

Synod Financial Policies
Approved by Northwest Washington Synod Council
March 18, 2023

- I. **PREFACE:** The Northwest Washington Synod of the Evangelical Lutheran Church in America (Synod) is entrusted by God with financial and material resources to carry out the work of the church. It is the intention of the Synod to be good and faithful stewards, using such resources wisely and with care. The Synod will be a responsible partner with the congregations of the Synod, with the other synods in this region, with the church-wide organization, and with affiliated agencies and institutions who carry out the work of the church. The Synod Council is the Board of Directors for the Synod and is guided by the Synod constitution (see constitution, chapter 10, “Synod Council;” chapter 15, “Financial Matters;” and chapter 16, “Indemnification”). These policies have been adopted to give further guidance regarding the use of financial resources.

II. GENERAL PROVISIONS

A. Finance Committee

1. The Finance Committee is comprised of six members. Four members are appointed by the Synod Council for staggered four-year terms; no more than two members would be scheduled to leave within a two-year period. These members could be reappointed for one additional term. In addition, during their term of office, the Synod Treasurer and the Bishop or a representative of the Bishop’s office serve with voice and vote.
2. The Finance Committee reports to the Synod council.
3. A quorum of four is required to conduct the business of the committee.
4. The functions of the Finance Committee include:
 - a. Gathering and compiling information for the development of the general operating budget.
 - b. Reviewing and recommending revisions to these financial policies.
 - c. Monitoring income and expenditures in relation to the general fund budget, these policies, and actions of the Synod Council.
 - d. Supporting the function of the Treasurer.
 - e. Serving as a resource to the Synod Council, Boards, Committees, and the office of the Bishop.
 - f. Investing endowment funds pursuant to the authority and guidelines in the Synod’s Policies and Procedures for Endowment Investments effective July 11, 2015, as may be amended from time to time, with the advice and consent of the Synod Treasurer.

- B. Location of Funds:** All funds owned by the Synod are maintained and accounted for as directed by the Synod Council and the synod’s constitution and policies.

C. Authorization of Payments

(except for payments by the Synod endowment funds, which are governed by endowment policy)

1. Upon receipt of appropriate documentation, the following have approval authority for payments
 - a. from all funds except the Bishop's Discretionary Fund:
 - i. Treasurer
 - ii. Vice President
 - iii. Secretary
 - b. From the Bishop's Discretionary Fund
 - i. Bishop
 - ii. Bishop's Designee
2. Invoices and check requests, prior to being submitted for payment, must be signed by a person authorized to make commitments on behalf of the Synod. Such signatures indicate that:
 - a. material has been properly received, or
 - b. that the service has been performed, or
 - c. that a proper commitment has been made for future services, or
 - d. that the request is in keeping with an approved budget, or
 - e. that the request is in keeping with Synod Council or Executive Committee action.
3. Individuals may not authorize an expense reimbursement or the issuance of checks to themselves.

D. Contracts and Purchase Agreements: All financial commitments for which the dollar value exceeds or may exceed \$5,000 are stated in a written and signed contract or purchase agreement prior to execution. A contract or purchase agreement is defined as an agreement between the Synod and one or more outside parties for the purpose of the acquisition, exchange, or disposition of personal or real property or the acquisition of services.

1. A contract or purchase agreement is deemed approved by the Synod Council provided:
 - a. the dollar value does not exceed \$5,000,
 - b. the contract term does not extend beyond the current fiscal year, and
 - c. the related disbursement(s) will be fully charged to an account, budget allocation, or other plan which has been approved by the Synod Council.

2. A contract or purchase agreement must be specifically approved by the Synod Council if:
 - a. the dollar value exceeds or may exceed \$5,000,
 - b. the contract term extends beyond the current fiscal year, and
 - c. the contract or purchase agreement charge will cause a budget allocation to be exceeded.
3. Signing authority
 - a. Synod Officers or the respective Board, Committee, or Task Force Chairperson are authorized to sign contracts which are deemed approved, pursuant to paragraph 1 of this section.
 - b. The Bishop is authorized to sign contracts which have been specifically approved by the Synod Council, pursuant to paragraph 2 of this section. (See Constitution S8.12.i.1)
4. Contract and Purchase Agreement Communication:

A copy of an executed contract or purchase agreement is sent to the Synod office to the attention of the Bishop for use by the Synod officers in financial planning, activity awareness, and record retention.
5. Financial Analysis

Contracts and purchase agreements in excess of \$5,000 involving financial formulae for final pricing, buy versus lease options, or payment plan alternatives are reviewed with the Synod Treasurer or the Finance Committee Chair/designee before being signed.
6. Debt

Debt may be incurred to acquire assets to the extent the purchase price is not included in the expense budget for the year of purchase.

