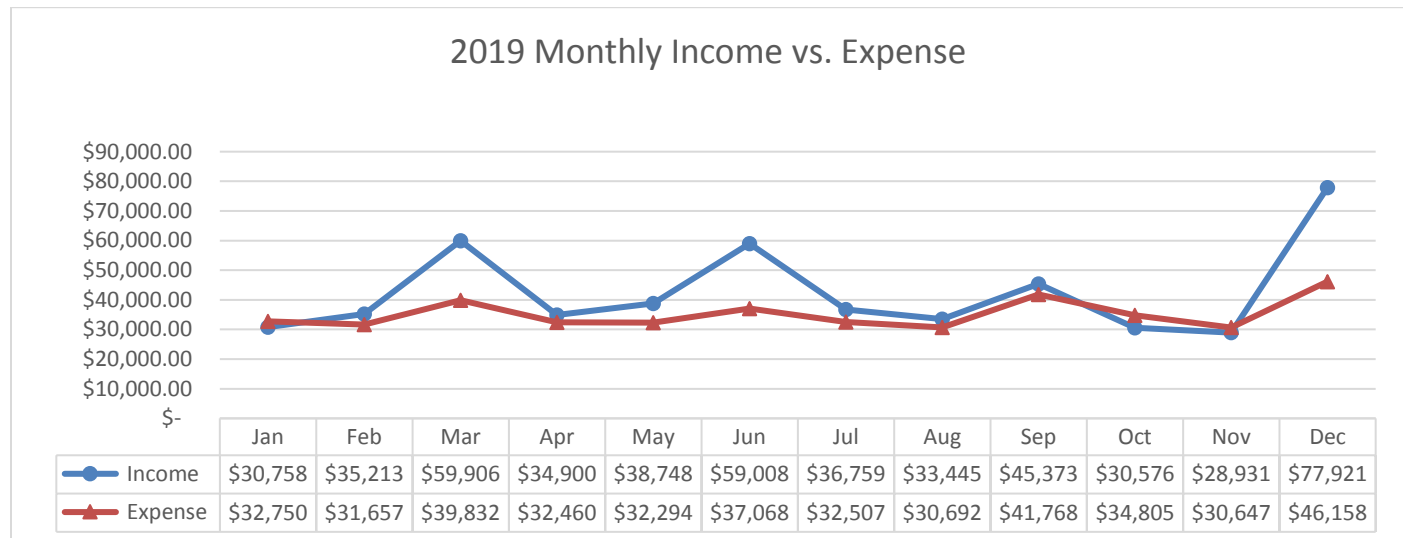
The General Fund Cash amount is the only source of money to pay routine obligations and payroll that are not otherwise promised as Restricted Accounts. The General Fund Cash amount increases when undesignated church offerings are deposited every week and reduced whenever checks are written to pay for church expenses.

General Fund Summary:

- 2018 Year End Balance (December 2018 Report): \$220,443.46
- 2019 Year End Balance (December 2019 Report): \$278,310.47

End-of-Year General Fund Net Difference 2018 – 2019	Increase of \$57,867.01
---	-------------------------

The General Fund is directly impacted by monthly giving and expenses both which tend to fluctuate. As is seen in the following graph:



From the above graph it is evident giving is lower at the beginning of the year and at the beginning of the fourth quarter. Following dips, giving immediately begins upward trends.

The monthly expenses remained relatively stable. March, September, and December expenses were higher in part due to regular insurance payments. December expenses were also higher because monthly credit card charges were credited to December when they are usually reported the following month. This was done to keep as many 2019 charges paid within the year.

Review of Restricted Fund

Restricted Fund Accounts are reported in each month's Financial Report on the last page. The sum of the Restricted Fund Accounts is also found on the front page of the Financial Report listed as Designated Funds under the Cash Balances heading. Money in these accounts is donated as designated giving for a specific purpose. There are two types of Restricted Accounts: temporary and permanent.

The Scholarship fund is the only Permanent Restricted Account. This Merrill Lynch account is managed by the Trustees and used to provide annual scholarships to eligible church members.

Permanent Restricted Fund Total Summary:

- 2018 Year End Balance (December 2018 Report): \$165,538.34
- 2019 Year End Balance (December 2019 Report): \$192,667.26

End-of-Year Permanent Restricted Fund Net Difference 2018 – 2019	Increase of \$27,128.92
---	-------------------------

The Temporary Restricted accounts are generally set up to hold funds for a limited time. Examples are Raise Up Reach Out, Flowers/Poinsettias, Renovations Fund, AWANA, Lottie Moon, and Annie Armstrong Mission Fund. Temporary Restricted funds must be held as designated and cannot be moved to the General Fund to be spent on other expenses unless approved by the donor. If the donor cannot be contacted, the church membership may vote to move the funds.

