

POLICY AND PROCEDURE

Financial management

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1. Introduction

Lighthouse Church Central Coast is an Incorporated Association registered with the Australian Charities and Not for Profit Commission (ACNC), the national charity regulator. These policy and procedures were developed to ensure:

- good practice in relation to financial management of Lighthouse Church
- we operate as a not for profit organisation
- we meet our governance and reporting obligations.

This information has been developed with reference to the following key documents:

- the NSW Associations Incorporation Act 2009
- Lighthouse Church Central Coast Constitution - rules by which the Association will be governed
- ACNC governance standards
- Guide to the Legal Duties of not-for-profit Committee members and office holders in NSW
- Managing charity money: guide for board members on managing finances and meeting ACNC duties.

2. Requirements

ACNC governance standards set out minimum standards that must be met by registered charities as outlined below:

- Standard 1: Ensure activity aligns with purpose and not-for-profit nature
- Standard 2: Maintain accountability to members
- Standard 3: Ensure the Association complies with all Australian laws
- Standard 4: Ensure suitability of 'Responsible People'
- Standard 5: Fulfil duties of Responsible People
- Standard 6: Maintain & enhance public trust and confidence in the Australian not-for-profit sector.

This document outlines how we ensure the Association complies with the Standards.

3. Our purpose

Our Constitution confirms the Association is a not for profit entity (clause 53), and that the assets and income of the association will be used solely to further the purpose of the association which is 'conducting the affairs of the church' (see clause 2) in line with our mission (clause 4) of 'building Christ's church by proclaiming God's word'. This information is publicly available on the Australian Charities and Not for Profit Commission (ACNC) register, and is made available to new members of the associations. Additionally:

- our website and promotional resources provide information about our purpose and activities
- the Administration Committee develops an annual report which is audited by an external auditor, submitted to the ACNC, and received by members at our Annual General Meeting (AGM).

4. Responsible persons

'Responsible Persons' under the ACNC Act are people who are responsible for the way a charity operates which usually means they are involved in key decisions and have control or influence over the affairs of the association. Under the ACNC Act, responsible persons have the following legal duties:

- to act with reasonable care and diligence
- to act honestly and fairly in the best interests of the charity and for its charitable purposes
- not to misuse their position or information gained in the role of responsible person
- identify and disclose conflicts of interest
- ensure the financial affairs of the charity are managed responsibly
- not allow the charity to operate while insolvent.

In the case of Lighthouse Church, 'responsible persons' include:

- staff who are responsible for leading church and have oversight of 'matters relating to the spiritual welfare of the church' (Constitution clause 13)
- Administration Committee members who administer the financial affairs of the Association
- members of any sub-committee to whom the Administration Committee has delegated its functions under clause 32 of the Constitution
- selection panel members.

Some people involved in church may be involved in key decisions or have influence over the affairs of the association even if they do not hold an official position.

The Administration Committee is responsible for:

- identifying responsible persons
- checking the ASIC Disqualified Persons Register to ensure responsible persons are not disqualified from managing a corporation under the Corporations Act 2001 (Cth)
- checking the ACNC Register of Disqualified Persons to ensure responsible persons have not been disqualified by the ACNC Commissioner
- ensuring responsible persons complete a responsible person declaration.

If the Association is not satisfied that a person meets these requirements, we will not appoint them or will take reasonable steps to remove them as a responsible person if already appointed.

5. Roles and responsibilities

In relation to the financial management of the Association, in line with the Act, our Constitution (clause 23) states the Administration Committee is authorised and has responsibility to:

- determine and administer the financial affairs of the association
- manage the property of the association
- perform all acts and do all things not elsewhere regulated by these rules as appear to the administration committee to be necessary or desirable for the proper management of the affairs of the association.

Based on these responsibilities, Administration Committee members must have a basic level of financial literacy to participate in decision making and make informed decisions. Members must be aware of their legal duties as a responsible person, rules in the Constitution, and policies and procedures relevant to financial management of the Association. For this reason, an induction pack for new Admin Committee members will be provided based on the ACNC presentation on file titled 'Welcome to the Board'.

