

November 2024 Newsletter
Booklet Insert

1. Independent Accounts' Report on Applying Agreed-upon Procedures
2. St. John Lutheran Church Endowment Policy (DRAFT)
3. By-Laws of St. John Lutheran Church, Russell, Kansas (DRAFT)

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Church Council
St. John Lutheran Church

We have performed the procedures enumerated below on the records and transactions of the St. John Lutheran Church as of December 31, 2023. Church Council is responsible for the records and transactions of the St. John Lutheran Church.

Church Council of the St. John Lutheran Church has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Church Council in completing its annual agreed-upon procedures. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Procedures and finding are as follows:

POLICIES AND PROCEDURES

Review the congregation's procedures relating to the accounting, finance and treasury functions. Ensure these procedures are up-to-date, have been approved by the Congregation Council and address the following areas: Offerings (Sunday and special), Cash Receipts/Donations, Bank Accounts and Investments, Expenses/Disbursements, and Payroll.

- Reviewed the procedure document. The policies are not up-to-date and there is no evidence if the document was ever approved by Council. The document does not address bank accounts and investments.

Obtain council minutes from January 1, 2023 to December 31, 2023 and trace any financial-related issues or action over \$5,000 approved in minutes and ensure they are appropriately reflected in the financial records.

- Transactions over \$5,000 approved in the minutes are appropriately reflected in the financial records.

BANK AND INVESTMENT

Obtain a listing of all bank and investment accounts in the name of the congregation and send a letter to each financial institution, signed by an authorized signer from the congregation requesting the balance in each account as December 31, 2023. Also ask the institution for a listing of people who are authorized signers on each account, including a listing of all authorized to make transfers by phone or online banking.

- Each bank account and investment account was confirmed with the financial institutions. A list of authorized signatures, including who is authorized to make transfers was acquired on all accounts except for the mission investment accounts.

BANK RECONCILIATIONS

Obtain the bank statements and related reconciliations for December 31, 2023 and review the bank reconciliations for accuracy. (Ensuring all reconciling items are relatively current.) Trace year end reconciled balances to the financial records.

Page 2

- Bank reconciliations for December 31, 2023 appear to be accurate and items are current within the last four months of the year. Traced year end reconciled balances to the financial statements. Youth accounts are not included in the church's financial information.

PETTY CASH

Obtain the petty cash fund and count the cash and receipts residing in the fund. Also reconcile the total amount to the petty cash fund listed on the congregation's balance sheet.

- The petty cash box was counted. The petty cash amount was not reconciled to the balance sheet because it is not on the balance sheet. Since the establishment of this petty cash fund, it has only been used one time. There is not a reimbursement policy in place for the petty cash fund.

INCOME: RECEIPTING AND RECONCILING

Obtain copies of the tax letters sent to each donor for the year under review and calculate the total of the tax letters sent to the donors and reconcile this total to the general ledger.

- Obtained copies of the tax letters, calculated the total and reconciled the total to the general ledger.

INCOME: OFFERING COUNTING

Randomly select 10 offerings from Saturdays or Sundays during 2023, match the cash counting sheet to the deposit tickets for those offerings to the bank statements.

- Ten offerings from Saturdays or Sundays during 2023 were selected. From the cash counting worksheets, it appears the money is being deposited on the following Monday. It appears Saturday and Sunday offerings are being combined.

DISBURSEMENTS

Select 25 checks written during 2023 to ensure each check is signed by an authorized person and that the signature agrees to the signature card on file at the bank. Ensure that the check stock is securely stored under lock and key and a limited number of people have access. Ensure blank checks are not signed in advance.

- 25 checks written during 2023 were selected. Each check was signed by an authorized person that agrees to the signature card on file at the bank. Check stock is securely kept under lock and key. The blank checks are not signed in advance.

With the same 25 checks, trace each expense to its original invoice, and ensure it agrees to the amount recorded in the general ledger and has been properly approved by an authorized person per existing congregation policy. Ensure all invoices selected were paid in a timely manner in compliance with the terms stated on the invoice. Ensure each invoice is coded with the account number to be charged and is properly classified in the general ledger and the financial statements.