Temporary Restricted Fund Total Summary:

- 2018 Year End Balance (December 2018 Report): \$2,258,510.56
- 2019 Year End Balance (December 2019 Report): \$ 311,840.54

End-of-Year Temporary Restricted Fund Net Difference 2018 – 2019	Decrease of \$1,946,670.02
---	----------------------------

Notes:

- The large decrease in Temporary Restricted funds is due to the use of the Renovation and Raise Up Reach Out (RURO) funds to pay costs associated with the new building.
- After the Renovation Fund was depleted in July 2019, construction related invoices were paid out of the Raise Up Reach Out Fund.

Recommendations for Restricted Funds:

- Where appropriate require that Temporary Restricted Funds be used before spending from annual budget.
- Require either Financial Committee or Congregational approval or both to set up any new Temporary Restricted Funds.

Review of Bank Account Disbursements and Deposits:

Accounts	Deposits	Withdrawals
Southern Bank Checking Acct 2922	<ul style="list-style-type: none"> This account is the portal for routine funds in or out of Southern Bank accounts. Checks received as offerings, business obligations, refunds or reimbursements of NC state sales tax are deposited using a scanner Online banking transfers from the Southern Bank Reserve account Online giving deposits 	<ul style="list-style-type: none"> Withdrawals are done by check writing, or online banking transfers by the Treasurer, or EFT (Electronic Funds Transfer) by the Accountant vendor for payroll, paying Federal or NC Government payroll tax obligations Deductions for automatic bill-paying arrangements made in advance such as Duke Energy Transfer of funds to the Southern Bank Reserve account (1333)
Southern Bank Reserve Acct 1333	Deposits are made by transferring excess funds from the Southern Bank checking acct (2922) when funds exceed a level designated by the Finance Committee	Withdrawals are made by transferring funds online to the Southern Bank checking acct (1333).
BBT Checking Acct 3863	<ul style="list-style-type: none"> This account is the portal for routine funds in or out of BB&T Accounts Cash received as offerings Online deposit of funds from sale of BBT Investment account assets 	<ul style="list-style-type: none"> Withdrawals are done by check writing and scanning into the Southern Bank Checking account (2922). Transfer of funds to pay BB&T credit card account.
BBT Reserve Acct 7767	This account holds only the required funds and the interest accrued to those funds to prevent fees for use of the BBT checking acct 3863	Withdrawals are made by transferring funds online to the BB&T checking acct (3863)
BBT Investment Acct 6201	Deposits are made by receiving donated investment instruments into this account via BB&T Investment Services. Assets are then sold by contacting BB&T Investments via phone.	Following sale of assets, cash is deposited into BB&T checking acct (3863).
Merrill Lynch Scholarship Fund	This fund is not generally added to by deposit but does realize increase (or loss) due to market value of the portfolio	Withdrawals are done by Merrill Lynch electronically generated checks sent to the institutions attended by the scholarship recipients to carry out the decisions of the Scholarship Committee. The amount of each check is determined by the Scholarship Committee under leadership of Trustees.

Safe Guards and Notes:

- All checks (both electronically generated and paper) written from the Southern Bank checking account (2922) are created by the Church Accountant vendor on the ACS software system using computer generated checks with check stubs integrated into payroll accounting. There are no manual checkbooks. For security purposes, no church staff or volunteer have full access to the financial computer except for IT Committee system administrator. The Treasurers have view only access to the ACS software system.

- All checks written from the BB&T checking account (3863) are created by the Church Accountant vendor on the ACS software system using computer generated checks with check stubs integrated into payroll accounting. There are no manual checkbooks. For security purposes, no church staff or volunteer have full access to the financial computer except for IT Committee system administrator. The Treasurer has view only access.
- All other church accounts have no checkbooks or deposit slips. Funds are transferred in and out of those accounts electronically.
- Checks from both Restricted Accounts and Budgeted Accounts are all resolved during each Wednesday's Accounting Session with the Accounting Vendor and the church Treasurers. All disbursement requests are signed off by the Treasurer, on the check request form or in the case of recurring vendor invoices, directly on the invoice. Checks that have been approved by the Treasurer are signed by the Assistant Treasurer.
- For the Merrill Lynch Scholarship Fund, only Trustees are authorized to sign checks. Currently, scholarship checks are generated by Merrill Lynch at the request of the Trustees and sent directly to the recipient's school.