E. Financial Reporting

1. Treasurer's Reporting
 - a. The Treasurer distributes monthly financial reports consisting of at least a balance sheet and a statement of revenue and expenses throughout the Fiscal Year.
 - b. Each quarter, the Treasurer distributes a congregation-by-congregation a report of giving. These reports are provided to either the Executive Committee or the Synod Council.
2. Annual Audit

The annual financial statements of the Synod are audited by an independent Certified Public Accountant, selected by the Synod Council or its designee. (See constitution S15.31)

3. Revenue Cutoff

Funds received are recorded as of the date of the check. However, if a congregation remits funds during the first two weeks of the Synod's fiscal year and requests in writing that all or a portion of those funds are recorded as meeting the prior year's financial commitment, that request should be honored.

4. Accruals

Commitments to pay for materials or services that have been received prior to the end of the fiscal year are recorded as liabilities at the end of the fiscal year and the expense is recognized in the year in which the material or service is received.

III. SOURCES OF INCOME

A. **Unrestricted Receipts:** Unrestricted receipts from congregations, both ELCA and non-ELCA, or from individuals are credited to the general fund.

B. **Restricted Gifts For Non-Synod Use:** Restricted gifts from congregations or other contributors are paid in full to the specified recipients and will not offset any Synod budgeted allocation. Such gifts are NOT subject to sharing with churchwide.

C. **Special Gifts For Synod Use**

1. Special gifts for Synod use with RESTRICTIVE provisions are referred to the Synod Council for their acceptance or rejection.
2. Special gifts for Synod use with NO RESTRICTIVE provisions are placed in the general fund and reported to the Synod Council.

D. **Gifts In-Kind** (except for gifts in-kind governed by synod endowment policies)

1. The Synod accepts all bona-fide gifts that directly or through liquidation may be beneficial to the purpose of the Synod. Prior to official acceptance by the Synod, gifts in-kind are reviewed on an individual basis. The Synod consults with qualified person(s) within and/or outside the organization, as necessary, to determine the gift's value to the Synod. The Synod does not take responsibility for determination of the monetary value of gifts in-kind to the donor.
2. Liquidation of gifts in-kind, if practicable, will occur as soon as is reasonable from the date of legal ownership; unless, upon review by the Synod Council, a different decision is made regarding a specific gift in-kind as to its purpose, usefulness, or length of ownership.

3. Paramount in any such evaluation and/or liquidation of a gift in-kind is its usefulness in fulfilling the purpose of the Synod, within the relevant provisions of the Internal Revenue Code.

E. **Interest Income:** All interest income is credited to the General Fund except for interest income earned on permanently restricted funds covered under Section V.

F. **Event Income:** Event income is credited to the same fund as designated for the recording and control of event costs. (See Section VII, A. B. C.) Income from minor events is credited directly to a Board/Committee account within the General Fund when costs are handled in a similar manner. Designated offerings received during an event are promptly disbursed to the designee.

G. Miscellaneous Income

All other income, unless otherwise directed by the Synod Council, is credited to the General Fund.

IV. GENERAL FUND

A. Sources of Income

Unrestricted receipts from congregations, both ELCA and non-ELCA, and from individuals; as well as all other receipts which are not specifically allocated to another fund are credited to the general fund (See Section III.)

B. Authorization of Commitments

1. Any commitment for expenditures must be within the limits of the approved budget, subject to the relevant conditions under Section II.D. [Contracts and Purchase Agreements]. The approved budget constitutes authorization for all line items normally present within any category. The Synod Treasurer authorizes all expenditures of previously approved commitments.
2. In addition:
 - a. The Bishop or the Bishop's designee may authorize commitments in the following areas:
 - i. Bishop's Discretionary Fund
 - ii. Administration Category within budget limits
3. The Vice President or the Secretary may authorize commitments, within budget limits, for meeting expenses of the Synod Council.
4. Board or Committee chairs may authorize commitments within budget limits for expenditures to carry out the functions of their respective

Board or Committee. Budgets for Boards and Committees must be requested of the Bishop from the approved budget category prior to any expenditure.