The Constitution (clause 26) also outlines specific roles for office-bearers of the Association as follows:

- A. the senior pastor occupies the role of chairperson of the Administration Committee (clause 13(3)). The Chairperson provides leadership to the Committee in meeting their obligations.
- B. the Treasurer (clause 28) is to:
 - collect and receive all money due to the association
 - make payments authorised by the association
 - keep correct accounts and books showing the financial affairs of the association
 - prepare, for approval by the administration committee, the annual budget of the association
 - present the approved budget to members at a general meeting.
- C. the Secretary (clause 27) is to keep minutes of elections and appointments of committee members and pastors, persons present at Admin Committee and general meetings, and record meeting proceedings.

6. Raising funds

The Association raises funds to achieve its stated purpose primarily through voluntary member donations (clause 47). There is also provision to receive visitor/public donations. The Association charges fees for participation in events aligned with our purpose with the aim of ensuring these events are cost neutral to the Association, and has received small scale government grants for the purpose of running events that are open to and benefit the local community.

7. Distributing funds

The Association raises and distributes money to other entities aligned with our mission including:

- funding for missionary partners working overseas
- support for a nominated new church plant
- FIEC contribution (2% of wages, superannuation and workers compensation paid).

These donated funds (provision balances) are paid as agreed to external entities six monthly.

8. Keeping finances secure

7.1 Money handling

In line with the requirements of our Constitution (clause 47):

- all money received at meetings of the church must be counted and attested by the signature of two members who are not related and not staff, at least one being authorised to do so by the Administration Committee
- all money received by the association must be deposited as soon as practicable and without deduction to the Association's bank account
- all cheques, drafts, bills of exchange, promissory notes and other negotiable instruments must be signed by any two members of the association or employees of the association, who are not staff, and who have been authorised to do so by the Administration Committee.

In addition, the following procedure has been developed and implemented in relation to counting money received via the giving boxes at church meetings:

- Electronic giving is promoted as the preferred method to minimise money onsite
- Cash in giving boxes is counted 30 minutes after the meeting has ended by which time many people have left the site
- Two members have been allocated the task of money handling
- Locked giving boxes attached to a sandwich board/A-frame are opened with the key by the authorised person, contents are placed on the counting table with both allocated people present
- Giving envelopes are opened, and totals for each money denomination in each of the giving category are totalled and entered on a worksheet to give a grand total
- Money is recounted to ensure the total is correct
- A deposit and a special plastic deposit bag from the bank is prepared and sealed
- Work sheets are kept in the bag and given to the Treasurer at the end of each month
- The person taking the money home for banking either leaves while others are still around or asks to be accompanied to their vehicle.
- The money is deposited at the bank on the first available banking day.

7.2 Other financial controls

We have implemented the following financial controls in line with ACNC guidance:

- Multiple signatures on payments and receipts
We have at least two people involved in authorising and completing all transactions. Authorised signatories are Admin Committee members or appropriate members of the Association selected and approved by the Administration Committee.
- Budget and financial reporting
The Administration Committee develops a budget for each reporting period (calendar year) commencing October each year. The budget is presented and accepted by members at the Association's Annual General Meeting (AGM). The Administration Committee meets monthly and

reviews performance against the budget, and discusses and approves any significant variations.

- Clear financial delegations

Leaders (staff, ministry and event leaders) can spend up to \$5,000 under an approved budget that contains a specific budget allocation relating to the expense. All non-budgeted expenses over \$300 must be approved by the Administration Committee.

- Information security

Each authorised signatory has a unique login which must not be shared. Our policy is that cash is not retained in any form eg petty cash tin or safe.

- Reviewing and strengthening financial controls

We review our financial controls regularly on an informal basis. Any changes or improvements are discussed and minuted at monthly Admin Committee meetings. We also have this as a standing agenda item to formally consider effectiveness of, and improvements to, financial controls twice yearly (April and Oct).

9. Monitoring financial position

The Administration Committee meets monthly to discuss, review and decide matters relevant to ‘the proper management of the affairs of the Association’ including:

- our financial position in relation to the budget
- governance and risk including safe ministry, work health and safety, insurance, privacy and information management, complaints and reporting.