- Each check was traced to the original invoice, agrees to the amount in the general ledger, and was properly approved by an authorized person. Each check appeared to be paid in a timely manner and was charged to the correct account number and classification in the general ledger.

CREDIT CARD TRANSACTIONS

Obtain the monthly credit card statements and all relevant support for the year under review and review each monthly statement for unusual charges, or changes with no apparent business purpose. Review attached support to ensure changes are properly supported. Review the expenses classifications to ensure proper recording into the general ledger.

- Obtained monthly credit card statements and all relevant support was reviewed for unusual charges or changes. There were two missing receipts and four receipts that did not agree to the credit card statement.

Page 3

The missing receipts were later provided when asked and the four receipts that did not agree to the credit card statement either had to do with additional sales tax or a difference in items shipped verse what was ordered. Expenses were classified in the general ledger correctly.

PAYROLL

Obtain a list of the employees and their 2023 W2's, reconcile to the general ledger wage expense. Verify that a completed and signed W-4 and I-9 are on file for each employee. Obtain all the federal form 941s (Employer's Quarterly Federal Tax Return) and applicable state 941 (or equivalent) forms completed for the year under review and ensure the total of the taxes paid on form 941 agrees with the total of the payroll tax expense listed on the congregation's W-2s and reported on the congregation's W-3.

- Obtained 941s, W2, and W3 for 2023, all information reconciled. Each employee's W2 agreed to the general ledger except one.
- Employee files were obtained and each file did not include an up-to-date W4, K4, I9, Drivers License, and Social Security Card.
- Total wages and payroll taxes reported on the books were able to be tied to the 941/W2/W3, however, the wages and payroll taxes are not accurately reflected in the books.

We were engaged by Church Council of the St. John Lutheran Church to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the records and transactions of the St. John Lutheran Church. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the St. John Lutheran Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Church Council of St. John Lutheran Church and is not intended to be and should not be used by anyone other than these specified parties.

Gudenkauf + Malone, Inc

Gudenkauf & Malone, Inc.

Russell, Kansas

October 3, 2024

KJ/kj

St. John Lutheran Church Endowment Policy (Draft)

Policy Overview:

This policy governs the management and utilization of the Church's endowed funds as established by the Edward Jones and Russell County Area Community Foundation Portfolio Analysis Report dated September 5, 2024. The policy delineates the principal amounts and guidelines for access.

Edward Jones Cemetery Endowment:

Principal: \$246,274.04
Return: \$654,169.32
Total Value: \$900,433.36

Established: 1998, Funds placed with Edward Jones in 2011

Guidelines:

- The principal shall not be used except in extenuating circumstances.
- Dividends from the endowment will continue to be deposited into a separate Edward Jones Money Market account, which must be depleted before any funds are accessed from the endowment.
- The return on investment may be utilized to support cemetery functions as determined by the Council, in coordination with the Cemetery Committee. The return may only be utilized if the Cemetery Money Market account is depleted.
- A maximum ceiling of \$1,000,000 is established for the cemetery account. Any balance exceeding this amount will be transferred to the Edward Jones General Fund investment account at the end of each December.

Edward Jones General Endowment 1:

Principal: \$104,782.29
Return: \$69,264.63
Total Value: \$174,046.92

Established: 2015

Guidelines:

- The principal shall not be used except in extenuating circumstances.
- The return on investment may be used to support church functions as determined by the Council.

Edward Jones General Endowment 2:

Principal: \$62,939.66
Return: \$47,837.63
Value: \$110,777.29

Established: 2014

Guidelines:

- The principal shall not be used except in extenuating circumstances.
- The return on investment may be used to support church functions as determined by the Council.

Edward Jones Mai General Endowment:

Principal: \$47,742.66
Return: \$21,514.70
Total Value: \$69,257.36

Established: 2018

Guidelines:

- The principal shall not be used except in extenuating circumstances.
- The return on investment may be used to support church functions as determined by the Council.

Russell County Area Community Foundation Endowment:

Total Value: \$48,544.39

Guidelines:

- A 5% return will be automatically paid out annually on March 15th and deposited into the General Fund checking account.
- In accordance with RCACF guidelines, the account balance is not accessible to the church under any circumstances.

Russell County Area Community Foundation Restricted Endowment:

Total Value: \$237,419.66

Guidelines:

- A 5% return will be automatically paid out annually on March 15th and deposited into the General Fund checking account.