5. Synod Council action is required to authorize any proposed expenditure that would cause expenditures to exceed the approved budget for the year or, which would, when combined with other proposed future expenditures known to the Treasurer, exceed the approved budget amount for the year.
6. Synod Council action is required to authorize changes in budgeted commitments to any budget category. Specific care is exercised in authorizing changes to categories that may automatically affect a future year for which a budget may already have been approved, for example, compensation.
7. If the General Fund budget is exceeded by more than 5% the approval of the Synod Treasurer and the Finance Committee Chair is required.

C. Order of Payment

1. In the absence of direction from the Synod Council specific to the situation, commitments are paid in the priority order as follows:
 - a. ELCA church-wide support
 - b. Synod expenditures as follows:
 - i. Compensation; including payroll taxes and benefits.
 - ii. Rent
 - iii. Contractual obligations
 - iv. Reimbursement of expenditures made on behalf of the Synod.
 - v. Partnerships
 - vi. Region One
 - vii. All other Partnership Ministries to be paid on a pro-rata basis.

D. General Fund Balance

1. The General Fund cash balance must be maintained at a level equal to or greater than 10% of the budget for the current year; exceptions require the approval of the Synod Treasurer and the Finance Committee Chair.
2. Overdrafts in the General Fund are not permitted.

E. **Debt:** The Synod may not incur debt to pay operating expenses.

F. **Loans** are not made from the General Fund nor from any other fund to the

General Fund. Section VII.B. may be considered an exception.

G. Allocation of a Surplus in the General Fund

1. If, for any fiscal year, the total surplus (revenue less expenses) exceeds the budget by 5%, the Synod Council may designate all or part of the General Fund surplus as a carry-over to the next budget/fiscal year. The Synod Council may also designate a part of the General Fund surplus for Capital budget expenditures if requested by the Finance Committee or the Executive Committee.
2. Additional surplus funds are allocated as follows
 - a. As designated in a resolution adopted by the Synod Assembly at the time of the adoption of the annual budget, or, in lieu thereof.
 - b. Forty-five percent (45%) to ELCA Churchwide
 - c. Twenty-five percent (25%) to Synod's Partnership Ministries
 - d. Thirty percent (30%) to the ministry of the Synod.
3. Timing
 - a. Any amounts allocated to ELCA Churchwide are paid by the Synod Treasurer as soon as feasible.
 - b. Any other amounts are transferred to a Council-Designated Fund are disbursed for the designated purpose under the procedures applicable to Designated Funds. (See Section V.)

H. Investments

Any balance in the General Fund available for a minimum of one-year investment may be invested in the ELCA Mission Investment Fund or the ELCA Endowment Fund Pooled Trust (Commonly referred to as the ELCA Ministry Growth Fund) upon the approval of the Synod Council.

V. DONOR RESTRICTED FUNDS AND COUNCIL DESIGNATED ACCOUNTS

- A. **Donor restricted funds** are restricted until expended or retired to the General Fund by order of the donor or because the original purpose is no longer valid – will be established by the Treasurer after the Synod Council has voted to accept the restricted gift. The Council is not obligated to accept any gift which has restrictions. These funds are reported separately from the General Fund but are maintained with the Synod financial reporting system. Restricted funds in the nature of Endowments, where the principle is invested, and the earned income used for a restricted purpose with the principle being preserved will remain permanently open.
- B. **Council designated accounts** will automatically end each 31 January unless renewed by the Council at its January meeting. They may also end during the

fiscal period if the purpose is satisfied or all the designated funds are expended. These accounts are created internal to the Synod for special extra-budgetary purposes. They may also be created from General Fund surplus. They are reported separately from the General Fund but maintained within the Synod financial reporting system.

1. Establishment

- a. A restricted Fund is established to comply with the purpose and provisions of an accepted restrictive grant, bequest, or gift; or the earnings therefrom.
- b. Synod Council may establish a Designated account to facilitate the control of the flow of funds relating to a Board, Committee, or Task Force program, project, or event which is expected to be completed within the current fiscal year. Council may renew the account if the program, project, or event is not completed.