Church service offering plates and Sunday school offerings are collected on Sundays. All other funds collected from any source (except online giving) for any purpose during the week are inserted into the Lock Box with appropriate designation. All funds are counted following worship service by a two-person team, generally the Depositing Secretary and Assistant Depositing Secretary. The Counting Team verifies the names, amounts, and check numbers on envelopes and the designations and amounts on funds in the Lock Box. Only the Depositing Secretary, his assistants, and the treasurer have access to the combination.

It is church policy that checks are scanned into the Southern Bank checking account (2922) and do not leave the finance office. Southern Bank generates a report which is used as a deposit slip. The scanned checks are kept with the offering envelopes for at least two months then shredded. After being counted on Sunday, cash is returned to the safe and does not leave the safe until it is taken directly to BBT for deposit into the BBT checking account (3863). The BBT deposit receipt, the Southern Bank deposit report and a deposit spreadsheet plus annotated envelopes are all returned to the locked Finance Office prior to the Accountant vendor visit to GLBC every Wednesday morning.

Giving envelopes are necessary. According to accountant feedback, church auditors primarily prefer to see envelopes because it associates the donor name with an envelope group amount. An envelope is made for loose donation checks which indicate the name/address from the check, the amount, date of giving, and check number. The address is not required for repeat donors. The envelopes with amount and check number serve as another audit point of giving and are easily stored by year for at least seven years. Envelopes represent the giving history and facilitate resolving giving record disputes.

On Wednesday morning, the Accountant vendor uses the deposit records returned by the Depositing Secretary to annotate the deposit into the church accounting software and posts the giving records accordingly for the week's deposit. There is only one deposit per week except in the case of the church BBQ, a separate deposit is made following the event.

Recommendations:

Review of Bank Account Disbursements and Deposits findings indicate no action required at this time.

Review of Online Giving

Online giving automatically flows by electronic funds transfer into the Southern Bank checking account. Bank policy is, at times, to bundle the amounts of several online donor amounts into a single deposit. A summary spreadsheet detailing each donor's separate instance of online giving is retrieved weekly by the Accountant vendor. The Accountant vendor then posts the giving records of those who have donated electronically. All individual transactions are balanced with batch amounts deposited. It should also be noted that online giving is included in regular giving statements.

The current costs per transactions of Breeze online giving are as follows:

ACH (Automated Clearing House) – 1% of transaction plus \$0.25

Credit Card – 2.9% of transaction plus \$0.30

There are no additional base monthly costs for using Breeze for online transactions beyond the current monthly fee to use the Breeze Church Management software which the church is already paying.

2019 Totals for online giving:

Software Application	Total Contributors	Total Contributions
Breeze (started in Sept 2018)	33	498

Fund	Amount
Tithes and Offerings (409)	\$127,879.55
Raise Up Reach Out (36)	\$ 14,720.00
Lottie Moon Missions Offering (6)	\$ 865.00
AWANA Registration (15)	\$ 660.00
NC State Missions Offering (4)	\$ 360.00
Bible Study (2)	\$ 30.00
Youth Fund (6)	\$ 2,099.00
Books (3)	\$ 30.00
Annie Armstrong Offering (1)	\$ 150.00
Spring Break Mission Trip(1)	\$ 160.00
BBQ (4)	\$ 80.00
GLBC t-shirts(1)	\$ 16.00
Woven – dues/fees (8)	\$ 400.00
Haiti Student Mission Trip	\$ 100.00
Total	\$147,549.55

For comparison, in 2018, there were 33 online donors for a total of \$104,344.00.

Recommendations for online giving: For more consistent giving, members can set up automatic giving through their banks usually at no charge or through Breeze at the charges listed above.

Giving Statement Review

Giving Records are maintained for each donor to record the precise amount of church offerings that qualify donors to claim a tax deduction for giving to GLBC as an IRS 501(c) 3 organization. A total of 140 Giving Records were generated in January 2020 for the 2019 giving year. Realm, the software used to record giving, now allows giving statements to be distributed electronically. Ninety-nine of the giving records were emailed to the donors, 25 were mailed, 9 were given directly to the donors and 7 were for accounts that did not need distribution such as Miscellaneous Contributor, Woven and Awana Registration or did not have associated mailing addresses.

Feedback is a good indicator of problems that may exist in the accurate record keeping and reporting of giving. Two giving statements were returned by mail due to incorrect addresses and one could not be forwarded. Six statements were emailed a second time when requested by the donors. Three statements were printed, and hand delivered due to issues printing the statement by the donors.