10. Risk management

In addition to the financial controls outlined above to minimise the risk of financial mismanagement or fraud, the following address related business risks.

8.1 Insurances

The Administration Committee are responsible for ensuring the appropriate level of coverage to address business risks in consultation with our insurer. Our suite of insurers include:

- public liability insurance
- workers compensation insurance
- professional indemnity and management insurance
- accidental damage, loss or theft of property and equipment.

Our work health and safety policy and procedure outlines requirements for ensuring appropriate insurance cover when church employees and volunteers use their private vehicles to perform work for church.

8.2 Security

Our work health and safety policy and procedure provides information about the management of security risks during church meetings or events accessed by the general community. This includes site safety

considerations, theft prevention strategies for money onsite, and training for welcomers in dealing with disruptive or potentially aggressive intrusions.

8.3 Disputes

The Association has a policy and procedure designed to address concerns in church to ensure such matters do not detract from the mission of church. The process was developed with reference to our Constitution (clause 45) which provides rule for resolution of internal disputes.

11. Record keeping

The ACNC Act requires us to keep financial records, and operational records (eg policies, strategic plans, annual reports, meeting minutes) to demonstrate we are managing our finances appropriately and meeting our obligations. We will maintain accurate and current financial records that correctly record and explain:

- how church receives and spends money
- our financial position (how much money it has), and
- our performance over time in managing our finances to achieve our purpose.

We maintain records that show all of our financial transactions and provide information about our activities as a charity including:

- income, expenses, assets and liabilities via our accounting package (Xero)
- bank statements
- contracts including rental and leases
- employment contracts, worker wages and superannuation records
- tax records and related correspondence.

Our Privacy and Information Management policy and procedure:

- outlines how we keep our records securely (electronically where possible) in line with relevant privacy laws
- describes how we keep sensitive records secure and who is authorised to access them
- describes our filing system and how it is maintained
- outlines how we back up our electronic records
- indicates who is responsible for record keeping and storage
- confirms we will maintain records for seven years in accordance with ACNC requirements.

12. Accountability to members

The Administration Committee must ensure that the funds received are used in pursuance of the mission of the Association (clause 5) and in accordance with its charitable purpose.

The Association takes reasonable steps to be accountable to members, and allow members adequate opportunity to raise concerns. We achieve this by:

- developing annual reports and having them audited by an external auditor prior to our AGM
- presenting annual reports at the AGM (rules outlined in Constitution) and ensuring provision for questions, voting and circulation of meeting minutes

- processes for appointing responsible persons
- communicating with members regularly on key issues eg purchasing land for building
- monthly updates on finances against our budget in Sunday handouts
- developing and communicating policies and procedures to address key organisational risks and set expectations eg work health and safety, record keeping, managing concerns in church.

At the AGM members have the opportunity to (clause 35):

- confirm minutes of the last AGM
- receive reports on the activities of the association during the last preceding financial year
- approve members of the administration committee
- receive the financial statement
- receive and approve the budget of the association for the current financial year.

Members are encouraged to raise relevant concerns, issues or questions with Administration Committee throughout the year via submission of member correspondence to the Secretary. Additionally, our Constitution (clause 51) requires the financial records, register of members, and minutes of general meetings of the association to be open to inspection by a member of the association without cost at any reasonable hour.

13. External reporting obligations

The Association will submit an information statement annually to the ACNC within six months of the end of our reporting period (calendar year). This includes:

- reviewing the Association's profile on the ACNC Register to ensure details are current and accurate
- providing a copy of financial reports submitted to members at the AGM
- providing a copy of the auditor's report
- answering questions required by the ACNC.

As required, the Association will also promptly notify the ACNC of any changes or errors related to financial records and information submitted.

Currently these obligations are met by the Secretary, in consultation with the Treasurer. To ensure this occurs, the report is submitted as soon as possible after the AGM and an annual reminder is included in the Administration Committee agenda template.

The provision of this information to the ACNC ensures relevant information about the Association's purpose, activities and finances are made available to the public.

14. Related policies and procedures

LC01 Policy and procedure - privacy and information management

LC05 Policy and procedure - managing concerns in church

LC07 Policy and procedure – work health and safety.