2. Principles for Restricted Funds and Council Designated Accounts

- a. Authorized persons access these funds through the Synod Treasurer.
- b. Board, Committee, or Task Force chairs may request the establishment of a Council Designated account.
- c. When a current council designated account has been properly established, the chair of the relevant Board, Committee, or Task Force is responsible for ensuring that all revenues and expenditures associated with the activity in question are reflected through the designated account and not mingled with the General Fund. In the event Council designates funds of its own volition, such activity will be monitored by the Treasurer.
- d. Amounts held in council-designated accounts are to be recognized during the budgetary process for General Fund requests.
- e. Amounts held in council-designated accounts are to be used solely for the purpose or activity so designated.
- f. Amounts held in council-designated accounts are to be used before amounts allocated for like purposes in the budget of the General Fund.
- g. Receipts and expenditures affecting restricted funds and council-designated accounts are included in the monthly report of the Treasurer.
- h. Restricted funds and council-designated accounts will be part of the monthly report of the Treasurer. The Board, Committee, Task Force, or Synod Finance Committee chair and the Treasurer are required to do an annual review of the status and/or continuing need for each council-designated account and report their conclusions to the Synod Council.

C. Principles for Permanent Restricted Funds

Permanently restricted funds (endowment funds) are invested in accordance with the “Northwest Washington Synod Policies and Procedures for Endowment Investments” as adopted by the Synod Council on 11 July 2015 and as subsequently amended.

D. Closeout

1. Accounts established for a restrictive grant, bequest, or gift are governed by the conditions requested by the donor. Changes in restrictive conditions may be made by the Synod Council with the permission of the donor.
2. Accounts established at the request of a Board, Committee, or Task Force chair may be closed by the Synod Treasurer at the request of these same persons. Any account balance is credited back to the appropriate General Fund program or committee account. Other recommendations may be acted upon by the Synod Council.

VI. BUDGET DEVELOPMENT PROCESS

- A. **Balanced Budget:** The General Fund budget proposed to the Synod Assembly is balanced based on realistic undesignated contribution projections as well as any Council-approved use of operating reserves. The total revenue projection will equal expenditures, except where either revenue or expense include a line item for an anticipated change to the fund balance.
- B. **Requests:** All requests for a General Fund budget allocation are submitted in writing and signed by the requestor.
- C. **Calendar:** The budget development calendar is approved by the Synod Council. The most recent budget development calendar adopted by the Synod Council is considered to be a part of these Financial Policies.

VII. Other Miscellaneous Provisions

- A. **Synod Assembly:** The Synod Assembly Task Force, including a Synod Assembly Treasurer, is appointed by the Synod Council (S11.01.1 2). This task force establishes a budget for the Synod Assembly to be approved by the Synod Council. The assembly is assumed to be self-supporting; therefore the budget includes provision for adequate working capital to pay the pre-assembly expenses of the next Assembly. Financial activity is controlled through a restricted fund established for this purpose. Synod Assembly funds will be disbursed only upon written approval of the Synod Assembly Treasurer and the Synod Treasurer. A final financial report is provided to the Synod Council not later than six (6) months after the last day of the applicable assembly.

- B. **Synod Events:** Prior to Synod sponsored events, the relevant Planning committee estimates potential receipts and disbursements and communicates this information to the Synod Executive Committee. Advance registrations are encouraged. If a re-occurring event loses money, it will not be approved for a subsequent assembly without paying its own “up front” costs. The Treasurer will allow a re-occurring event which always shows solvency to accrue a negative balance in their designated account for “up front” costs. With the exception of those expenses related to the event that are included in the General Fund budget, all expenses are to be covered by registration fees, offerings, or other receipts generated by the event.
- C. **Multi-Synod Events:** This Synod, with one or more other synods, may sponsor a joint event. Prior to the event, the joint planning committee should agree on the basis for the distribution of estimated gains and potential losses. This Synod’s representatives on the joint planning committee should communicate the proposal to this Synod’s Executive Committee for approval and to the appropriate Board or Committee, if any. Advance registrations are encouraged.
- D. **Mileage Allowance For Staff And Volunteers:** The mileage reimbursement rate for staff and volunteers for use of personal vehicles in attending to the business of the Synod is the current standard mileage rate published periodically by the Internal Revenue Service for business use of personal vehicles.
- E. **Conflict of Interest:** During the years of service on either Finance Committee or Synod Council, each member is to avoid any direct or indirect financial benefit from actions they take as fiduciaries; any potential conflicts will be disclosed as soon as the individual involved becomes aware of the situation.