- In accordance with RCACF guidelines, the account balance is not accessible to the church under any circumstances.

Definition of Extenuating Circumstances:

Natural Disasters: For repairs after events such as, but not limited to, floods or tornadoes.

Economic Downturns: To offset declines in donations during recessions.

Unexpected Expenses: For urgent repairs or significant capital projects.

Increased Community Needs: To expand services in response to surging demands.

Special Opportunities: To purchase property or fund unique outreach initiatives.

Legal Issues: To cover unexpected legal fees or compliance costs.

Membership Declines: To sustain operations amid reduced membership.

Health Crises: To adapt ministries and support virtual engagement during events like pandemics.

Review and Amendments:

This policy shall be reviewed annually at the Annual Congregational Meeting, and amendments may be made as necessary to respond to changing circumstances and the needs of the church.

Effective Date: [Insert Date]

Signatures:

Council President, Lee Keffer

Council Vice President, Gaylon Walter

Council Treasurer, Kylie Stoppel

Council Secretary, Carol Fritz

BY-LAWS OF ST. JOHN LUTHERAN CHURCH RUSSELL, KANSAS

SECTION 1 Annual Meeting

The annual business meeting of the congregation shall be held in the month of January, the date and time to be determined by the Congregation Council.

SECTION 2 Duties of the Officers

- a. The Congregation Council president shall serve as the president of congregation. He/She shall preside over all meetings of the Congregation Council and the congregation.
- b. The Congregation Council vice-president shall serve as the vice-president of the congregation. He/She shall preside over all meetings of the Congregation Council and the congregation, in the absence of the president.
- c. The Congregation Council secretary shall serve as secretary of the congregation. He/She shall keep accurate and complete records of the meetings of the Congregation Council and the congregation and shall report regularly to Congregation Council and the congregation. Such records shall be kept in order and be accessible whenever needed as part of the permanent records of the congregation.
- d. The Congregation Council treasurer shall serve as treasurer of the congregation. He/She shall disburse funds according to the budget of the congregation and report regularly to the Congregation Council and the congregation.

SECTION 3 Fiscal Year

The congregation's fiscal year shall coincide with the calendar year.

SECTION 4 Audit Committee

The Audit Committee shall audit the financial accounts of the congregation and all its auxiliary organizations every 3 years. A written statement as to the findings of the audit shall be entered in each set of financial books audited and the statement shall be signed by each member of the Audit Committee. The report of the Audit Committee shall be included in the annual reports to the congregation and shall be presented to the congregation for its approval.

SECTION 5 Standing Committees

- a. At its first meeting of each congregational year, the Congregation Council shall appoint as many standing committees as the local and wider concerns of the congregation shall require. Each committee shall be composed of one or more members of the council and, in addition, other members of the congregation. The council representative shall serve as liaison between the council and the committee and as recording secretary of the committee. Although appointed by and responsible to the Congregation Council, these committees shall be recognized as representatives of the interests of, and performing essential services for, the congregation as a whole. The pastor shall have voice and vote in all committees.
- b. The duties of all committees shall be assigned by the Congregation Council, along with such instructions as in its judgment are in the best interests of the congregation. All actions of committees shall be subject to review by the council.

SECTION 6 Altar Guild

There shall be an Altar Guild elected by the congregation at its annual meeting. The Altar Guild shall have a constitution that is approved by the council and congregation.

SECTION 7 Financial Secretary

The Congregation Council shall annually elect a financial secretary for the congregation who shall report to, but shall not be a member of, the Council. The Financial Secretary shall be responsible for the accurate counting and recording of all offerings.

SECTION 8 Removal of Members

Members may be removed from the roll for those reasons cited in the Constitution.

- a. Removal from the roll due to inactivity may take place, by action of the Congregation Council, when a member fails to commune or contribute (for record) for two consecutive calendar years.
- b. Such removed members will remain a matter of continuing pastoral concern for the congregation.