It was noted by two donors that the Raise Up Reach Out Campaign pledge total was incorrect. The pledges in question were received after December 4, 2019. The Campaign period was December 1, 2016 – December 4, 2019. Pledges given after that time were not accumulated in the pledge total. Total giving was correct. The Raise Up Reach Out Campaign will not be included on the 2020 Giving Statements.

Recommendations for Giving Statements:

Review indicates no further action required unless there are additional complaints received.

GLBC Giving Profile Metadata for all 2019

The table below is made up of data reported by Realm on 135 giving records. A giving record can be made up of an individual person or a married couple.

Giving Amounts Distribution by Giving Record	
Range	Count of Giving Records w/in Distribution
Less than \$100	10 (total \$ 381.07/10 = \$ 38.11 avg)
Between \$100 & \$1000	28 (total \$ 12,499.33/28 = \$ 466.40 avg)
Between \$1,000 & \$2,000	16 (total \$ 21,291.00/16 = \$ 1,330.69 avg)
Between \$2,000 & \$4,000	30 (total \$ 86,169.95/30 = \$ 2,872.33 avg)
Between \$4,000 & \$6,000	17 (total \$ 84,716.08/17 = \$ 4,983.30 avg)
Between \$6,000 & \$10,000	18 (total \$139,930.41/18 = \$ 7,773.91 avg)
Between \$10,000 & \$15,000	9 (total \$114,266.00/9 = \$12,696.22 avg)
Between \$15,000 & \$25,000	2 (total \$ 34,225.00/2 = \$17,112.50 avg)
Between \$25,000 & \$50,000	3 (total \$105,055.00/3 = \$35,018.33 avg)
Greater than \$50,000	2 (total \$110,369.74/4 = \$55,184.87 avg)

The total giving is \$708,903.58 and is made up of General Fund giving as well as donations to restricted funds such as Raise Up Reach Out, Annie Armstrong and Lottie Moon missions giving, etc. General Fund giving for 2019 was \$500,039.68 and Raise Up Reach Out was \$170,766.28.

Review of Party Contracts

Per the Standard Operating Procedures, party contracts made with church members or member families are reviewed annually by the treasurer to determine that they are the same quality and cost as could be obtained from an independent vendor. Findings for 2019:

- Housekeeping contract with Sonya Prince was found to meet the review requirements for 2019.
- The Groundskeeper contract met review requirements. In addition, the groundskeeper vendor is NOT a church member in 2019.

Recommendations for Party Contracts: No action required at this time.

Overview of Credit Card Use and Sales Tax Reimbursement

Profile of Each Specific Credit Card User Group				
<i>Credit Card Accounts</i>	<i>Issued to*</i>	<i>Monthly Limit/ Person</i>	<i>Total Monthly Limit</i>	<i>Interest incurred?</i>
BB&T Visa	Pastor David (Senior Pastor)	\$2,000	\$10,000	No
	Jeff Staley (Properties Chair)			
	Pastor Marshall (Assoc Pastor) Angela Tilly (Office Manager) John Ferrell (Custodian) Amy Ferrell (AWANA Director)	\$1,000		
	Fran Ferrell (Kitchen)	\$3,000		
Lifeway	Credit is issued to church staff plus Shari Penland & Cliff Prince whose names are on file at the Lifeway Store at Crossroads.	None	None	No

*Card holders are determined by Finance Committee and administered by church treasurer.

- Credit cards are paid in full monthly. No interest has been incurred.
- For the BB&T Visa, the church Treasurer is the point of contact when applying for new cards and establishing credit limit. This is done by calling the BBT representative. The Treasurer also uses online access to monitor card usage and individual user balances.
- Monthly credit card statements are reviewed and reconciled against receipts turned in by three-person Accountant vendor/ Treasure/Assistant Treasurer Team. This process has resulted in recovery of a portion of the NC state sales tax shown in the next table below.

Recommendation: No action required at this time.

Review of NC Sales Tax Reimbursement for 2019

Sales tax reimbursement is received from all eligible purchases. Receipts are required. Tax is 2% on food purchases (prepared food such as pizza is NOT eligible for the refund), 7.5% on non-food purchases from Durham County and 6.75% on non-food purchases from all other counties including Wake County. Sales tax reimbursement is only distributed by the state twice a year for 6 month periods of January 1 to June 30 and July 1 to December 30.

Time period	Amount
July 1 – December 31, 2018	\$ 1,124.36
January 1 – June 30, 2019	\$10,379.78
Total Sales Tax Reimbursement received in 2019	\$11,504.14