SECTION 9 Accounting and Internal Control Procedures

Receipts

- a. After each service, ushers will place all collected money (cash and checks) into sealed manilla envelopes, which are then deposited in the lockbox on the church office door.
- b. All offerings in the door lockbox shall be tallied in ink, dated, and signed two offering counters. The tally sheet shall be provided to the Bookkeeper and Financial Secretary. Offering counters will deposit the money at the bank the next business day following the weekend. Offering counters put the deposit into the Accounting Software by donee.
- c. All receipts received in the mail or in person through the church office shall be photocopied and tallied in ink by the Bookkeeper.
- d. Undeposited receipts shall be kept in a locked safe or file cabinet until deposited.
- e. Deposits shall be made at least once weekly by the Bookkeeper.
- f. The Bookkeeper shall reconcile the deposit receipts to the tally sheets and donee donations on a weekly basis.
- g. All donations and receipts shall be classified in accordance with the donor's intent. The Bookkeeper shall provide to the council a monthly report of donations by category.

Door Offering Lock Box

- a. A select number of individuals will have a key or know where the key to the door offering lockbox is.

Disbursements

- a. All expenditures shall be supported by proper documentation. Each credit card transaction should have receipts with accurate documentation attached.
- b. The church council will vote to open any additional credit cards in the church's name.
- c. All invoices shall be approved by the Council Treasurer prior to payment.

- d. The Bookkeeper shall process the invoices and prepare checks for signature.
- e. Checks shall be clipped to the supporting documentation prior to presentation for signature.
- f. All checks shall be verified against the supporting documentation by the signer.
- g. Checks shall be signed by the Council Treasurer and the Council President. If one of these two are not available to sign a check prior to the payment due date, the Council Vice President shall be the second signer. The Council Secretary will be the third signature backup.
- h. Check stock shall be kept in a locked safe or file cabinet and may not be signed in advance.
- i. On a monthly basis, musicians must fill out and sign the musician request form in order to be paid.
- j. A reimbursement form must be filled out and signed with receipts attached for proper reimbursement.

Payroll and Associated Taxes

- a. Proper documentation shall be provided for all new hires including:
 - a. Rate of pay or an annual contract signed by employee and Council President stating the annual salary amount and any benefits agreed upon, by Church Council
 - b. Form W-4
 - c. Form K-4
 - d. Form I-9, Drivers License, and Social Security Number
- b. All employee terminations shall be documented as to the cause of the termination.
- c. All documentation shall be permanently placed in the employee's personnel file.
- d. All personnel files shall be stored in a locked file cabinet.
- e. Hourly employees shall complete and sign a time card each week.
- f. The Bookkeeper shall ensure that all federal and state payroll filings are made on a timely basis.

Capital Expenditures

- a. All capital items shall be approved by the council prior to purchase.
- b. All capital expenditures greater than \$20,000 shall be procured through a competitive bidding process with not less than three bids, unless it can be shown that the particular item is only available through a limited number of vendors.

Fund Transfers

- a. All transfers between funds shall be approved by the Council.
- b. The Bookkeeper will make transfers via paper check. (not online transfer)

Loans & Borrowing

- a. All loans shall be approved by the Council.
- b. Accrued interest expense shall be recorded to the general ledger on a monthly basis.
- c. Loan statements from the lender shall be reconciled to the general ledger on a monthly basis.

Bank Reconciliations

- a. The unopened monthly bank statement shall be provided to and reviewed by the Council Treasurer prior to reconciliation by the Bookkeeper.
- b. Bank reconciliations shall be done on a monthly basis.
- c. Any items outstanding for more than 90 days shall be brought to the attention of the Council Treasurer for resolution.

Bank Accounts and Investments

- a. The church council will vote to open or close any and all bank accounts if need be.

Data Security

- b. All accounting software and data files shall be password protected.
- c. Each individual should have their own login and password.
- d. All computers shall have security software installed and running at all times.
- e. All security software updates shall be installed as updates become available.
- f. All data shall be backed up on a daily basis to an off-site data back-up facility.
- g. No data files or data back-ups shall ever leave the premises.

Record Retention

- a. All financial records shall be retained for a minimum of ten years.

ATTEST

I, the undersigned, do hereby certify that I am the duly elected and acting secretary of St. John Lutheran Church; and that the foregoing bylaws constitute the bylaws of the congregation as duly adopted by the Congregation Council on the 12th day of November 2024.

Carol Fritz, Secretary